

ANNUAL ADMINISTRATOR'S REPORT

for the financial year ended
31 December 2013

Prepared in accordance with Law no
297/2004, CNVM Regulation no 1/2006 and
CNVM Regulation no 4/2011

(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 long-term 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		Year End		
		31 December 2013	31 December 2012	31 December 2011
Total Shareholders’ Equity (RON million)	a	10,885.0	11,836.8	11,120.7
Total NAV (RON million)	b, d	15,013.7	14,979.2	14,465.4
NAV per Share (RON)	b, d	1.2436	1.1371	1.0788
NAV per Share change in the period (%)*		+9.4%	+5.4%	-3.0%
NAV per Share Total Return (%)*	c	+13.3%	+8.9%	-0.5%
Share Price as at the end of the period (RON)		0.8335	0.5495	0.4270
Share Price Low (RON) ¹		0.5705	0.4270	0.4151
Share Price High (RON) ¹		0.8605	0.6050	0.6495
Share Price change in the period (%)*	c	+51.7%	+28.7%	-34.3% ²
Share Price Total Return (%)*		+61.3%	+38.3%	-30.2% ²
Discount to NAV as at the end of the period		33.0%	51.7%	60.4%
Average Discount for the period		41.3%	50.2%	55.7%
Total Share Turnover (RON million)		4,097.0	3,218.8	5,122.9
Average Daily Share Turnover (RON million)		16.4	13.0	21.8

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

*Compared to the end of the previous year

Notes:

- Prepared on the basis of 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 the number of treasury shares and 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)

¹ Closing prices. Source: BVB

² Closing price quoted by BVB on 25 January 2011 (first trading date): RON 0.6495 per share

Share Capital Information	31 December 2013	31 December 2012	31 December 2011
Issued Share Capital (RON)	13,778,392,208	13,778,392,208	13,778,392,208
Paid Share Capital (RON)	13,413,137,586	13,412,780,166	13,407,569,096
Number of Shares in Issue	13,778,392,208	13,778,392,208	13,778,392,208
Number of Paid Shares	13,413,137,586	13,412,780,166	13,407,569,096

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 Structure³ (as at 31 December 2013)

Shareholder Categories	% of subscribed share capital	% of paid-up share capital	% of voting rights
Foreign institutional shareholders	53.44%	54.89%	60.99%
Romanian private individuals	20.16%	20.71%	23.00%
Romanian institutional shareholders	8.46%	8.69%	9.66%
Foreign private individuals	5.54%	5.69%	6.32%
Ministry of Public Finance ⁴	0.02%	0.02%	0.03%
Treasury shares ⁵	9.73%	10.00%	-
Unpaid shares ⁶	2.65%	-	-

There were 8,159 shareholders on 31 December 2013.

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³ Source: Central Depository

⁴ The percentage represents the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 2.67%, including the Unpaid shares

⁵ 240,304,801 shares acquired by the Fund through the first buy-back programme and 1,100,950,684 treasury shares acquired through the second buy-back programme.

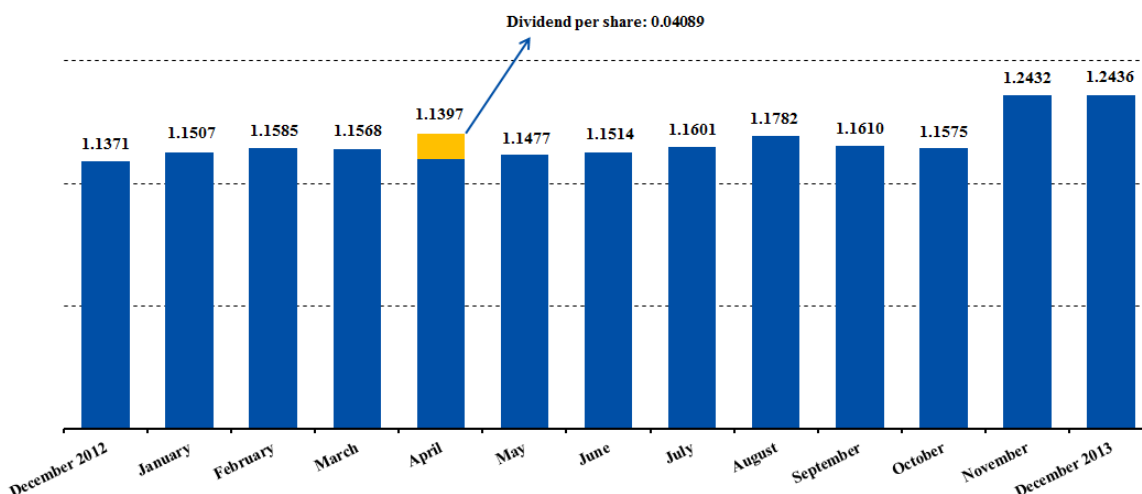
⁶ Shares unpaid by Romanian State represented by Ministry of Public Finance

Administrator's Letter to Shareholders

Dear Shareholders,

2013 was a year of strong performance for Fondul Proprietatea and its shareholders in terms of the share price and Net Asset Value ("NAV"), despite various challenges along the way. During the third year of our mandate as Fund Manager and Sole Administrator of the Fund, our focus remained unwavering on creating shareholder value through our active management approach and close supervision of the portfolio companies and a constant focus on value-enhancing corporate strategies.

In 2013, the total return on the NAV per share of the Fund was 13.3%. The Fund reported a NAV of RON 15.01 billion and a NAV per share of RON 1.2436 as at 31 December 2013. The share price increased throughout the year to reach a historical high of RON 0.8605 per share (on 3 December 2013) and a total return of 61.3%, compared to the 38.3% cumulative increase in the previous year. The discount of the share price to NAV narrowed to 33.0% as at 31 December 2013, from an average of 50.2% in 2012. In 2013, the discount ranged between 27.4% and 50.2%.



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

The overall upwards trend of the Fund's NAV performance in 2013, was correlated with the overall conditions on the BVB, which positively impacted the valuation of the listed holdings in the Fund's portfolio.

In 2013, the Bucharest Stock Exchange outperformed all the largest markets in Central Europe in both local currency and EUR terms, as shown in the table below.

% change in 2013	in local currency	in EUR
BET-XT (Romania)	23.4%	22.2%
PX (Czech Republic)	4.8%	12.7%
WIG20 (Poland)	7.0%	8.7%
ATX (Austria)	6.1%	6.1%
BUX (Hungary)	2.2%	0.2%

We provide details on the portfolio management on a monthly basis via Factsheets and also in the Quarterly Reports. We encourage you to read the full details given in the section "Analysis of the Portfolio of the Fund".

2013 Profit Allocation Proposal

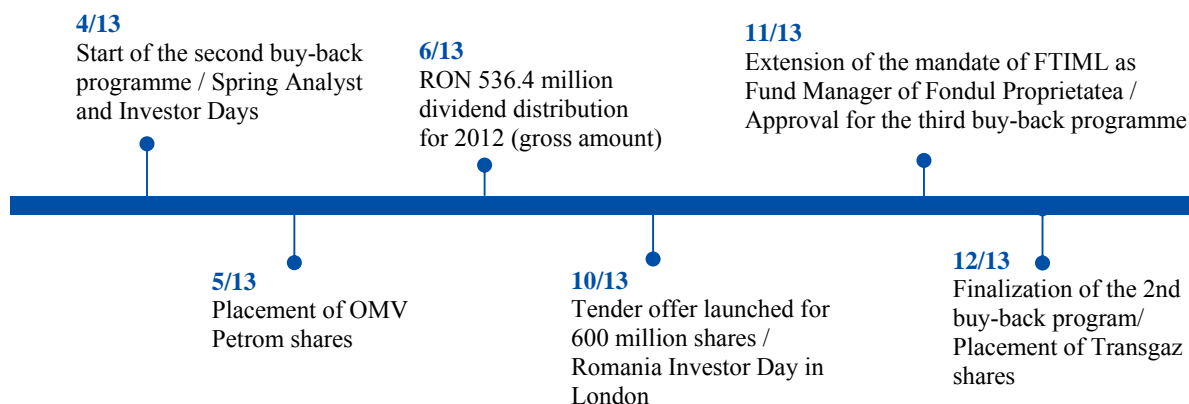
The Fund's 2013 audited net profit was RON 682,154,399. The Fund is obliged to make transfers to the legal reserves until those reserves reach a value equivalent to 20% of the value of the issued share capital of the Fondul Proprietatea. Following the 2013 transfer of RON 34,107,720 the value of those reserves is RON 192,259,194 (being 1.40% of the issued share capital).

The Fund Manager proposes to keep the remaining RON 648,046,679 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. Such a cash distribution to shareholders is a more tax efficient option for the Fund's shareholders. Based on our current understanding of Romanian tax law, no Romanian tax will arise for the Fund or its shareholders on this distribution, which means that the net cash distribution received by the shareholders will be higher by the applicable dividend withholding rate.

The decrease of share capital is subject to the endorsement from the FSA. If this regulatory approval, or any litigation or other event will delay or block the implementation of cash distribution, the Fund Manager may consider proposing a dividend distribution of the unallocated profits for 2013, to ensure that shareholders will receive an annual cash distribution.

In addition, the Fund Manager will seek to return further value to shareholders by continuing to buy-back shares.

Key Events and Activities in 2013



Some of the key objectives achieved in 2013 are:

- Continued efforts to promote the Fund and raise its visibility in the key financial centres in the USA, Europe, Canada and the Middle East;
- Record high participation from investors and analysts to the Spring and Fall Analyst and Investor Days organised in Bucharest, and Romania Investor Day in London;
- Placement of 632.5 million shares held in OMV Petrom SA, via an accelerated bookbuilding process on the Bucharest Stock Exchange;
- Completion of the second buy-back programme for 1.1 billion shares or 7.9% of the share capital, executed via open market buybacks (501 million shares bought at an average price of RON 0.7239 per share) and a tender offer (600 million shares bought at the price of RON 1 per share);
- Placement of the entire holding in Transgaz SA via an accelerated bookbuilding process on the Bucharest Stock Exchange;

- Shareholder approval for key corporate actions:
 - Extension of the mandate of FTIML as Fund Manager and Sole Administrator of Fondul Proprietatea, starting September 2014;
 - Third buy-back programme to repurchase 1.9% of the existing shares in the Fund;
 - Distribution of RON 536.4 million dividend for financial year 2012.

Three Year Anniversary of Listing on the Bucharest Stock Exchange

On 25 January 2011 the Fund was listed on the Bucharest Stock Exchange. Three years after the listing, the Fund remains the most actively traded company on the BVB:

- 5.71 billion shares were traded on the Bucharest Stock Exchange in 2013, equivalent to 43% of the Fund's paid share capital. In Q4 2013, 1.83 billion shares were traded on the BVB, compared to 1.47 billion in Q3, 1.12 billion in Q2 and 1.29 billion shares in Q1.
- The value of the trades with Fondul Proprietatea shares exceeded RON 4.1 billion (EUR 913.4 million) in 2013. The total trading value since the listing exceeds RON 12.43 billion (EUR 2.83 billion).
- In the third year of listing, the Fund continued to be the most liquid stock on the BVB, with an average daily trading volume of 22.85 million shares, i.e. 43% of the total daily turnover on the BVB.
- The Fund continued to attract demand from foreign institutional investors. Since the listing, the Fund has attracted over EUR 1.2 billion in direct portfolio investments from foreign institutional investors.

Investor Relations Update

In 2013, the Fund Manager continued its efforts to raise the profile and visibility of the Fund the local capital market, and Romania to a broader international institutional investor base and to update the current shareholders of the latest developments of Fund and its underlying holdings. Over the course of the year, we organised 12 road-shows in the most important financial centres in Europe, USA, Canada and Middle-East. During the road-shows, the Fund's team met with current shareholders, but also with potential investors. In addition to the road-shows, we participated to 10 global and regional emerging and frontier market conferences in UK, Austria, Poland, Czech Republic and the United States, where we presented the Fund's equity story in individual meetings with investment analysts and portfolio managers.

In addition, we organised 46 individual meetings in Bucharest with current and prospective foreign investors visiting Romania, as well as conference calls with analysts and investors in order to update them on the Fund's financial annual, semi-annual and quarterly results, as well on the Fund's latest developments. Overall, in 2013, the Fund Manager held 380 individual and group meetings and 83 conference calls with investors.

As part of our ongoing efforts to promote the Fund, we organised events focused on the local analysts and institutional investors: in March, we held the second edition of Fondul Proprietatea Analysts Day, addressed to local analysts covering Fondul Proprietatea and in July we organised the third Annual Romanian Institutional Investors Day, where we met the local pension and mutual funds.

Also, the Fund Manager continued the series of investor events to raise the profile of the Fund, the portfolio companies, the Bucharest Stock Exchange, and Romania in general, among international institutional investors. We organised two Analyst and Investor Days events held in April and November 2013 in Romania with record participation: over 150 analysts and institutional investors with over EUR 300 billion under participated in the event to meet both our team and the management of the largest portfolio companies, and to visit a number of key portfolio assets: CE Oltenia's coal fired power-plant in Turceni, Hidroelectrica's Iron Gates power-plant in Drobeta Turnu Severin, which is the third largest hydro power-plant in Europe, Nuclearelectrica's nuclear reactors in

Cernavoda, which together produce approximately 20% of total electricity consumed annually in Romania, Romgaz (gas producer) and Transgaz (gas transportation) operations in Medias, the center of gas industry in Romania. Also, the events featured presentations and speeches from the U.S. Embassy, the International Monetary Fund, Ministry of Transportation, Ministry of Economy, Privatisation and State Ownership Office, OPCOM (Romanian Electricity Exchange), Bucharest Stock Exchange, the Financial Supervisory Authority, the Fiscal Council, the National Energy Regulatory Authority as well as the Fund Manager and the management teams of the largest portfolio companies: OMV Petrom, Hidroelectrica, Romgaz, Nuclearelectrica, CE Oltenia, Transgaz and BRD Groupe Societe Generale. Also, as part of the events, we organised over 100 individual and group meetings between institutional investors and the Fund Manager and management of a number portfolio companies.

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

Secondary Listing Update

Following the shareholders' approval on 25 April 2013 to extend the Fund Manager's authorisation for the secondary listing of the Fund on the Warsaw Stock Exchange ("WSE"), the Fund Manager and the Consortium continued their efforts to cooperate with CNVM and the newly created FSA to support the timely approval of the regulations necessary to allow a link between the central securities depositaries in Warsaw and Bucharest. The successful completion of the secondary listing process has only been dependent on the establishment of this link, which was outside of the Fund's and the Fund Manager's control. For this to be possible, the CNVM and subsequently the FSA consider that it is necessary to amend the existing regulations to allow for the creation of the link between the two depositaries. Due to the very extended delays from the CNVM and the FSA, the current regulatory environment did not allow the Fund Manager to complete the secondary listing on the WSE by 31 December 2013. As there is no visibility if and when the required changes may be approved by the FSA, the Fund Manager did not request from shareholders a further extension of the authorisation for the secondary listing of the Fund on the WSE at General Shareholders' Meeting on 22 November 2013. The mandate expired therefore on 31 December 2013 and the consortium appointment was terminated.

Considering the benefits of a secondary listing, the Fund Manager engaged in a dialogue with shareholders, prospective investors, and investment banks, and following this detailed analysis, the Fund Manager has recommended the secondary listing of the Fund on the Specialist Fund Market of the London Stock Exchange. The Fund's shareholders will vote on the secondary listing plan at the Annual Shareholder Meeting on 28 April 2014.

Share Cancellation

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 Buyback programme.

The registration with the Trade Register of the shareholders resolution was delayed by litigations started by a shareholder of the Fund, and the results of this decision were suspended for a long period of time. The Fund asked for FSA's endorsement of the Constitutive Act as a result of the share capital decrease in April 2012 and FSA issued the decision for endorsing this change on 24 February 2014. The share capital decrease is effective beginning with 24 February 2014.

Buy-back Programmes

On 12 April 2013 the Fund Manager started the execution of the second buy-back programme to repurchase 1.1 billion shares, or 7.9% of the Fund's share capital. Since the start of the buy-back programme up until 20 September 2013, the Fund has repurchased 322.0 million shares, or approximately 29% of the total buy-back program, representing 23.8% of the volume traded on the regular market during the period.

Therefore, the Fund Manager explored several options to accelerate the buy-back programme, and after receiving FSA approval, launched a buy-back tender offer for 600 million shares at RON 1 per share.

The Tender offer was finalised on 14 November and the Fund Manager re-launched the execution of daily buy-backs on 25 November. The second buy-back programme was finalised on 17 December, and 1,100,950,684 shares were acquired at an average price of RON 0.8743 per share.

In an effort to return value to shareholders, the Fund Manager requested and received approval from shareholders during the 22 November 2013 General Shareholders Meeting for the launch of a third buy-back programme to repurchase 252,858,056 shares or 1.89% of the paid share capital. The third buy-back programme can start after the shareholders resolution approving the buy-back is published in the Official Gazette.

The execution of the programme is authorised for a maximum period of 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 between RON 0.2 / share and RON 1.5 / share. The shares repurchased in the third buy-back programme will be cancelled.

Outlook for 2014

Romania's economic prospects remain very encouraging, and the country is in well positioned to benefit from a recovery of global growth that seems to be gaining momentum, along with an uptick in global trade including the Eurozone. We agree with the World Bank's expectations for Eurozone growth to accelerate to an annual average of 1.1% in 2014. Within the Eurozone, Germany that the largest trading partner of Romania should be the engine of growth for the region in 2014, which means a positive spill-over effect should be felt in the periphery and in Central and Eastern Europe, including Romania.

We expect the Romanian economy to continue to accelerate with a GDP growth close to 3% this year. This target may even be crossed if the 2014 harvest turns out to be similar to the one in 2013, which saw particularly strong wheat, corn and barley crops that helped drive export growth.

One of the drivers for Romania's growth in 2014 is likely to continue to be tied to exports, in our view. We see opportunities in services, the energy and the automotive sectors, and investments which would be driven by higher absorption rate of EU funds and a pickup in construction (both commercial and residential). Moreover, we believe one of the strongest contributors to growth could likely be the domestic consumption. The domestic demand in Romania has very slowly in the past couple of years but, with record low inflation, decreasing interest rates, low and stable unemployment levels and a low base compared to 2007-2008, we expect it to strongly recover in 2014.

We do not anticipate inflation to grow meaningfully over the next 12 months and we do not expect a significant weakening of the Romanian Leu (RON). We believe that interest rates could further decline following the cut in the Romanian Central Bank's base rate in the first days of this year to a record low of 3.75%, which we expect could be supplemented by at least one more 0.25% cut during 2014.

For Romania's capital market, 2014 should be another year of transformation that we believe could ultimately lead to an upgrade for Romania from a frontier to an emerging market. Romania's current frontier status with index provider MSCI has proven to be very beneficial, as investors had a very strong interest in these markets over the last few years. In 2013 frontier markets' funds saw record high inflows despite net outflows recorded by emerging market funds what gave a support to Romanian equities. In 2014, it's possible that we could see another record-high issuance of new equity and secondary placements of Romanian shares. The most important transactions are still expected to come from the state, with several announced IPOs in utilities/electricity sectors. We may also see some private companies looking at IPO opportunities, as banks in Romania continue to be very cautious in their lending policies. Also, the corporate bond market could exceed the encouraging volumes of new deals from 2013.

The increasing participation of retail investors could be another key element in the development of Romania's stock market. Private individuals have shown a great deal of interest in the state's public offerings last year, and we expect them to be increasingly more active not only in IPOs and Secondary Public Offerings (SPOs) but also by investing in mutual funds which in turn invest on the Bucharest Stock Exchange. A good incentive for accelerating this trend is the fact that interest rates for deposits have fallen to record-low levels in the past six months. We also see Romanian pension funds likely to increase their exposure to equities, which at the end of October 2013 accounted for only 12.2% of total assets under management of RON13.2 billion.

In terms of politics, 2014 will be marked by two electoral campaigns which usually generate a lot of noise and volatility. This may affect investors' decisions in the short term. However, we do not expect the upcoming elections to have a strong longer-term impact on the economy, as Romania's strong fundamentals and its commitment to the agreements with international financial institutions such as the International Monetary Fund ("IMF") should prevent any major sideslips.

Overall we believe in a continuation of a positive growth trend for the Romania's economy and capital market experienced in 2013 despite expected political turmoil related to the upcoming elections.

Maximising Shareholder Value in 2014

As we look to generate value for the Fund's shareholders, we will continue to actively manage the Fund, work closely with the Government to ensure successful completion of the upcoming initial public offerings of Hidroelectrica, CE Oltenia, as well as other portfolio companies, and enhance the profitability of these assets to ensure a growing dividend income for the Fund. Furthermore, value-enhancing corporate actions such as share buy-backs and cash distributions to shareholders complemented by a secondary listing of the Fund in London and continued promotion of the Fund and the Romanian capital market should allow the Fund's NAV to be better reflected in the share price.

We are confident that our active, bottom-up investment process will allow us to continue delivering the best long-term results for our shareholders and we look forward to the opportunities ahead for Fondul Proprietatea.

General Shareholders Meeting

Last but not least, we would like to take this opportunity to invite all shareholders to attend the Annual General Meeting of Shareholders to be held in Bucharest on 28 April 2014, starting with 10.00 a.m., where you will have the opportunity to receive the latest updates about the Fund.



Grzegorz Maciej Konieczny
Legal Representative and Portfolio Manager
Franklin Templeton Investment Management Ltd.
United Kingdom, Bucharest Branch



Dr. Mark Mobius
Executive Chairman
Templeton Emerging Markets Group

Analysis of the Activity of the Fund

General Information

Main activities of Fondul Proprietatea

Fondul Proprietatea is a Romanian legal entity, incorporated as a joint stock closed-end investment company. The Fund is registered with the FSA in the category “Other Organisations for Collective Investments – AOPC” and has been listed on the regulated market of the BVB since 25 January 2011.

The main activities of the Fund according to the National Statistics Classification of Economic Activities in Romania (“CAEN”) and the Fund’s own Constitutive Act are the business of operating mutual funds and other similar financial entities (CAEN reference 643) and the main activity is financial investments (CAEN reference 6430).

Incorporation of the Fund

The Fund was incorporated by the Romanian State in 2005 as a joint stock company with the initial purpose of providing compensation to individuals whose real property assets were illegally confiscated by the Romanian State during the Communist regime, and which can no longer be returned to those individuals in kind.

The Fund’s original Constitutive Act was enacted by Government Decision no. 1481/2005 regarding the incorporation of Fondul Proprietatea S.A. (“Government Decision 1481”), which determined that the Fund would be an undertaking for collective investments organised as a closed-end investment company. However, the Fund was only officially registered by CNVM (currently FSA) as a closed-end investment company in 2010 (by CNVM decision no. 34/18 August 2010).

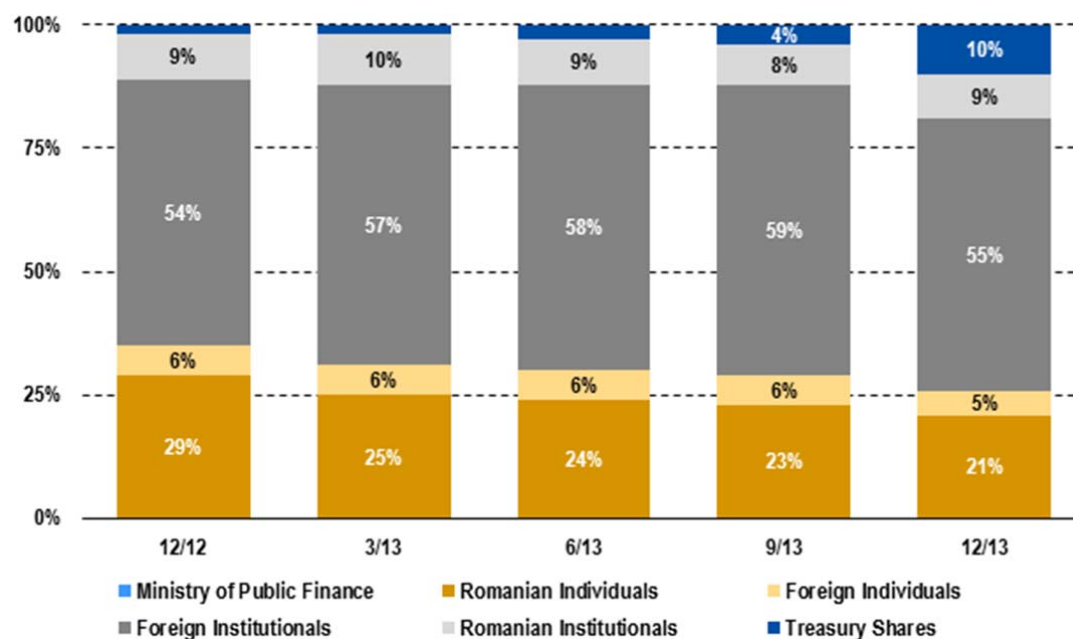
The initial sole shareholder of the Fund was the Romanian State. Since the Fund’s launch, these shares have been awarded by the National Authority for Property Restitution to individuals legally entitled to receive compensation from the Romanian State and who chose to convert their compensation entitlements into shares issued by the Fund. As a result, given that the compensation and conversion process is ongoing, the Romanian State’s participation in the share capital of the Fund is continually decreasing.

Employees of the Fund

As at 31 December 2013 the Fund had no employees. Given that the Fund is administrated by the Fund Manager, it is not expected that the Fund will have any employees in the future.

Share Capital

The evolution of the shareholder structure during the year is illustrated by the following chart:



The shareholder structure as at 31 December 2013 was as follows:

Shareholder Categories	% of subscribed share capital	% of paid-up share capital	% of voting rights
Foreign institutional shareholders	53.44%	54.89%	60.99%
Romanian private individuals	20.16%	20.71%	23.00%
Romanian institutional shareholders	8.46%	8.69%	9.66%
Foreign private individuals	5.54%	5.69%	6.32%
Ministry of Public Finance ⁷	0.02%	0.02%	0.03%
Treasury shares ⁸	9.73%	10.00%	-
Unpaid shares ⁹	2.65%	-	-

Changes Affecting the Capital of the Fund:

At the beginning of 2013, the subscribed capital of the Fund was RON 13,778,392,208, and the paid-up capital was RON 13,413,137,586.

During 2013, the Fund's paid-up share capital increased as follows:

- The Fund Manager issued Decision 4/1 February 2013, in which it acknowledged that the Romanian State had transferred 2,350 shares in Romgaz with a nominal value of RON 23,500, as share capital contribution against the unpaid capital, according to GEO 81/2007; there was a share capital increase in Romgaz SA equivalent to the value of land to which Romgaz obtained title.
- The Fund Manager issued Decision 12/8 May 2013, in which it acknowledged that the Romanian State had transferred 13,384 shares in Romgaz with a nominal value of RON 133,840, as share capital contribution against the unpaid capital, according to GEO 81/2007; there was a share capital increase in Romgaz SA equivalent to the value of land to which Romgaz obtained title.
- The Fund Manager issued Decision 20/18 June 2013, in which it acknowledged that the Romanian State had transferred 20,008 shares in Romgaz with a nominal value of RON 200,080, as share capital contribution against the unpaid capital, according to GEO 81/2007; there was a share capital increase in Romgaz SA equivalent to the value of land to which Romgaz obtained title.

As a result of these three decisions, the subscribed capital of the Fund remained unchanged at RON 13,778,392,208 and the paid-up capital increased to RON 13,413,137,586, as at 31 December 2013.

There is no ongoing litigation that could impact unpaid share capital.

Treasury shares

In April 2013, the Fund started the execution of the second buy-back programme, approved by the shareholders in the General Shareholders Meeting on 25 April 2012. Subject to availability of cash, the Fund Manager was authorised to repurchase a maximum number of 1,100,950,684 shares (representing 7.99% of subscribed share capital and 8.21% of paid-up share capital) within 18 months of the date when the shareholders' resolution is published in the Official Gazette, within the price range of RON 0.2 per share to RON 1.5 per share, to be cancelled upon completion of the buy-back programme.

This buy-back programme was finalised on 17 December, and 1,100,950,684 own shares (having a nominal value of RON 1,100,950,684) were acquired at a total acquisition cost, including brokerage fees and other costs directly related to the acquisition, of RON 974,824,667.

The share capital decrease by canceling the acquired shares during the second buy-back programme is subject of shareholders' approval and will be implemented after the share capital decrease for return of capital is implemented.

⁷ The percentage represents the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 2.67%, including the Unpaid shares

⁸ 240,304,801 shares acquired by the Fund through the first buy-back programme and 1,100,950,684 treasury shares acquired through the second buy-back programme.

⁹ Shares unpaid by Romanian State represented by Ministry of Public Finance

As at 31 December 2013 the Fund held 1,341,255,485 treasury shares (1,100,950,684 shares from the buy-back programme carried out in 2013 and 240,304,801 shares from the first programme carried out in 2011), representing 9.73% of the subscribed share capital and 10% of paid-up share capital.

At the General Shareholders 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 registration with the Trade Register of the shareholders resolution was delayed by litigations started by a shareholder of the Fund, and the results of this decision were suspended for a long period of time. The Fund asked for FSA's endorsement of the Constitutive Act as a result of the share capital decrease in April 2012 and FSA issued the decision for endorsing this change on 24 February 2014. The share capital decrease is effective beginning with 24 February 2014.

No treasury shares were cancelled in 2013.

Governing Legislation

The Fund operates in accordance with the applicable provisions of the following laws:

- (a) Law no. 31/ 1990 regarding companies, save to the extent varied by the more specific legislation relating to the Fund described below;
- (b) Government Decision no. 1481/2005 regarding the incorporation of Fondul Proprietatea S.A.;
- (c) Title VII of Law no. 247/2005 regarding the reforms in the sectors of justice and property as well as certain related measures, with subsequent amendments;
- (d) Government Emergency Ordinance no. 81/2007 for the acceleration of the compensation procedure related to the real estate abusively confiscated, with subsequent amendments;
- (e) CNVM Regulation no. 4/2010 ("CNVM Regulation 4/2010") regarding the registration with the CNVM and operation Fondul Proprietatea S.A., as well as trading of shares issued, with subsequent amendments;
- (f) CNVM Regulation no. 15/2004 ("CNVM Regulation 15/2004") regarding the authorisation and operation of the investment management companies, of the undertakings for collective investments and of the depositaries;
- (g) Law no. 297/2004 regarding the capital market, with subsequent amendments;
- (h) CNVM Regulation no. 1/2006 ("CNVM Regulation 1/2006") regarding issuers and securities trading;
- (i) CNVM Regulation no. 6/2009 ("CNVM Regulation 6/2009") on the exercise of certain rights of the shareholders in the general shareholders meetings of companies;
- (j) CNVM Regulation no. 4/2011 regarding accounting regulations compliant with EEC Directive IV applicable to the entities authorised, regulated and monitored by the FSA, approved by CNVM Order no. 13/2011.

Branches

During 2013 the Fund had no branches.

Subsidiaries

During 2013, the Fund controlled the following companies, which under Romanian applicable laws qualify as subsidiaries of the Fund, all of which are incorporated and operate in Romania. In the Fund Manager's opinion, none of the subsidiaries referred to below qualify as a significant subsidiary.

Name	Ownership interest
Alcom SA	71.89%
Comsig SA	69.94%
Primcom SA	75.48%
Zirom SA	100.00%

Corporate Reorganisation of the Fund and its Subsidiaries

There was no corporate reorganisation of the Fund or its subsidiaries in 2013.

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, 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.

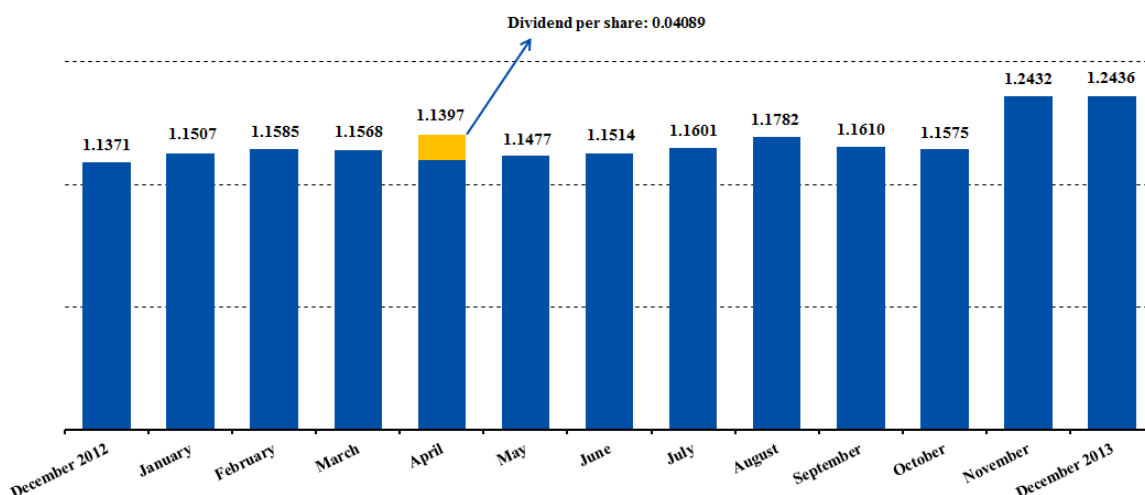
Listed securities are valued at closing market prices, if listed on regulated markets or reference prices, if listed on Rasdaq (reference price is considered the closing price for the securities listed on section RGBS of Rasdaq and the average price for the securities listed on section XMBS of Rasdaq 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 2012 to 31 December 2013:

NAV/share (RON/share)



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

The yellow section within April 2013 NAV represents the value per share of the dividend distribution approved in April 2013, which was recorded in that month, with a corresponding reduction in NAV.

The Fund's NAV per share had a moderate upward trend in the period January – October 2013 due mainly to the positive share price trend of the Fund's listed holdings, principally OMV Petrom, and to the second buyback programme carried out by the Fund during the period, starting April 2013.

The significant increase in the NAV per share in November (of 7.4% as compared to October) was due mainly to the significant positive impact of the increase of the price of Romgaz's shares following their dual listing on Bucharest Stock Exchange and London Stock Exchange (via GDRs) and to the increase of the share price of OMV Petrom. The positive impact on the Fund's NAV between October and November due to the increase of Romgaz's share price following the listing was of RON 713.8 million or RON 0.0555 per share and due to the increase of OMV Petrom's share price was of RON 161.4 million or RON 0.0126 per share.

In November, the tender offer of 600 million shares carried out by the Fund, as part of the second buyback programme mentioned above, contributed with RON 0.0068 to the increase of NAV per share.

Fourteen unlisted holdings were independently valued in December (for six of them, this was a valuation update). The valuation was performed by KPMG Romania or Ernst & Young Service, in accordance with International Valuation Standards. The overall impact was not significant, a decrease of RON 75.3 million or RON 0.0059 per share.

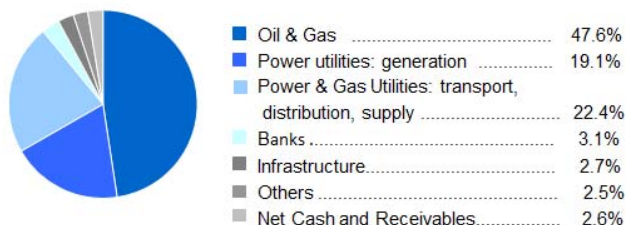
Name	Value in 31 Dec 2013 NAV (RON million)	Value in 30 Nov 2013 NAV (RON million)	Impact on Total NAV (RON million)	Impact on NAV/ share* (RON)
Hidroelectrica	2,239.4	2,001.0	238.4	0.0196
ENEL Distributie Banat	573.2	485.8	87.4	0.0072
ENEL Distributie Muntenia	473.1	434.2	38.9	0.0032
GDF Suez Energy Romania	404.4	346.2	58.2	0.0048
ENEL Distributie Dobrogea	379.1	324.2	54.9	0.0045
E.ON Moldova Distributie	345.4	324.0	21.4	0.0018
CE Oltenia	321.6	880.0	(558.4)	(0.0458)
Electrica Distributie Muntenia Nord	296.2	277.9	18.3	0.0015
Aeroporturi Bucuresti	287.7	272.0	15.7	0.0013
Electrica Distributie Transilvania Nord	206.7	200.7	6.0	0.0005
Electrica Distributie Transilvania Sud	192.0	212.7	(20.7)	(0.0017)
E.ON Gaz Distributie	165.2	176.7	(11.5)	(0.0009)
Posta Romana	60.8	80.8	(20.0)	(0.0016)
Zirom	43.5	47.4	(3.9)	(0.0003)
TOTAL	5,988.3	6,063.6	(75.3)	(0.0059)

*Computed based on the number of shares used in NAV per share computation as at 30 November 2013

Investment Strategy and Portfolio Analysis

The Fund's investment objective is long-term capital appreciation, primarily through investments in Romanian equity and equity-linked securities. The equity exposure amounted to 97.4% of the Fund's NAV as at 31 December 2013. As at that date, the portfolio is composed of holdings in 62 companies (24 listed and 38 unlisted), containing a combination of privately held and state-controlled entities.

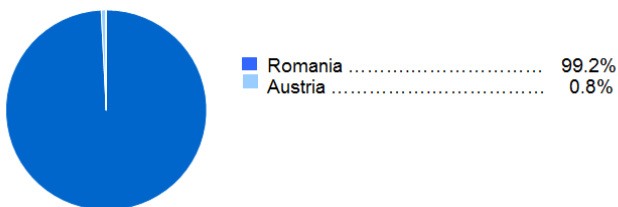
Portfolio Structure - by Sector



- The portfolio remained heavily weighted in power, oil and gas sectors (approx. 89.1% of the NAV), through a number of listed and unlisted Romanian companies.
- Net cash and receivables include bank deposits, current bank accounts, government securities, dividend 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 December 2013, based on NAV reports submitted to FSA.

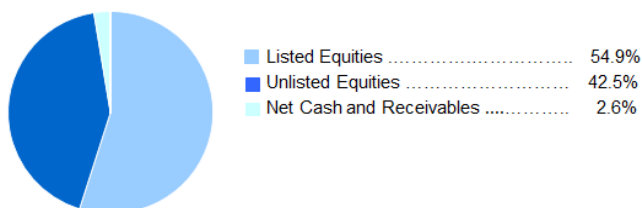
Portfolio Structure - by Country



- Exposure to Austria includes holdings in Erste Group Bank AG and Raiffeisen Bank International AG.

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

Portfolio Structure – Equity Investments - Listed Versus Unlisted



- The largest listed company is OMV Petrom (61.3% of total value of listed companies in the portfolio)
- The largest unlisted company is Hidroelectrica (35.1% of the total value of unlisted companies in the portfolio).

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

Top 20 Equity Investments

No	Name	Fund's Stake (%)	Value as at 31 December 2013 (RON million)	% of NAV
1	OMV Petrom SA	18.99%	5,054.4	33.7%
2	Hidroelectrica SA	19.94%	2,239.4	14.9%
3	Romgaz SA	14.99%	1,975.7	13.2%
4	ENEL Distributie Banat SA	24.12%	573.2	3.8%
5	ENEL Distributie Muntenia SA	12.00%	473.1	3.2%
6	GDF Suez Energy Romania	12.00%	404.4	2.7%
7	ENEL Distributie Dobrogea SA	24.09%	379.1	2.5%
8	E.ON Moldova Distributie SA	22.00%	345.4	2.3%
9	Complexul Energetic Oltenia SA	21.53%	321.6	2.1%
10	Nuclearelectrica SA	9.72%	306.7	2.0%
11	Electrica Distributie Muntenia Nord SA	21.99%	296.2	2.0%
12	CN Aeroporturi Bucuresti SA	20.00%	287.7	1.9%
13	BRD-Groupe Societe Generale	3.64%	228.5	1.5%
14	Electrica Distributie Transilvania Nord SA	22.00%	206.7	1.4%
15	Electrica Distributie Transilvania Sud SA	21.99%	192.0	1.3%
16	E.ON Gaz Distributie SA	12.00%	165.2	1.1%
17	Transelectrica SA	13.49%	156.2	1.0%
18	Conpet SA	29.70%	115.7	0.7%
19	Banca Transilvania	2.93%	106.8	0.7%
20	Societatea Nationala a Sariei SA	48.99%	106.3	0.7%
Top 20 equity holdings			13,934.3	92.8%
Total equity holdings			14,619.3	97.4%
Net cash and receivables			394.4	2.6%
Total NAV			15,013.7	100.0%

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

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

During the year 2013, the Fund sold its entire holdings in Carom Broker de Asigurare Mecanoenergetica, Ciocirlia, Telerom Proiect, Celuloză și Otel and Transgaz and finalised the disposal of its holding in Commetex.

In May 2013 the Fund disposed of 632.48 million shares in OMV Petrom, accounting for approximately 1.1% of company's share capital. Following this transaction, the Fund's holding in OMV Petrom decreased below the threshold of 20%. Also, in the last quarter of 2013, the Fund sold part of the holdings in Raiffeisen Bank International AG.

In May, the Fund executed its pre-emption right and participated in the cash share capital increase of E.ON Gaz Distributie SA, acquiring 399,164 shares at the nominal value of RON 2.5 per share (RON 997,910 in total).

In the first half of 2013, the Fund received 35,742 shares in Romgaz (having a nominal value of RON 357,420) following a share capital increase by that company, accounted for as contributions in kind to the share capital of the Fund.

In July 2013, Banca Transilvania completed the registration of the share capital increase (from incorporation of reserves and earnings) with the Trade Register. Subsequently, 8,899,704 bonus shares received by the Fund were reflected as part of its portfolio (previously, these shares were reflected in the other current assets category in the Fund's NAV report).

In July 2013, the Fund subscribed 1,111,575 new shares, in the cash share capital increase of Zirom, at the nominal value of RON 10 per share (RON 11,115,750 in total). The funds will be used to support the company's forging shop project, co-financed with RON 12 million, non-refundable money from the European Union. The project is scheduled for commissioning during H1 2014.

In September 2013, the Fund executed its pre-emption right and participated in the share capital increase of Nuclearelectrica, receiving 2,732,159 allotment rights (which were to be converted into shares upon the listing of the shares of Nuclearelectrica on the BVB), acquired at RON 11.2 per share (RON 30,600,181 in total), the acquisition price in the Initial Public Offering carried out by this company.

Energy Sector Updates

Regulatory Changes

On 22 January 2013 the Romanian Government passed the Ordinance no. 5/2013 through which it imposed additional taxes for monopoly activities in the sector of gas and electricity distribution and transport.

Starting 1 February 2013, the Government imposed new taxes in the energy sector, applicable until end of 2014:

- Taxes for gas and electricity distributors and transmission/transport operators, charged per MWh, as follows (according to Government Ordinance no 5/22 January 2013):

Explanations	Tax value (RON /MWh)
Gas	
Quantity transferred to distribution system	0.10
Distributed quantity	0.75
Quantity transferred only through transportation system	0.85
Energy	
Quantity extracted from the transmission system	0.10
Quantity distributed to final consumer	0.75
Quantity extracted from the transmission system and delivered to the final consumer or exported	0.85

- Taxes imposed following the gas market liberalisation: companies performing both natural gas extraction and distribution in Romania, will be charged 60% of additional revenues less investments in upstream activity (up to 30% of additional revenues) and less royalties (according to Government Ordinance no 7/23 January 2013)
- Special tax of 0.5% for revenues from exploration of natural resources other than natural gas (according to Government Ordinance no 6/22 January 2013).

According to the tariff setting methodology published by ANRE in October 2013 (ANRE Order 72/2 October 2013), the pre-tax regulated rate of return ("RRR") for the 3rd regulatory period starting in 2014 was set at 8.52% p.a. for all the electricity distributors. The methodology allows for an additional 50bps increase in the RRR at the end of the regulatory period, for investments implementing smart metering solutions that lead to a further 1% reduction of technological losses below the limit agreed with the regulator.

According to ANRE Order no. 108 /18 December 2013, the pre-tax RRR for the 3rd regulatory period, for the gas distribution and regulated supply businesses was set at 8.43% p.a. Also, the regulation grants as incentive an additional 1.4% p.a. return for several categories of long-term assets. According to ANRE Order 42 / 26 June 2013, for the gas distribution business, the 3rd regulatory period has started on January 2013 until December 2017.

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 gradual elimination of the regulated gas prices has started on 1 February 2013, with an increase to 49 RON/MWh for industrial consumers and RON 45.7 RON/MWh for households, and was followed by two subsequent quarterly increases to 55.3 RON/MWh on 1 April and to 63.4 RON/MWh on 1 July for non-households, and to RON 48.5 for households. 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 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
Annual growth of the final price 2013 (%)			18
01.01.2014	55	72.0	4
01.04.2014	71	89.4	5
01.07.2014	91	109.0	5
01.10.2014	100	119.0	4
Annual growth of the final price 2014 (%)			18

Starting date	Household consumers		
	Convergence degree (%)	Internal production price (RON/MWH)	Final price growth (%)
01.12.2012	33	45.7	0
01.04.2013	33	45.7	0
01.07.2013	36	48.5	8
01.10.2013	37	49.8	2
Annual growth of the final price 2013 (%)			10
01.01.2014	38	50.6	2
01.04.2014	41	51.8	2
01.07.2014	44	53.3	3
01.10.2014	46	54.6	3
Annual growth of the final price 2014 (%)			10

Starting date	Household consumers		
	Convergence degree (%)	Internal production price (RON/MWH)	Final price growth (%)
01.01.2015	47	56.1	2
01.04.2015	49	58.9	3
01.07.2015	52	62.0	4
01.10.2015	54	64.1	3
Annual growth of the final price 2015 (%)			12
01.01.2016	56	67.1	3
01.04.2016	60	71.7	3
01.07.2016	64	76.5	3
01.10.2016	66	78.5	3
Annual growth of the final price 2016 (%)			12
01.01.2017	69	82.0	2
01.04.2017	73	86.9	2
01.07.2017	78	93.0	5
01.10.2017	81	96.5	3
Annual growth of the final price 2017 (%)			12
01.01.2018	83	99.2	3
01.04.2018	89	106.3	3
01.07.2018	97	115.1	3
01.10.2018	100	119.0	3
Annual growth of the final price 2018 (%)			12

On 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 will be 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 will have 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 is of RON 156.8 million.

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

Company	2012 Net Profit (RON million)	Estimated Tax (RON million)	% of Net Profit
OMV Petrom	3,946	265 – 330 ¹⁰	7 – 8%
Nuclearelectrica	34	100	294%
Hidroelectrica	(508)	168	N/A*
Electrica Distributie Transilvania Nord	53	15	28%
Electrica Distributie Muntenia Nord	87	15	17%
Electrica Distributie Transilvania Sud	46	17	37%
CE Oltenia	118	31	26%

*the company incurred losses

Source: Fund Manager estimations.

¹⁰ As stated by the company's CFO at Fondul Proprietatea Investor Days in November 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.

Update on the Largest 20 Portfolio Companies

BRD – Groupe Societe Generale

RON million	2011*	2012*	2013**
Net Banking Income	3,242.0	3,045.6	2,712.2
Gross Operating Income	1,777.3	1,613.5	1,434.1
Net Risk Cost	1,222.5	1,943.0	2,082.6
Net profit / (loss)	498.5	(290.6)	(385.2)
Dividends***	116.3	-	-

* Based on consolidated IFRS financial statements

** Based on preliminary separate IFRS financial statements, unaudited

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

May: The bank published unconsolidated IFRS financial statements for the first quarter. During the first three months of the year, the bank reported a net profit of RON 13 million (vs. RON 83 million during the similar period of the previous year). Net banking income decreased by 10.5% year-on-year (“yoy”) to RON 687 million, while general operating expenses decreased by 6.3% yoy to RON 314 million, leading to a gross operating result of RON 373 million, down 13.8% yoy. Net cost of risk was higher by 4.2% yoy compared to the level registered during Q1 2012.

August: The bank published unconsolidated IFRS financial statements for the first half of the year. During the first six months of the year, the bank reported a net profit of RON 62.2 million (vs. RON 39.4 million during the similar period of the previous year). Net banking income decreased by 5.0% yoy to RON 1,360.5 million, while general operating expenses decreased by 8.9% yoy to RON 612 million, leading to a gross operating result of RON 748.2 million, down 1.7% yoy. Net cost of risk during H1 2013 decreased by 7.8% yoy to RON 659.2 million.

November: The bank published unconsolidated IFRS financial statements for the nine months of the year 2013. During the period, the bank reported a net profit of RON 50.5 million (vs. RON 10.4 million during the similar period of the previous year). Net banking income decreased by 5.6% yoy to RON 2,059.5 million, while general operating expenses decreased by 5.5% yoy to RON 948.5 million, leading to a gross operating income of RON 1,111.0 million, down 5.6% yoy. Net cost of risk during the period decreased by 10.5% yoy to RON 1,041.4 million.

CN Aeroporturi Bucuresti

RON million	2011	2012	2013*	H1 2012	H1 2013
Sales	474.3	555.5	643.5	242.6	268.5
Operating profit	88.5	80.9	37.6	45.1	40.5
Net profit	52.6	53.1	19.1	30.3	31.1
Dividends	47.1	45.7			

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

*Budgeted figures

April: The General Shareholders Meeting appointed a new Board of Directors following a selection process conducted as per provisions of Emergency Government Ordinance no. 109/2011 (“EGO 109/2011”).

The new Board subsequently appointed Mr Liviu Radu as the new General Manager. Mr Radu is also a member of the new Board at CN Aeroporturi Bucuresti SA as well as several other State Owned companies, including CFR Marfa and Salrom.

June: The total number of passengers serviced in the first 5 months of 2013 reached 2.78 million, an increase of 0.5% compared to the same period of 2012.

July: The total number of passengers serviced in the first 7 months of 2013 was 4.29 million, an increase of 0.6% over the same period of 2012.

August: The company reported the financial results for the first 6 months of 2013, with highlights including: operating revenues +10.9% yoy to RON 282.9 million, operating profit (-)10.1% yoy to RON 40.5 million and net profit +2.9% yoy to RON 31.1 million.

December: The company published a press release disclosing results for the first 11 months of 2013: total revenues increased 7.2% compared to the same period of 2012, reaching RON 593 million, while gross profit reached RON 90 million, which represents a 46% increase compared to gross profit for the entire year in 2012. The number of passengers serviced reached 7.08 million passengers.

Complexul Energetic Oltenia

RON million	2012	2013***	H1 2012*	H1 2013
Sales	3,347.1	6,081.0	406.3	2,023.9
Operating profit	44.5	248.9	10.6	26.5
Net profit	118.3	151.2	24.5	76.9
Dividends**	57.2	59.5		

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

* Period actually covered 31 May – 30 June 2012

** 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), 2010 (CE Rovinari RON 0.02 million, CE Craiova RON 0.01 million),

*** Budgeted figures

March: The General Shareholders Meeting approved to start the procedures for an initial public offering (IPO) through a share capital increase of 15.29% stake.

April: The Consortium formed by BRD Groupe Societe Generale and Swiss Capital was selected to advise on the IPO. The Government is targeting the end of 2013 to complete the transaction.

August: The company reported the 2013 half year results: sales of RON 2,023.9 million, operating profit of RON 26.5 million and net profit of RON 76.9 million. The comparison with the similar period of 2012 has no relevance since the CE Oltenia was created only in May 2012.

Conpet SA

RON million	2011	2012	2013*	2013**
Turnover	341.8	334.6	341.2	348.9
Operating profit	26.8	29.0	13.3	36.7
Net profit	28.6	30.9	19.8	37.3
Dividends	22.3	28.3		

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

* Budgeted figures

** Based on preliminary separate IFRS financial statements, unaudited

August: The crude oil transport operator published 2013 first half results. During the first six months of the year, the company registered a turnover of RON 171.8 million, up 5.7% yoy, while operating profit advanced to RON 25.2 million as compared to RON 19.2 million during the similar period of the previous year. All in all, net profit for the period increased to at RON 25.8 million (vs. RON 20.5 million during H12012).

September: The company transferred its shares from the Rasdaq market to the BVB main market. The 1st day of trading on the Tier 1 of the Bucharest Stock Exchange was 5 September 2013.

September: Fondul Proprietatea announced its intention to sell up to 10% in Conpet.

November / December: Shareholders appointed a new Board with a four year mandate following a selection process carried out by the Ministry of Economy based on the provisions of EGO 109/2011. The new Board reconfirmed Mr Ilasi, as General Manager of the company.

E.ON Gaz Distributie SA

RON million	2011	2012	2013*
Operating Revenues	819.5	764.5	833.0
Operating profit	264.8	82.7	110.0
Net profit	230.5	73.0	100.0
Dividends	-	n/a	

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

*Budgeted figures

April: The shareholders of EGD approved the increase of the share capital by issuing additional 3,326,368 shares (approx. 3% of the current number of shares) with an issue price equal to the face value of RON 2.5 / share.

May: The Fund exercised its pre-emption right and subscribed to the share capital increase of the company for a total value of approx. RON 1 million. The operation was finalised and the new number of shares have been registered with the Trade Registry by the end of May.

June: ANRE issued the methodology detailing the rules for determining the parameters and regulated tariffs for gas distribution operators during the 3rd regulatory period. For the gas distribution operators, the new five year regulatory period has started as of January 2013.

July: As of 1 July 2013, the regulated gas distribution tariff was increased by nearly 5%, based on the inflation level registered in 2012.

December: The company distributed to shareholders a total dividend of RON 249.5 million from undistributed earnings of past years. The decision came as part of a settlement mechanism agreed by E.ON with the Government allowing the gas and electricity supplier E.ON Energie Romania to recover RON 92.3 million worth of uncollected receivables from CFR SA.

E.ON Moldova Distributie

RON million	2011	2012	2013*
Operating Revenues	661.2	688.8	674.0
Operating profit	22.0	83.8	93.0
Net profit	7.2	71.3	86.0
Dividends	-	n/a	

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

*Budgeted figures

November: According to the Paris Court of Arbitration ruling issued in connection with the call option exercised by E.ON back in November 2010, the majority shareholder is entitled to acquire from Electrica S.A. 17% of the shares in E.ON Moldova Distributie and proportionally 2.38% of the shares in E.ON Energie Romania.

RON/Mwh	2011 ¹¹	1 July 2012 ¹²	1 January 2013 ¹³	1 January 2014 ¹⁴	2014 vs 2013 (%)
Distribution tariffs					
High Voltage	21.00	21.00	22.07	20.85	-5.53%
Medium Voltage	42.00	42.00	44.17	46.25	+4.71%
Low Voltage	133.20	139.00	146.09	147.40	+0.90%
TOTAL	196.20	202.00	212.33	214.50	+1.21%

¹¹ ANRE order 44/23.12.2010

¹² ANRE order 24/25.06.2012

¹³ ANRE order 51/19.12.2012

¹⁴ ANRE order 103/23.12.2013

Electrica Distributie Muntenia Nord (“EDMN”)

RON million	2011	2012	2013*	H1 2012	H1 2013
Total revenues	712.8	752.3	807.0	353.6	396.9
Operating profit	72.4	99.1	87.6	38.5	78.1
Net profit	67.4	87.1	73.6	35.4	74.9
Dividends	8.2	73.7			

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

*Budgeted figures

December: ANRE approved order 98/18.12.2013 for setting the distribution tariffs for 2014.

RON/MWh	2011 ¹⁵	1 July 2012 ¹⁶	2013 ¹⁷	2014 ¹⁸	2014 vs 2013 (%)
Distribution tariffs					
High Voltage	15.30	18.00	18.92	18.90	-0.11%
Medium Voltage	38.49	42.00	44.14	44.23	+0.20%
Low Voltage	136.28	139.00	146.09	142.92	-2.17%
TOTAL	190.07	199.00	209.15	206.05	-1.48%

Electrica Distributie Transilvania Nord (“EDTN”)

RON million	2011	2012	2013*	H1 2012	H1 2013
Total revenues	570.1	609.1	640.6	295.6	325.4
Operating profit	40.2	68.8	50.8	40.9	60.7
Net profit	29.1	53.1	34.0	32.4	50.8
Dividends	-	-			

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

*Budgeted figures

May: A new Board of Directors was appointed at the end of May following a selection process based on EGO 109/2011. The new Board members are: Ovidiu Demetrescu (President of the Board), Emil Merdan, Mirela Bomboe, Adrian Baicusi and Oana Truta.

October: A new Board of Directors was appointed. The Board members are: Emil Merdan (President of the Board), Ioan Dumbrava, Ciprian Diaconu, Costica Vlad, Oana Truta.

December: ANRE approved the Order 104/23.12.2013 for setting the distribution tariffs for 2014.

RON/MWh	2011 ¹⁹	1 July 2012 ²⁰	2013 ²¹	2014 ²²	2014 vs 2013 (%)
Distribution tariffs					
High Voltage	20.96	21	22.07	20.65	-6.43%
Medium Voltage	42.00	42.00	44.14	46.63	+5.64%
Low Voltage	88.64	101.42	106.59	111.47	+4.58%
TOTAL	151.6	164.42	172.80	178.75	+3.44%

Electrica Distributie Transilvania Sud (“EDTS”)

RON million	2011	2012	2013*	H1 2012	H1 2013
Total revenues	638.8	674.4	696.9	317.9	354.8
Operating profit	27.8	61.7	42.8	18.4	45.7
Net profit	19.6	45.8	31.0	9.9	33.6
Dividends	-	-			

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

*Budgeted figures

¹⁵ ANRE order 44/23.12.2010¹⁶ ANRE order 24/25.06.2012¹⁷ ANRE order 51/19.12.2012¹⁸ ANRE order 98/18.12.2013¹⁹ ANRE order 44/23.12.2010²⁰ ANRE order 24/25.06.2012²¹ ANRE order 51/19.12.2012²² ANRE order 104/23.12.2013

May: A new Board of Directors was appointed at the end of May following a selection process based on EGO 109/2011. The new Board members are: Marian Geanta (Chairman of the Board), Ion Dobre, Carmen Pirnea, Claudiu Coman and Simona Fatu.

December: ANRE approved order 105/18.12.2013 for setting the distribution tariffs for 2014.

RON/Mwh	2011 ²³	1 July 2012 ²⁴	2013 ²⁵	2014 ²⁶	2014 vs 2013 (%)
Distribution tariffs					
High Voltage	21.00	21.00	22.07	23.46	6.30%
Medium Voltage	38.53	41.98	44.12	46.99	6.50%
Low Voltage	114.77	123.27	129.56	124.29	-4.07%
TOTAL	174.30	186.25	195.75	194.74	-0.52%

ENEL Distributie Banat (“EDB”)

RON million	2011	2012	2013*
Turnover	585.8	603.2	580.2
Operating profit	238.3	181.1	209.0
Net profit	220.5	167.2	168.5
Dividends	-	-	

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

*Budgeted figures

For 2014, ANRE decided to increase the medium and high voltage distribution tariffs by approx. 4%, while it decreased the low voltage distribution tariff by 6.5%.

RON/MWh	2011 ²³	2012 ²⁴	2013 ²⁷	2014 ²⁸	2014 vs 2013 (%)
Distribution tariffs					
High Voltage	21.00	21.00	22.07	22.80	+3.20%
Medium Voltage	42.00	42.00	44.14	46.17	+4.40%
Low Voltage	129.66	139.00	146.09	136.66	-6.90%
TOTAL	192.66	202.00	212.30	205.63	+0.70%

ENEL Distributie Dobrogea (“EDD”)

RON million	2011	2012	2013*
Turnover	459.0	480.3	454.4
Operating profit	126.4	103.0	135.3
Net profit	108.9	94.5	103.6
Dividends	-	-	

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

*Budgeted figures

For 2014, ANRE decided to decrease the low voltage distribution tariff by 0.4%, while it kept flat the medium and high voltage distribution tariff.

RON/MWh	2011 ²³	2012 ²⁴	2013 ²⁷	2014 ²⁸	2014 vs 2013 (%)
Distribution tariffs					
High Voltage	21.00	21.00	22.07	22.07	-
Medium Voltage	42.00	42.00	44.14	44.14	-
Low Voltage	123.72	139.00	146.09	145.46	-0.43%
TOTAL	186.72	202.00	212.3	211.67	-0.43%

²³ ANRE order 44/23.12.2010

²⁴ ANRE order 24/25.06.2012

²⁵ ANRE order 51/19.12.2012

²⁶ ANRE order 105/18.12.2013

²⁷ ANRE order 21/19.12.2012

²⁸ ANRE order 100/18.12.2013

ENEL Distributie Muntenia (“EDM”)

RON million	2011	2012	2013*
Turnover	705.9	869.9	972.5
Operating profit	51.6	172.4	278.7
Net profit	50.5	206.3	231.0
Dividends	-	-	-

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

*Budgeted figures

For 2014, ANRE decided to increase the medium and high voltage distribution tariffs by approx. 10.6%, while it decreased the low voltage distribution tariff by 6.4%.

The energy regulator set the regulated rate of return for the third regulatory period (2014-2018) at 8.5% for all electricity distribution companies, including Enel's. If technological losses are reduced by more than 1 percentage point above the target during the regulatory period, the distributions companies will be allowed to earn an extra 0.5% in return.

RON/MWh	2011 ²³	2012 ²⁴	2013 ²⁷	2014 ²⁸	2014 vs 2013 (%)
Distribution tariffs					
High Voltage	8.92	8.92	11.02	12.19	+9.60%
Medium Voltage	26.44	26.44	32.7	36.16	+9.57%
Low Voltage	115.85	136.32	143.27	134.12	-6.82%
TOTAL	151.21	171.68	182.47	182.47	+12.34%

GDF Suez Energy Romania

RON million	2011*	2012*	2013***	H1 2012**	H1 2013**
Turnover	4,087.7	4,315.8	4,395.0	2,056.6	1,883.9
Operating profit	138.1	299.9	258.0	317.7	428.4
Net profit	192.1	379.4	302.0	260.1	352.6
Dividends	-	190.0	-	-	-

* IFRS separate financial statements

** As per consolidated IFRS financial statements

***Budgeted figures

February: Gas tariffs for industrial consumers were increased by approximately 5%.

July: As of 1 July 2013, the regulated gas tariffs were increased by nearly 8% for households and almost 3% for industrial consumers.

October: As of 1 October 2013 the regulated gas tariffs were increased again by 1.5% for households and 1.8% for industrial consumers.

Hidroelectrica

RON million	2011	2012	2013*	H1 2012	H1 2013
Turnover	3,020.6	2,402.8	2,710.0	1,262.9	1,601.0
Operating profit	161.2	(321.6)	601.1	(80.4)	524.5
Net profit	6.5	(508.0)	367.7	(202.1)	382.8
Dividends	-	-	-	-	-

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

*Budgeted figures

During the first six months of 2013, the company recorded a preliminary gross profit of RON 481 million compared to the loss of RON 202 million recorded in the same period from 2012. The company generated 8.2 TWh in the first 6 months of 2013 compared with 7 TWh in the same period of 2012.

June: On 26 June 2013, the Bucharest Court has approved the closing of the judicial reorganisation procedure opened against Hidroelectrica.

July: On 11 July the Supervisory Board appointed Remus Borza as Chairman.

The Supervisory Board, at that time was composed of: Remus Borza (President of the Board), Remus Vulpescu, Ion Mihaila, Mihai Grosan, Florin Marin and Oana Truta. The Supervisory Board's mandate is until the implementation of EGO 109/2011, but not longer than 2 years.

November: The General Shareholders Meeting appointed a new Supervisory Board, composed of: George Cristodorescu (President of the Board), Victor Cionga, Mihai Grosan, Adrian Rusu, Mihaela Preda and Oana Truta. The Supervisory Board's mandate is for 4 years.

During the first 8 months ended 31 August 2013, the company recorded significant improvements in the financial indicators, compared with results in the same period of 2012, as follows: sales increase by 25.8% to RON 2,090.2 million, operating profit increased to RON 686.6 million and net profit increased to RON 543.4 million.

RON million	8 months 2012	8 months 2013
Turnover	1,661.5	2,090.2
Operating profit	(55.9)	686.6
Net profit	(210.1)	543.4

Nuclearelectrica

RON million	2011*	2012***	2013**	2013***
Sales	1,615.3	1,687.7	2,090.4	2,052.7
Operating profit	162.6	160.4	438.0	448.4
Net profit	95.0	24.2	131.9	417.4
Dividends****	-	28.5		

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

** Budgeted figures

***Based on preliminary separate IFRS financial statements, unaudited

****Dividends for 2012 are based on the financial statements prepared in accordance with applicable Romanian accounting regulations

January: On 31 January the General Shareholders Meeting approved the intermediary contract for the IPO transaction signed with the consortium made of SSIF Swiss Capital S.A. and SSIF BT Securities SA.

In Q1 2013 the company recorded significant improvements in the financial indicators: Sales increased to RON 546 million (+25% yoy), EBITDA to RON 213 million (+31% yoy), EBIT was RON 179 million (+56% yoy) and net profit increased to RON 146 million (+112% yoy).

April: After a selection process ran by Transearch and Quest Advisors on 25 April the General Shareholders Meeting approved the new members of the Board of Directors: Mrs Daniela Lulache, Mr Ionel Bucur, Mr Dragos Paul Popescu, Mr Alexandru Alexe, Mrs Carmen Radu, Mr Dan Popescu and Mr Alexandru Sandulescu. The new Board appointed Mrs Daniela Lulache as General Manager of the company.

June: The Government approved the price range for the IPO which is schedule to take place by end September: RON 11.2 - 15 per share.

The candidate recommended by Fondul Proprietatea was not appointed to the new Board.

August: The company announced the financial results for the first half of 2013 which show significant improvements yoy: sales were up 23.4% to RON 976.6 million, operating profit jumped to RON 237.1 million (4 times higher yoy) and net profit reached a historical high of RON 213.2 million compared to a loss of RON 33.7 million in the same period of 2012. The improved financial performance is mainly a result of the implementation of the electricity market liberalization schedule.

September: The IPO was closed successfully at the lower end of the price range: RON 11.2 per share. The total funds received by the company amount to RON 312.4 million. The allotment rights started trading in October 2013.

November: The company published the financial results for the first 9 months of 2013: sales of RON 1,348.0 million (+19% y.o.y.), operating profit of RON 362.0 million (+220% y.o.y.) and net profit of RON 331 million (vs a loss of RON 34 million in the same period of 2012).

December: The General Shareholders Meeting appointed Mr Sebastian Tcaciuc, the candidate proposed by Fondul Proprietatea, as Board member.

OMV Petrom

RON million	2011	2012	2013*	2013**
Sales	22,613.7	26,258.1	n/a	24,185.0
Operating profit	4,935.8	5,662.0	5,129.0	5,958.0
Net profit	3,758.6	3,946.1	4,430.0	4,824.0
Dividends	1,756.0	1,586.0		

Source: Based on consolidated IFRS financial statements

*Budgeted figures

** Based on preliminary consolidated IFRS financial statements, unaudited

February: OMV Petrom and ExxonMobil signed an option agreement for Romgaz to participate in operations in the Midia offshore block. Exercise of the option is subject to closing of the agreement for transferring the exploration and production rights from Sterling Resources and Petro Ventures Europe, the existing titleholders.

February: OMV Petrom and Repsol signed an agreement for the joint exploration of four deep onshore blocks in South Romania. Total investments are estimated at EUR 50 million over the next two years. Repsol will have a 49% working interest in the agreement.

March: Mr. Gabriel Selischi was appointed as member of the Executive Board of OMV Petrom, in charge of Exploration and Production starting 1 September 2013, following Mr. Johann Pleininger's move to the new position of Senior Vice President for the Central Eastern Europe region in OMV's exploration and production division.

March: The company announced an investment program of EUR 200 million over 2013 - 2015 in mature field redevelopment at the Suplacu de Barcau site, with the aim to unlock additional oil reserves.

April: The company published an update regarding progress on the Neptun Deep offshore exploration project in the Black Sea. Further evaluation of the Domino-1 test well results has enabled an initial pre-appraisal estimate of potential gas production of approximately 630 million cubic feet/day, which is more than the total current natural gas production of the company from all its other fields, namely 510 million cubic feet/day in 2012.

May: OMV Petrom announced a new investment program of EUR 90 million in the redevelopment of Oprisenesti oil field, with the aim to unlock additional oil reserves of 8 million barrel of oil equivalent "boe"), which is equivalent to approximately 30% of OMV Petrom's annual oil production.

June: The company announced the completion of the largest 3D seismic survey ever conducted in the Black Sea. The works were conducted on the Neptun block in collaboration with ExxonMobil and covered an area of more than 6,000 square kilometres. In addition, the two companies have procured the Ocean Endeavour drilling rig, which will resume drilling in the Neptun Block at the end of 2013 and beginning of 2014.

July: OMV Petrom sold its 99.99% stake in Petrom Distributie Gaze SRL gas distribution business to Ligatne SRL. The company stated that the decision was in line with OMV Petrom's strategy of optimizing the downstream operations by this exit from the gas distribution activity to end customers while it will continue to focus on supplying gas to commercial and industrial clients.

August: The company announced the commissioning of a new gas desulphurization and sulphur recovery unit at the Petrobrazi refinery, an investment of EUR 40 million implemented with the aim to reduce polluting emissions and increase energy efficiency of the refinery. The investment is part of a EUR 600 million modernization program of the Petrobrazi refinery, which is scheduled to be completed in 2014.

August: The company announced results for the first 6 months of 2013: sales decreased by 5% compared to the same period of 2012 to RON 11,576.0 million, EBIT increased by 10% to RON 2,970 million, while net income increased 18% to RON 2,391.0 million.

September: Mr Johann Pleininger replaced Mr Jacobus Gerardus Huijskes on the Supervisory Board of the company. Mr Pleininger was also appointed as Senior Vice President of the newly set-up CEE & Black Sea Region Division within OMV starting with 1 September. Previously he was a member of the Executive Board of OMV Petrom responsible for Exploration and Production activities. Before joining Petrom in 2005, he held various positions in OMV and has worked in the oil and gas industry since 1977.

November: OMV Petrom published results for the first 9 months of 2013: sales decreased by 5% compared to the same period of 2012 to RON 18,150.0 million, EBIT increased by 14% to RON 4,556.0 million, while net income increased 27% to RON 3,666.0 million.

November: The company published an update regarding the litigation against the RON 366.0 million fine received in 2012 from the Competition Council. The Bucharest Court of Appeal rejected OMV Petrom's request and the company will file an appeal with the High Court of Cassation and Justice, whose decision will be irrevocable in this matter.

Romgaz

RON million	2011*	2012*	2013**	2013***
Sales	4,195.5	3,837.9	4,263.7	3,894.3
Net profit	1,187.7	1,119.2	1,026.4	930.7
Dividends	938.0	1,060.1	883.4	

Note: dividends for 2011 and 2012 are based on the financial statements prepared in accordance with applicable Romanian accounting regulations

*Based on audited IFRS financial statements

**Budgeted figures, as revised at GSM held on 30.12.2013

***Based on preliminary separate IFRS financial statements, unaudited

January: Romgaz officially took over the Iernut gas fired powerplant from Electrocentrale Bucuresti in exchange for overdue receivables of approximately RON 650 million. The facility has an installed capacity of 800MW.

January: Romgaz has negotiated an option agreement with OMV Petrom and ExxonMobil for acquiring a 10% stake in the exploration of the Midia deep water offshore perimeter in the Black Sea. The option can be exercised once initial exploration of the field has proven its commercial viability.

April: The General Shareholders Meeting appointed a new Board of Directors, following a selection process which aimed to follow provisions of EGO 109/2011. The new Board members are Virgil Metea, Adrian Volintiru, Dragos Doros, Aurora Negrut and Eufemia Musat.

May: The new Board of Directors appointed Mr Virgil Metea as the company's new General Manager. Mr Metea was previously the General Manager of several companies that were majority owned by EON in Romania, including EON Moldova Distributie, EON Gaz Distributie and EON Gaz Romania during 2003-2013. He also previously worked at Romgaz during his early career (1985-2001).

The candidate recommended by Fondul Proprietatea was not appointed to the new Board.

July: The company reported financials for the first 6 months of 2013: operating revenues decreased 11.7% to RON 2,088 million, operating profit increased by 25.6% to RON 861.5 million and net profit increased by 38.3% to RON 771.4 million.

September: A shareholder meeting held on 30 September 2013 issued a decision to increase the number of Board members from 5 to 7. The two additional positions will be filled following a successful IPO of the company, which is expected to be completed in the first half of November 2013.

October: The IPO for a 15% stake in Romgaz took place during 22 - 31 October. The selling shareholder was the Ministry of Economy through the Department of Energy. 80% of the total shares sold were allocated to institutional investors and the remaining 20% were allocated to retail investors. The IPO was priced on 1 November at RON 30 per share for the institutional tranche, with retail investors receiving discounts of up to 5% based on the timing and size of their orders. 36% of shares sold were allocated to Global Depositary Receipts ("GDR"), which were priced at USD 9.25 per unit.

GDRs are traded on the London Stock Exchange, with the balance of the shares sold being traded on the Bucharest Stock Exchange. The offer was oversubscribed 14 times on the retail tranche, no details were made public regarding the oversubscription rate on the institutional tranche. Romgaz shares started trading on 12 November 2013.

December: A General Shareholders Meeting held in December approved the revised budget for 2013. The most important revisions included an 11.8% reduction in total budgeted revenues to RON 4.34 billion, a 3.9% decline in total budgeted expenses, which lead to gross budgeted profit of RON 1.22 billion, compared to RON 1.67 billion in the previous budget.

December: The Board of Directors was re-elected based on the cumulative voting method, which resulted in the appointment to the Board of 3 new members and the confirmation of 4 of the previous 5 members. The 3 new members are: Mrs Ecaterina Popescu, recommended by the Department for Energy within the Ministry of Economy; Mrs Popescu is the General Manager of SC Chimforex SA Pleasa since 1998, having been with the company since 1981; Mr Peter Jansen, recommended by Fondul Proprietatea; Mr Jansen is currently Associate Lecturer with the London School of Business and Finance and Partner in Brainovate, a company specialized in top management coaching and training, team efficiency and leadership development; Mr David Klingensmith, recommended by EBRD and Fondul Proprietatea; Mr Klingensmith has been with EBRD since 1996 in various leadership roles, having been involved in many of EBRD's transactions with oil and gas companies across Central and Eastern Europe.

Societatea Nationala a Sarii SA

RON million	2011	2012	2013*
Operating Revenues	282.7	303.5	323.3
Operating profit	5.2	25.3	28.9
Net profit	1.4	20.8	26.0
Dividends	0.2	19.0	22.5

*Budgeted figures

February: The Board of Directors appointed Mr Aurel Bucur as General Manager based on an order issued by the Ministry of Economy. He previously worked for the company as production engineer in Targu Ocna branch.

Transelectrica

RON million	2011*	2012*	2013**	2013***
Operating Revenues	3,152.3	2,801.0	2,787.9	2,462.2
Operating profit	209.4	112.8	113.8	207.8
Net profit	135.5	47.9	29.0	162.3
Dividends****	80.6	29.6		

* Based on consolidated IFRS financial statements

**Budgeted figures

*** Based on preliminary separate IFRS financial statements, unaudited

****Dividends based on individual financial statements

At the end of 2012 the energy regulator (ANRE) set the tariffs for 2013: the transmission tariff was increased by 12.7%, while the system tariff was increased by 6.9%.

February: The Supervisory Board dismissed the general manager and appointed Mr Stefan Gheorghe in the position. The board made no comments regarding the reasons for the change.

The Supervisory Board also decided to increase the number of members in the Directorate from 3 to 5, it dismissed one member, and selected 3 new ones (Mr Octavian Lohan was revoked and Mr Ioan Diaconu, Mr Ciprian Gheorghe Diaconu and Mr Adrian Constantin Rusu were appointed as members of the directorate).

March: The HR companies selected by the Romanian Privatisation Office (OPSPI), Quest Advisors and Transearch International, initiated the recruitment process for the members of the Supervisory Board in accordance with corporate governance EGO 109/2011 for state owned enterprises.

April: The government transferred the ownership of its shares from the Ministry of Economy to the Ministry of Public Finance in order to comply with the European Union's regulations on energy.

The government ordinance approving this transfer also mentions that two of Transelectrica's subsidiaries (Opcom and Formenerg) and the National Power Dispatcher will be left under the authority of the Ministry of Economy. The Ordinance is currently being debated in the Parliament.

May: Shareholders appointed a new Supervisory Board following the procedures set forth in the corporate governance EGO 109/2011. There were 20 candidates on the list presented by the recruitment companies and the majority shareholder voted 5 from the list. The other two Supervisory Board members were proposed by minority shareholders Fondul Proprietatea and SIF 5 and appointed based on cumulative voting.

June: Mr Stefan Gheorghe was revoked as CEO by the Supervisory Board and the position was taken over by former Board member Mr Stefan Doru Bucataru. He will be CEO until the provisions of the corporate governance EGO 109/2011 regarding appointment of professional management are implemented. Mr Bucataru was replaced as member of the Supervisory Board by Mrs Carmen Georgeta Neagu and Mr Toni Teau was nominated as the new president of the Supervisory Board.

June: The Company announced the intention to launch a RON 200 million bond offering with 5 years maturity in November 2013 in order to finance its investment plans. The bond is expected to be listed on the BVB.

August: System tariffs for the company were increased by 23% by the energy regulator in order to bring system costs and revenues in balance (non-profit activity).

September: The Supervisory Board replaced two members of the directorate, Ioan Diaconu and Adrian Constantin Rusu, with Gabriel Mustea and Florin Mihaita Boangiu. The shareholders' meeting approved the administration plan of the supervisory board for the next 4 years. Also, the company was authorised to issue up to RON 900 million in bonds for the next 4 years.

Shareholders approved a share capital increase for an in kind contribution represented by plots of land for which the company obtained property rights. The state will receive shares worth RON 3.2 million in exchange for the in kind contribution, whereas minority shareholders will have to bring cash in order to maintain their stake in the company. The procedure for the share capital increase was not finalised by the end of the year.

October: Shareholders approved the management contract of the members of the supervisory board. The remuneration scheme includes a variable component which is linked to the performance of the share price.

December: The transmission tariff for 2014 was increased by 4.7% by the energy regulator.

The prospectus for a RON 200 million bond issue was approved by the FSA and the bonds began trading on the Bucharest Stock Exchange in January 2014.

Members of the Supervisory Board named Mr Dragos Andrei as temporary Supervisory Board member following the appointment of Mr Ciprian Gheorghe Diaconu as member of the Directorate.

Banca Transilvania

RON million	2011*	2012*	2013**
Net banking income	1,489.7	1,639.9	1,659.3
Gross operating income	671.3	755.5	850.5
Net risk cost	315.8	384.5	407.4
Net profit	297.2	346.5	374.9

* Based on consolidated IFRS financial statements

** Based on preliminary separate IFRS financial statements, unaudited

January: The company announced the decision of the Board to commence a buyback programme for a total number of 7 million shares at a maximum price of RON 2 per share during 29 January 2013 – 26 April 2013; shares bought back will be used for an employee variable remuneration plan.

February: The bank announced that Mr Horia Ciorcila, the President of the Board, was delegated to coordinate the bank's Executive Board. The Board of Directors also appointed 3 new Deputy General Managers, namely Mrs Gabriela Nistor as Executive Manager for Retail Banking, Mr Leontin Toderici as Executive Manager, Chief Operations Officer and Mr Andrei Dudoiu as Regional

Executive Manager for Bucharest. Mrs Luminita Runcan was also authorised by the National Bank of Romania to occupy the position of Deputy General Manager.

April: The bank announced its decision to launch a convertible bonds issue denominated in EUR with 7 year maturity, coupon of EURIBOR 6 months + 6.25% and face value of EUR 0.6. The total value of the issue was EUR 30 million. The offer was successfully completed in May.

April: Financial results for the first 3 months of 2013 showed an 8.1% decrease in net income compared to the same period of 2012 to RON 84.4 million, a 9.7% decline of provision expenses to RON 75.7 million and a 2% increase in total assets to RON 30.2 billion.

April: A General Shareholders Meeting approved a capital increase of RON 303.4 million representing capitalized reserves from 2012 net income; the capital increase was finalised in July; the same Shareholders Meeting approved a buyback programme for a total of 17.25 million shares (0.9% of total shares) at a maximum price of RON 2 per share over an 18 month period; shares bought back are to be used for an employee variable remuneration plan.

May: The bank announced the appointment of Mr Omer Tetik as the new General Manager for a mandate until the end of 2016, with an effective start date following the approval of the appointment by the National Bank of Romania.

August: Financial results for the first 6 months of 2013 showed a 0.3% increase in net income compared to the same period of 2012 to RON 180.2 million, a 22.8% decline of provision expenses to RON 141.03 million and a 2% increase in total assets compared to the end of 2012 to RON 30.12 billion.

October: Financial results for the first 9 months of 2013 showed a 4% increase in gross income compared to the same period of 2012 to RON 284.5 million, a flat evolution of provision expenses which reached RON 280.5 million and a 2% increase in total assets compared to the end of 2012 to RON 30.3 billion.

Bankruptcies, Insolvencies and Dissolutions

The following companies from Fund's portfolio are in insolvency, bankruptcy or dissolution:

- SC B A T Service SA (sole registration code 16086637) is a company under bankruptcy procedure starting with 26 May 2010 according to the Decision 666 issued by the Buzau Court related to file 4339/114/2009.
- SC FECNE SA (sole registration code 369432) is a company under bankruptcy procedure starting with 4 October 2010, according to the Decision 6001 issued by the Bucharest Court related to file 23328/3/2006.
- SC Simtex SA (sole registration code 324490) is a company under reorganisation procedure starting with 10 December 2008, according to the Decision issued by the Bucharest Court related to file 5768/3/2008.
- SC Carbid Fox SA (sole registration code 1247115) is a company under bankruptcy procedure starting with 2 April 2007, according to Decision 381 issued by the Mures Court related to file 1137/1371/2007.
- SC Gerovital Cosmetics SA (sole registration code 334493) is a company under bankruptcy procedure starting with 6 January 2010, according to Decision issued by the Bucharest Court related to file 22491/3/2007.
- World Trade Center Bucharest SA (sole registration code 364354) is a company under insolvency procedure starting with 8 June 2010, according to Decision issued by the Bucharest Court related to file 45619/3/2011.
- Romplumb (sole registration code 2206334) is a company under reorganisation procedure starting with 7 January 2014, according to Decision no. 19 issued by the Mararmures Court related to file 729/100/2012.

The holdings in these companies are reflected at zero value in the NAV.

Financial Risk Management

Given the nature of its business, the Fund is exposed to various risks, which include: market risk, credit risk, liquidity risk, operational risk and the risks related to the economic environment. The management monitors the reduction of the potential adverse effects associated with these risk factors on the financial performance of the Fund.

With effect from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

i) Market risk

Market risk includes foreign currency risk, interest rate risk and price risk.

Foreign currency risk

The Fund can make investments in financial instruments or perform transactions denominated in foreign currency. As a result, the Fund is exposed to the risk that fluctuations in exchange rates can have an adverse effect on the value of the net assets of the Fund denominated in foreign currency.

Cash accounts with banks (EUR 857,477, USD 116, GBP 29), receivables (EUR 522,301) and liabilities (EUR 3,312) denominated in foreign currency are not material.

The Fund considers that its functional currency is the local currency (RON).

Interest rate risk

The majority of the financial assets of the Fund are not interest bearing. The interest bearing financial assets (deposits and government securities) generally have short-term maturity: deposits up to 3 months, treasury bills and short-term government bonds up to 12 months. As a result, the Fund has a limited exposure to variations in interest rates.

Price risk

Price risk is the risk that the value of the securities fluctuates as a result of changes occurring on the capital market, and it is determined by factors specific to an issuer, industry, country or region or that otherwise influence the capital market overall. This is the most significant source of risk and variability in the value of the Fund.

This risk has become more significant in previous years, especially since the latter half of 2008, given the large reductions in value of the stock exchange quotations for some of the securities in the Fund's portfolio. It has been necessary to book impairment adjustments in certain cases in that period, and these negatively influenced Fund's shareholders' equity.

During the following years, including 2013, the impairment adjustments previously booked were partially reversed due to market recoveries, but in certain periods, on downward market trends, additional impairment adjustments were recorded for some of the listed equity investments of the Fund.

ii) Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, government securities and dividends receivable.

For government securities held, the credit risk is assessed as low to moderate, given that their issuer is the Romanian State through the Ministry of Public Finance.

Cash held by the Fund that is not invested in portfolio companies or government securities may be invested in short-term bank deposits. After the Fund's management was taken over by the Fund Manager, a formal policy regarding bank counterparty risks and limits was established.

The Fund only establishes new deposits where the financial institution or the institution's corporate parent, have a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

iii) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

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

The equity securities held by the Fund are listed on the Bucharest Stock Exchange or Vienna Stock Exchange. However, not all the shares listed on the Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to finance current liabilities.

iv) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and avoidance of control procedures that restrict initiative.

v) Economic environment

The on-going global credit and liquidity crisis has resulted in, among other things, lower liquidity levels and difficult access to the capital markets and across the Romanian banking sector.

Continuing fear that a deterioration of financial conditions in Europe could contribute to a further retrenchment in investor confidence, prompted coordinated efforts by governments and central banks to adopt special measures. These efforts helped to restore some degree of confidence in the market and have helped return the market to a more functional condition. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

vi) Risks arising from potential changes in the legislation governing the Fund

The existence, operation and even the initial structure of the Fund's portfolio are regulated by primary legislation, as well as by secondary legislation such as government decisions and FSA regulations. Hence, it may not be ruled out that the current legal framework be changed so as to directly affect the Fund, and therefore its shareholders.

This risk is sustained by the legislative history of the past few years that reveals a series of laws which have changed also the Fund's portfolio compositions. Such legal changes would have to be carried out in compliance with the constitutional principles regulating the guarantee of the private property.

Notwithstanding to the general principle described above, the numerous instances where the relevant institutional structures have ruled on the unconstitutionality of certain laws, prove that the risk of legislative changes which may adversely affect the Fund and which may be passed in breach of the Constitution may not be ruled out.

Key Financial Activity of the Fund

Fund Liquidity

Summary % net cash & cash equivalents in NAV

RON million	31 Dec 2012	31 Mar 2013	30 Jun 2013	30 Sep 2013	31 Dec 2013
Current accounts	1.9	1.2	11.3	2.3	5.6
Bank deposits	317.3	233.4	857.9	363.7	232.1
Treasury bills and Short-term government bonds	454.7	533.5	466.8	482.1	213.6
Total liabilities	(21.1)	(19.9)	(435.2)	(32.8)	(31.2)
Net cash & cash equivalents	752.8	748.2	900.8	815.3	420.1
Net Assets Value	14,979.2	15,238.5	14,998.5	14,920.1	15,013.7
% net cash & cash equivalents in NAV	5.0%	4.9%	6.0%	5.5%	2.8%

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

The decrease of the **bank deposits** and of the **treasury bills and short-term government bonds** as compared to December 2012 was principally due to the funding of the second buy-back programme (RON 974.8 million) and payment of 2012 dividends and related taxes (RON 530.7 million), net of the proceeds from the disposal of portfolio holdings (RON 570.8 million) and dividends collected from portfolio companies during the year (RON 696.3 million).

Total Expense Ratio

Total expense ratio of the Fund as at 31 December 2013 was 0.58% (2012: 0.40%). This figure represents the total expenses of the Fund divided by the period end NAV. For the purpose of this calculation, expenses do not include foreign exchange losses, cost of equity investments disposed, impairment adjustments, interest expenses or corporate income tax.

The increase is mainly due to the higher investment management and administration fees (due to the significant increase of the Fund's market capitalisation in 2013, based on which these fees were calculated) and legal fees, as well as to the commissions and fees related to the disposal of equity investments, explained in more detail in the Financial Statements Analysis section.

Income from Investments

The main objective of the Fund is long term capital appreciation primarily through investments in Romanian equities, with strict adherence to the principles of value investing. At the end of 2013, the Fund's exposure to Romanian equities accounted for 99.2% of the NAV, while 0.8% of the NAV was invested in the Austrian banks, Erste Group Bank AG and Raiffeisen Bank International AG. Therefore, the performance of the Fund was affected by the fluctuations of these markets.

The BET-XT Index, which reflects the performance of the top 25 most liquid stock listed on the Tier 1 of the BVB, increased by almost 24% over the course of 2013. The broader BET-C Index increased by over 20% in 2013. Overall, the Romanian market outperformed the largest Central European markets, notably Poland, Czech Republic and Hungary, where the main market indices increased by 7.0%, 4.8%, and 2.2% respectively.

BET-XT**BET-C**

Source: BVB

The income arising from the main activities of the Fund was influenced by the performance of the portfolio companies and their decision on dividend distributions, as well as by money market performance.

Further information on the Fund's financial results can be found in the Financial Statements Analysis section.

Capital Expenditure

Intangible assets include the value of the licences and implementation costs for a new customised accounting and reporting software solution. The Fund started using the software in the second quarter of 2013.

Litigations and Other Contingencies

As at 31 December 2013 the Fund was involved in certain litigations, either as defendant or claimant. 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 Bucharest 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 Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch 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, Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch 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.

However, new resolutions passed during the 25 April 2013 GSM, 22 November 2013 GSM and 3 February 2014 GSM specifically ratified and re-approved the objects of all the resolutions approved by shareholders between September 2010 and 2 February 2014.

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 privatisation 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 in the share capital by the Romanian State once they are collected, with the approval of shareholders, according to the legislation in force.

- 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 December 2013, the Fund recovered from World Trade Center Bucharest SA, USD 510,131, EUR 148,701, RON 8,724,888. Given the uncertainties regarding their recoverability, the World Trade Center Bucharest SA receivables were recognised on a 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 next hearing in front of Bucharest Court for this file was set for 14 March 2014.

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

Market for Securities Issued by the Fund

Trading of the Fund's Shares

As at 31 December 2010 shares issued by the Fund were not traded on any stock exchange. Pursuant to Law no. 142/2010, the Fund was required to apply for admission to trading on the regulated market of the BVB within 90 business days as of the date of registration with the CNVM as an undertaking for collective investment (closed-end investment company), which was on 18 August 2010. Since no public offering of the Fund's shares was made, the admission to trading on the regulated market of BVB was intended to be purely administrative in nature.

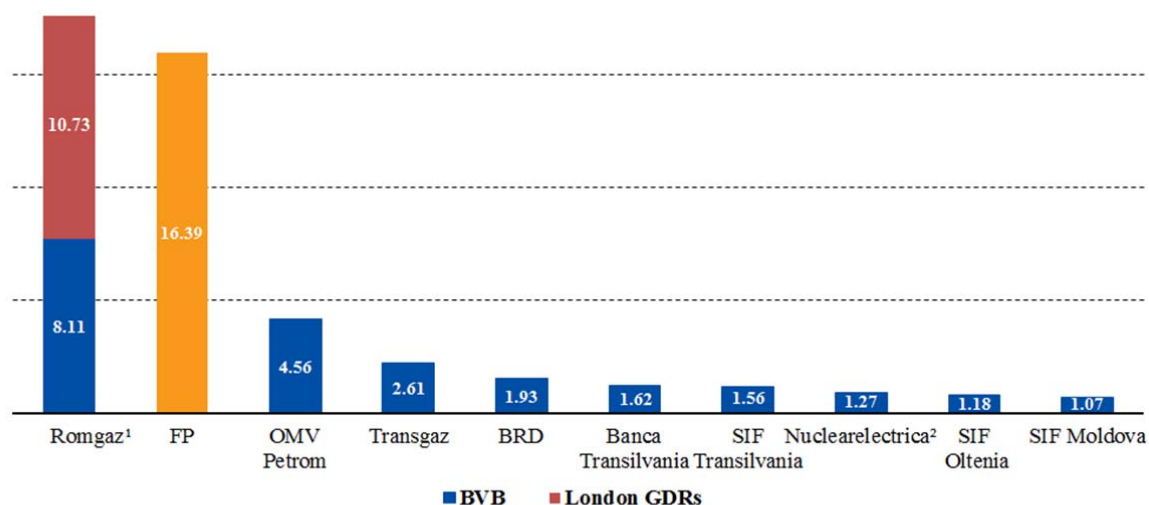
The Fund applied for admission to trading in December 2010 in the Tier I category of the BVB. The Fund's listing prospectus was approved by the CNVM on 16 December 2010.

The prospectus includes all material information about the Fund as required by the European Union and CNVM regulations, including profiles of all the companies in the Fund's portfolio. The information provided in the prospectus allows shareholders and potential investors to better assess the value of the Fund. A copy of the prospectus and its annexes are available at www.fondulproprietatea.ro.

Since 25 January 2011 the Fund shares has been listed in the Tier I category of the regulated market of the BVB under ISIN number ROFPTAACNOR5 and market symbol FP.

The records of shares and shareholders of the Fund are kept under the conditions of the applicable law by an independent registrar, SC Depozitarul Central SA ("Central Depository"), with the registered office at Bucuresti, 34-36 Carol I Avenue, floors 3, 8 and 9, 2nd district.

Annual Average Daily Turnover (RON million)

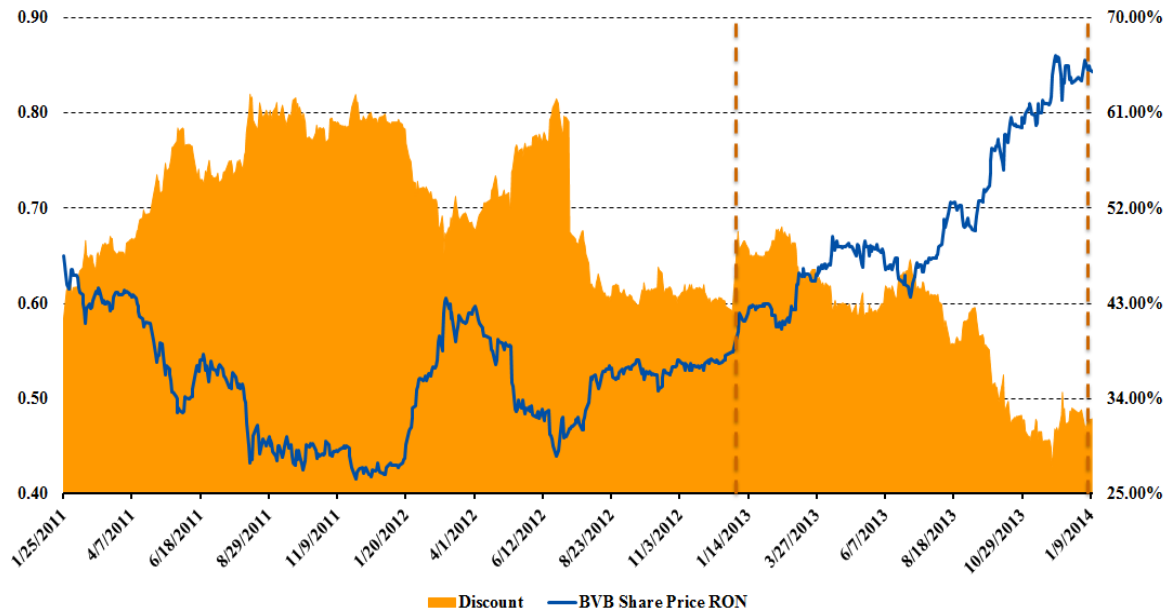


1. For the period 12 November - 31 December 2013.

2. For the period 4 November - 31 December 2013.

Source: BVB

Share Price History of the Fund (RON/share)



Source: BVB

Dividends

Key information on the Fund's dividend history is included in the table set out below:

Financial year	Gross dividend declared (RON)	Gross dividend per Share	Total number of shares *	Status of dividend payment (%)	Deadline for dividends collection by shareholders
2006	36,076,046	0.0025	14,240,540,675		30 June 2012 (Dividend collection right cancelled)
2007	89,997,678	0.0066	13,644,179,910		30 June 2012 (Dividend collection right cancelled)
2008-2009 (aggregate)	1,124,316,804	0.0816	13,778,392,208	%	11 October 2013 (Dividend collection right cancelled)
2010	432,729,046	0.03141	13,776,792,208	> 99%	30 June 2014
2011	507,658,517	0.03854	13,172,250,055	> 99%	30 June 2015
2012	536,437,206	0.04089	13,119,031,695	> 98%	28 June 2016

* Being the number of shares qualifying for the dividend, defined as the number of shares in issue, excluding any unpaid shares and any treasury shares acquired via buybacks (where applicable) at the registration date decided upon by the OGSM approving the dividend distribution

2013 Profit Allocation Proposal

The Fund's 2013 audited net profit was RON 682,154,399. The Fund is obliged to make transfers to the legal reserves until those reserves reach a value equivalent to 20% of the value of the issued share capital of the Fondul Proprietatea. Following the 2013 transfer of RON 34,107,720 the value of those reserves is RON 192,259,194 (being 1.40% of the issued share capital).

The Fund Manager proposes to keep the remaining RON 648,046,679 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. Such a cash distribution to shareholders is a more tax efficient option for the Fund's shareholders.

Based on our current understanding of Romanian tax law, no Romanian tax will arise for the Fund or its shareholders on this distribution, which means that the net cash distribution received by the shareholders will be higher by the applicable dividend withholding rate.

The decrease of share capital is subject to the endorsement from the FSA. If this regulatory approval, or any litigation or other event will delay or block the implementation of cash distribution, the Fund Manager may consider proposing a dividend distribution of the unallocated profits for 2013, to ensure that shareholders will receive an annual cash distribution.

In addition, the Fund Manager will seek to return further value to shareholders by continuing to buy-back shares.

Share Cancellation

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 Buyback programme.

The registration with the Trade Register of the shareholders resolution was delayed by litigations started by a shareholder of the Fund, and the results of this decision were suspended for a long period of time. The Fund asked for FSA's endorsement of the Constitutive Act as a result of the share capital decrease in April 2012 and FSA issued the decision for endorsing this change on 24 February 2014. The share capital decrease is effective beginning with 24 February 2014.

Buy-back Programmes

On 12 April 2013 the Fund Manager started the execution of the second buy-back programme to repurchase 1.1 billion shares, or 7.9% of the Fund's share capital. Since the start of the buy-back programme up until 20 September 2013, the Fund has repurchased 322.0 million shares, or approximately 29% of the total buy-back program, representing 23.8% of the volume traded on the regular market during the period. Therefore, the Fund Manager explored several options to accelerate the buy-back programme, and after receiving FSA approval, launched a buy-back tender offer for 600 million shares at RON 1 per share.

The Tender offer was finalised on 14 November and the Fund Manager re-launched the execution of daily buy-backs on 25 November. The second buy-back programme was finalised on 17 December, and 1,100,950,684 shares were acquired at an average price of RON 0.8743 per share.

In an effort to return value to shareholders, the Fund Manager requested and received approval from shareholders during the 22 November 2013 General Shareholders Meeting for the launch of a third buy-back programme to repurchase 252,858,056 shares or 1.89% of the paid share capital. The third buy-back programme can start after the shareholders resolution approving the buy-back is published in the Official Gazette.

The execution of the programme is authorised for a maximum period of 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 between RON 0.2 / share and RON 1.5 / share. The shares repurchased in the third buy-back programme will be cancelled.

Subsidiaries Owning Fund's Shares

None of the subsidiaries of the Fund hold shares in the Fund, according to the information made available to the Fund.

Issued Debt

The Fund had no bonds or other debt securities in issue during 2013.

Corporate Governance of the Fund

The Fund has a clear and transparent corporate governance framework that was concluded in 2011. The framework sets out clearly, for public reference, the main aspects of the Fund's corporate governance structure, the respective functions of the Board of Nominees and the Fund's Sole Administrator, as well as their powers and responsibilities and is published on the website of the Fund. The Fund develops and updates its corporate governance framework, so that it can meet new demands and opportunities.

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

The Fund lends great importance to the principles of good corporate governance and, coinciding with its listing at the start of 2011, has adhered to the Bucharest Stock Exchange Code of Corporate Governance.

In September 2010, a one-tier system of governance was implemented in the Fund, as a result of the implementation of the rules established by Government Ordinance 81/2007. Although the Fund is currently administrated under a one-tier system, the role of the Board of Nominees is similar to the role of a Supervisory Board, with a few exceptions.

Since adopting the one-tier system, the Fund is administrated by the Sole Administrator, who is also the Fund Manager. The Sole Administrator manages the daily operations of the Fund and, as Fund Manager, implements the investment strategy on behalf of the Fund. The Board of Nominees, appointed by the shareholders, acts as a monitoring body and follows the activity of the Sole Administrator and Fund Manager, verifying the execution of the Investment Management Agreement.

The powers and duties of the above mentioned bodies are described in a number of official documents:

- the Constitutive Act of the Fund which is attached to this report in Annex 5.1 and is also available on the Fund's website;
- the Investment Management Agreement, signed between the Fund and Franklin Templeton Investment Management Limited United Kingdom and the first addendum, both also available on the Fund's website;
- the Investment Policy Statement approved by shareholders in September 2009 and the new Investment Policy Statement approved by shareholders in November 2013, both also available on the Fund's website; and
- other internal regulations.

Commitment to Follow the Principle of Corporate Governance

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

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

General Shareholders Meeting

Any General Shareholders Meeting ("GSM") shall be convened whenever necessary by the Sole Administrator, with the prior approval of the Board of Nominees, in accordance with the provisions of the law. The date of the meeting may not be less than 30 (thirty) calendar days after publishing the convening notice in the Official Gazette of Romania Part IV. The convening notice shall be published in the Official Gazette of Romania, Part IV, and in one of the widely distributed newspapers in Romania.

In exceptional cases, when the Fund's interest requires it, the Board of Nominees may convene the General Shareholders Meeting. Any convening notice will be sent to the Bucharest Stock Exchange and the National Securities Commission in accordance with the capital markets regulations. Any convening notice will also be published on the Fund's website in the General Shareholders Meeting section, together with any explanatory document related to items included on the meeting agenda.

The annual financial statements are made available starting with the date of the convening notice of the Annual Ordinary General Shareholders Meeting convened to resolve upon them.

General Shareholders Meeting Organisation

The General Shareholders Meeting is usually chaired by one of the legal representatives of the Sole Administrator, who may designate another person to chair the assembly. The chairman of the Meeting designates two or more technical secretaries to verify the fulfilment of the formalities required by law for the carrying out of the Meeting and for the drafting of the minutes thereof.

The minutes, signed by the Chairman and by the technical secretaries, shall ascertain the fulfilment of the formalities relating to the convening notice, the date and place of the Meeting, the agenda, the shareholders present, the number of shares, a summary of the issues discussed, the resolutions passed and, upon the request of the shareholders, the statements made by such shareholders during the meeting.

The resolutions of the General Shareholders Meeting shall be drafted pursuant to the minutes and shall be signed by the person empowered by the shareholders to do this. In observance of the capital market regulations, the resolutions of the General Shareholders Meeting will be disseminated to the Bucharest Stock Exchange and the Financial Supervisory Authority (former National Securities Commission) within 24 hours after the event. The resolutions will also be made available on the Fund's website under the respective General Shareholders Meeting section.

General Shareholders Meeting Main Duties

The main duties of the Ordinary General Shareholders Meeting are the following:

- a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Fund Manager and financial auditor;
- b) to establish the allocation of the net profit and to establish the dividends;
- c) to appoint the members of the Board of Nominees and to cancel their appointment;
- d) to appoint the Fund Manager, on the basis of the outcome of the selection made subsequent to a tender for appointing the Fund Manager, and to cancel its appointment;
- e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;
- f) to set the level of the remuneration of the members of the Board of Nominees, the Fund Manager and of the financial auditor for the ongoing fiscal year;
- g) to rule over the management of the Fund Manager and to evaluate Fund Manager performances and to discharge of Fund Manager from its management;
- h) to decide on the action in a court of law against the Fund Manager or, as the case may be, against the financial audit, for damages caused to Fondul Proprietatea;
- i) to approve the strategies and the development policies of Fondul Proprietatea;
- j) to establish the annual income and expenditure budget for the following financial year;
- k) to decide upon the pledge, lease or the creation of the movable securities or mortgages on the assets of Fondul Proprietatea;
- l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.

The Extraordinary General Shareholders Meeting is entitled to decide mainly upon:

- a) set-up or closing secondary units: branches, agencies, representative offices or other such units with no legal personality;
- b) share capital increase;
- c) share capital decrease or re-completion thereof by issuing new shares;
- d) conversion of shares from one category to another;
- e) conversion of a category of bonds to another category or to shares;
- f) issue new bonds;
- g) approves the admission for trading and nominates the regulated market on which the shares of Fondul Proprietatea will be traded;
- h) execution of any agreement / legal documents which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the assets whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- i) change of the management system of Fondul Proprietatea;
- j) limitation or cancellation of the preference right of the shareholders;
- k) approves the Investment Policy Statement;
- l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general shareholders meeting according to applicable law or to this Constitutive Act.

Board of Nominees

The Board of Nominees consists of five members appointed by the Ordinary General Shareholders Meeting in accordance with the provisions of the Constitutive Act in force.

The Board of Nominees has a sufficient number of members in order to have effective capacity to supervise, scrutinise and evaluate the activity of the Sole Administrator and the fair treatment of all the shareholders.

The composition of the Board of Nominees is balanced so as to enable it to take well-informed decisions. The decision-making process is a collective responsibility of the board, which remains fully liable for decisions taken within its field of competence.

An independent member is defined as one who does not maintain, nor has recently maintained, directly or indirectly, any business relationships with the Fund or persons linked to the Fund, or shareholders of the Fund, of such significance as to potentially influence them.

The Board of Nominees ensures that consultative committees (Nomination and Remuneration Committee and Audit Committee) are constituted to examine specific topics chosen by the Board and to report to the Board on the same. One independent Board of Nominees member sits on each such committee. The mandate of each member of the Board of Nominees imposes the same kind of restrictions around confidentiality of the Fund's information and the same kind of reporting and consent requirements on the individual's ability to personally trade in the Fund's shares as are in place for the Sole Administrator's staff.

The members of the Board of Nominees may be shareholders of the Fund.

The structure of the Board of Nominees as at 1 January 2013 was the following:

Name	Position
Mr Sorin-Mihai Mîndruțescu	Chairman
Mr Cristian Bușu	Member
Mr Julian Rupert Francis Healy	Member
Mr Steven Cornelis van Groningen	Member
Mr Piotr Rymaszewski	Member

In April 2013 Mr Cristian Busu resigned from his position as member of Fund's Board of Nominees.

On 25 April 2013, the Ordinary General Shareholders Meeting ("OGM") approved a 3 years mandate for the following members of the Board of Nominees: Mr Sorin-Mihai Mîndruțescu and Mr Mark Gitenstein.

The mandates of Mr Sorin-Mihai Mîndruțescu and Mr Mark Gitenstein started on 30 September 2013 and run until 30 September 2016. The mandates of Mr Julian Rupert Francis Healy, Mr Steven van Groningen and Mr Piotr Rymaszewski started in 4 April 2012 and run until 3 April 2015.

The structure of the Board of Nominees as at 31 December 2013 was the following:

Name	Position
Mr Sorin-Mihai Mîndruțescu	Chairman
Mr Mark Gitenstein	Member
Mr Julian Rupert Francis Healy	Member
Mr Steven Cornelis van Groningen	Member
Mr Piotr Rymaszewski	Member

Mr Sorin-Mihai Mîndruțescu is the Chairman of the Board of Nominees. Mr Mîndruțescu has extensive experience in corporate finance and in the banking industry. From 1994 until 2001 he held various senior positions in a number of large Romanian credit institutions. From 2009 until 2012 Mr Mîndruțescu was Chairman of the Board of Directors of the American Chamber of Commerce Romania (AmCham). Currently Mr Mîndruțescu is a managing director with Oracle Romania. Mr Mîndruțescu holds MBA qualifications from both The University of Edinburgh Management School and ENCP School of International Management in Paris. As at 31 December 2013 Mr Mîndruțescu held no shares issued by the Fund. Mr Mîndruțescu is an independent member.

Mr Mark Gitenstein is special counsel in the Government & Global Trade practice in Mayer Brown's Washington DC office. He was appointed in 2009 by President Barack Obama to serve as the United States Ambassador to Romania, completing his term of service at the end of 2012. As US Ambassador to Romania, he worked to strengthen relations with Romania on a variety of issues. He actively promoted deeper development of Romania's equity markets, as well as a fair and transparent business environment for all investors. He also encouraged greater private sector involvement in state-owned enterprises (SOEs), including the introduction of a corporate governance code for SOEs. Before undertaking his ambassadorial role, Mr Mark Gitenstein spent two decades at Mayer Brown, focusing his practice primarily on issues of government relations. He advised corporations and associations on legislative strategies, monitored and drafted legislation on behalf of corporate clients and advised clients in the context of antitrust, white-collar crime and civil liability controversies. Additionally, he was a non-resident senior fellow in governance studies at the Brookings Institution, where he specialised in issues related to national security and civil liberties. Mr Mark Gitenstein is the author of Matters of Principle, an award winning book on his experience managing the Judiciary Committee staff during the confirmation battle over the nomination of Robert Bork to the Supreme Court. As at 31 December 2013 Mr Gitenstein held no shares issued by the Fund.

Mr Julian Healy has long and extensive experience of banking and investment management in emerging markets and particularly in central and Eastern Europe. He is a Member of the Institute of Chartered Accountants in England and Wales. Mr Healy also acts as a non-executive director on a number of company boards of directors. As at 31 December 2013, Mr Healy held no shares issued by the Fund. Mr Healy is an independent member.

Mr Steven Cornelis van Groningen has extensive experience in banking area, and is the President and CEO of Raiffeisen Bank SA Romania. Mr van Groningen previously occupied senior management positions in ABN AMRO Bank (in Romania, Russia and Hungary). Mr van Groningen is the Vice-President of Foreign Investors Council in Romania. As at 31 December 2013, Mr van Groningen held 500,000 shares issued by the Fund.

Mr Piotr Rymaszewski has experience in finance, turnaround, real estate and law. He is a CEO of Octava S.A., a company listed on the Warsaw Stock Exchange. He also acts as non-executive director on a number of boards of both listed and unlisted companies, representing institutional investors. As at 31 December 2013, Mr Rymaszewski held no shares issued by the Fund.

The main duties of the Board of Nominees include:

- (1) Following the information received from the Fund Manager with regard to the summoning of the ordinary and/or extraordinary general shareholders meeting requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general shareholders meeting;
- (2) Receiving from the Fund Manager the information in connection with the answers to the written requests submitted before the date of the general shareholders meeting by the shareholders, on topics regarding Fondul Proprietatea's activity;
- (3) Receiving from the Fund Manager the annual financial statements, the annual activity report presented by the Fund Manager and the financial auditors' report, before being made available to the shareholders and analysing them, being able to formulate an opinion to be presented to both the Fund Manager and the general meeting;
- (4) Receiving from the Fund Manager for analysis the annual report on the management and the business policy of Fondul Proprietatea and presenting an opinion to the Fund Manager and to the general shareholders meeting;
- (5) Receiving from the Fund Manager for analysis the annual income and expenditure budget and business plan before to be submitted to approval of the general shareholders meeting and presenting an opinion to the Fund Manager and to the general shareholders meeting;
- (6) Receiving from the Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before being submitted to the approval of the General Shareholders Meeting and presenting an opinion to the Fund Manager and to the general shareholders meeting;
- (7) Receiving from the Fund Manager for analysis and approving the framework for carrying out Fondul Proprietatea's operations, as well as any other Fondul Proprietatea's regulations issued by Fund Manager according to legal provisions in force, capital market rules and regulations;
- (8) Receiving from the Fund Manager for analysis the proposal to the Ordinary General Shareholders Meeting for the conclusion of the financial audit agreement and presenting an opinion to the Fund Manager and to the general shareholders meeting;
- (9) Reviewing on a regular basis the investment policy of Fondul Proprietatea and presenting an opinion to the general shareholders meeting at any time it deems necessary, but in any case, at least once a year at the annual ordinary meeting;
- (10) Receiving the reports of the internal auditor and presenting an opinion on the reports to the Fund Manager and to the general shareholders meeting;
- (11) Monitoring and reporting to shareholders at least annually at the general shareholders meeting on the following, based on representations from the Fund Manager:
 - the list of all portfolio investments and percentage breakdown by each investment type;
 - a list of major transactions occurring in the Fondul Proprietatea portfolio for the period under review;

- the total profit of the portfolio and comparison of profit with the appropriate benchmark;
- comparison of return on the portfolio with the portfolio objective;
- the extent of compliance with the investment policy statement, any variations and actions taken to correct such variations;
- the performance evaluation report.

(12) Representing the General Shareholders Meeting in relation with the Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by the Constitutive Act as a direct communication between the General Meeting and the Fund Manager;

(13) Verifying the report of the Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Fund Manager, and verifying if the operations carried on by the Fund Manager are in compliance with the applicable law, the Constitutive Act and/or with any relevant decision of the General Shareholders Meeting;

(14) Under the conditions of art. 13 paragraphs (11) and (14) from the Constitutive Act, calling any General Shareholders Meetings;

(15) Participating in the General Shareholders Meetings and presenting at such meetings any reports required by the Constitutive Act, or with regard to any issue the Board deems relevant to shareholders;

(16) Proposes to General Shareholders Meetings the approval or rejection of any contract or document which may create binding obligations to Fondul Proprietatea (including without limitation buying, selling, exchanging, pledging of assets of Fondul Proprietatea) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;

(17) Recommending to shareholders at any General Shareholders Meeting the termination of the management contract when the Board of Nominees considers it is in the shareholders' interests.

(18) Bringing to shareholders' attention at any General Shareholders Meeting any other issues the Board of Nominees considers relevant;

(19) Following the proposal of Fund Manager, recommending to an Extraordinary General Shareholders Meeting the appointment of the public offer intermediary, as well as its remuneration, if it becomes necessary that such a company be appointed in relation to the admission to trading of Fondul Proprietatea;

(20) Approving the delegation by the Fund Manager of certain activities. Such delegation will only be in force after the approval of FSA, where required by the legislation in force;

(21) Monitoring the Fund Manager's performance under the Investment Management Agreement.

The responsibilities of the members of the Board of Nominees, as well as the working procedures and the approach to conflicts of interest and own account dealings are governed by the Constitutive Act, relevant internal regulations and the Mandate Agreement signed by each member.

During 2013, the Board of Nominees met 8 times (more details presented within the report of the Board of Nominees).

The Board of Nominees may assign specific issues to certain members, acting individually or part of special committees, and may also resort to experts to analyse certain issues. The task of the committees is to issue recommendations for the purpose of preparing resolutions to be passed by the Board of Nominees itself, without thereby preventing the entire Board of Nominees from dealing with matters assigned to the committees.

The Board of Nominees members are appointed by shareholders voting at an Ordinary General Meeting, based on a transparent appointment procedure. The remuneration of the Board of Nominees members is also established by shareholders at an Ordinary General Meeting.

Committees

An Audit Committee composed of two Board of Nominees members was established to provide assistance to the governing bodies of the Fund in the area of internal control and financial reporting. This committee reviews the annual financial statements and the proposal for profit distribution. In addition, the Audit Committee analyses the proposal for appointing the independent financial auditor, who is appointed by shareholders at an Ordinary General Meeting.

The Committee also supervises the Fund's risk management strategy and its financial performance and assesses any issues brought to its attention by the internal auditor.

The Sole Administrator reports to the Audit Committee at least once a year on the audit plan and any material relevant matters.

The Audit Committee includes members that have the necessary expertise in the area of financial audit and accounting. As at 31 December 2013 the Audit Committee members were Mr Healy and Mr van Groningen.

A Nomination and Remuneration Committee composed of three Board of Nominees members was established to provide assistance to the governing bodies of the Fund in the area of nomination and changes in remuneration.

As at 31 December 2013 the Nomination and Remuneration Committee members were Mr Gitenstein, Mr Mîndruțescu and Mr Rymaszewski.

The Sole Administrator

The Sole Administrator is appointed and/or revoked by the Ordinary General Shareholders Meeting.

The Sole Administrator's current mandate started on 29 September 2010 and runs until 29 September 2014. The mandate of the Fund Manager is currently of 4 years and is renewed automatically, if there is no adverse decision of the General Shareholders Meeting, entitled to decide on the termination of the mandate even before its regular lifespan. The Fund Manager will call the Ordinary General Shareholders Meeting with at least 3 months before the termination of the Investment Management Agreement having on the agenda the extension of the mandate or the appointment of a new Fund Manager. The Fund Manager will organise the Ordinary General Shareholders Meeting before the termination of the Investment Management Agreement.

In November 2013 the shareholders of Fondul Proprietatea approved a change of the Constitutive Act regarding the duration of the mandate of the Fund Manager, as follows:

"The mandate of the Fund Manager is of 2 years. The Fund Manager will call an Ordinary General Meeting of the Shareholders to be held at least 6 months before the termination of the duration of the mandate of the Fund Manager with the agenda of approving the renewal of the Fund Manager's mandate or starting the selection process of a new Fund Manager and the negotiation of the management agreement to be concluded with the selected candidate. After the selection of the candidate, the Fund Manager will immediately call an Ordinary General Meeting of the Shareholders with the agenda of appointing the selected candidate as Fund Manager and authorising the execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorization and legal completion of such appointment".

This change of the Constitutive Act needs to be endorsed by the FSA in order to enter in force. By the date of this report the change of the Constitutive Act was not endorsed by the FSA.

The Sole Administrator issues decisions regularly and whenever necessary for the daily operations of the Fund.

Currently, the Fund is managed by a Sole Administrator and the same legal entity acts as Fund Manager, responsible for investment decisions. This arrangement enables the Fund Manager to perform these functions in a complementary, effective and efficient manner.

The Sole Administrator is responsible for the Fund's executive management. It acts in the best interests of the Fund and protects the general interests of the shareholders.

FTIML, as Sole Administrator, is regulated by the FSA. Franklin Templeton Investment Management Limited United Kingdom is authorised and regulated by the UK Financial Services Authority and is registered as a foreign investment adviser with the United States Securities and Exchange Commission. Franklin Templeton Investment Management Limited United Kingdom applies global best practices to meet its regulatory obligations and compliance with laws. These include:

- a Code of Ethics to which all employees are bound;
- a Conflicts of Interest Policy to evidence compliance by the Sole Administrator with the conflicts of interest requirements as set out in the European Markets in Financial Instruments Directive of 2004;
- a Data Protection Policy to ensure that its business operations comply with the Data Protection Regulation;
- an Anti-Bribery Policy to ensure that employees of Franklin Templeton Investment Management Limited United Kingdom comply with the U.S. Foreign Corrupt Practices Act and applicable foreign bribery regulations of the local jurisdictions where Franklin Templeton Investment Management Limited United Kingdom operates;
- a Compliance Manual, which describes the compliance and regulatory requirements applicable to Franklin Templeton Investment Management Limited United Kingdom's business and the consequences of failure to comply;
- regular staff training on compliance and related matters;
- reinforcement of corporate values which focus on acting in the client's best interests and with integrity and confidentiality;
- reporting rules governing any proposed personal share dealing in the Fund shares by staff doing sensitive work relating to the Fund.

The Main Duties of the Sole Administrator

As provided by the Constitutive Act, the Investment Management Agreement and Investment Policy Statement, the main duties of the Sole Administrator, performed under the control of the General Shareholders Meeting and the monitoring of the Board of Nominees, are:

- fulfils the necessary and useful operations to achieve the Fund's business objective, except for the operations reserved by the law for the general shareholders meeting, and has all the obligations attributed to it by the applicable law;
- establishes a reference date for shareholders entitled to vote within the general meeting, under the law, and draft the convening notice of the general meeting, after obtaining the prior approval of the Board of Nominees and after adding to the agenda the matters requested by the Board of Nominees;
- upon the written request of any shareholder submitted before the date of the general shareholders meeting, gives responses after obtaining the prior approval of the Board of Nominees, regarding the aspects concerning the activity of Fondul Proprietatea;
- ensures that, if requested by any of the shareholders, a copy of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general shareholders meeting is published, makes available to the shareholders the financial statements of the Fund and the reports of the Fund Manager and of the Fund's financial auditors;

- prepares the annual financial statements, drafts the annual activity report, examines the financial auditors' report, presents them to the Board of Nominees before submitting such documents to the general shareholders meeting and makes proposals on the allocation of the profit to the general shareholders meeting, after obtaining the prior approval of the Board of Nominees;
- manages the relationship with the Central Depository with regard to its shareholders register functions;
- prepares an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general shareholders meeting;
- submits to the prior approval of the Board of Nominees and further, to the general shareholders meeting, of the annual income and expenditure budget and business plan;
- submits to the prior approval of the Board of Nominees and further, to the general shareholders meeting of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea;
- it is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio;
- informs periodically the Board of Nominees on any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio;
- approves the outsourcing of certain activities, within the limits of the approved budget; respectively delegating the execution of certain activities, with the prior endorsement of the FSA, where required by applicable legislation;
- based on the proposal of the Board of Nominees submits to the approval of the extraordinary general shareholders meeting any agreement / document which may create binding obligations to Fondul Proprietatea, including but not limited to the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- enters into any agreement/document which may create binding obligations to Fondul Proprietatea, (the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea) whose value does not exceed, either individually or cumulated, during a financial year, 20% of the non-current assets, less any receivables, without the approval of the ordinary or extraordinary general shareholders meeting;
- submits to the ordinary general shareholders meeting approval the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, and approves the procedure of internal audit and the audit plan;
- decides the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- makes available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties;
- informs at once the Board of Nominees of any litigation or infringement of legislation regarding the Fund Manager, any operation which might be an infringement to the investment policy and about the plans/correction measures for approaching these matters;
- asks for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Fund Manager, which can not be resolved amiably;

- proposes to Board of Nominees the recommendation for the Extraordinary General Shareholders Meeting for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

The Sole Administrator coordinates the strategy of the Fund.

The Sole Administrator ensures that the provisions of the relevant European and Romanian capital markets legislation are complied with and implemented by the Fund, as earlier presented within this chapter. Likewise, the Sole Administrator ensures the implementation and operation of an accounting, risk management and internal controlling system which meets the requirements of the Fund.

The employees of the Sole Administrator and the persons closely related to them and to the Sole Administrator (the latter term as defined in the applicable capital markets regulations under the Romanian phrase of “*persoană aflată în relații apropiate cu persoane exercitând funcții de conducere*”) have the duty to report to the Sole Administrator and to the FSA any and all trading/business performed for their own account with (i) shares or other securities issued by the Fund and admitted for trading on regulated markets; and/or (ii) derivative financial instruments relating to securities issued by the Fund and/or (iii) any other instruments relating thereto.

The Sole Administrator has the duty to disclose immediately to the Board of Nominees any material personal interests it may have in transactions of the Fund as well as all other conflicts of interest.

Sole Administrator conducts all business according to the principle that it must manage any conflicts of interest fairly between itself and its client (including the Fund) or between multiple clients. The Franklin Templeton group has group-wide policies for managing conflicts of interest and ensuring the ethical conduct of its entire staff which apply to the Sole Administrator. These policies were designed to evidence compliance with the conflicts of interest requirements as set out in the European Markets in Financial Instruments Directive of 2004 and were also submitted to FSA during the course of the Sole Administrator's licensing application.

All business transactions between the Fund and the Sole Administrator as well as persons or companies closely related to it must be in accordance with the normal industry standards and applicable corporate regulations.

In 2013, the Sole Administrator issued 47 resolutions on all matters requiring its approval in accordance with the Constitutive Act.

The Sole Administrator of the Fund from 29 September 2010

In June 2009, the Fund nominated Franklin Templeton Investment Management Limited United Kingdom as winner of the international tender procedure organised by the Fund for the selection of the Fund's investment Manager and Sole Administrator.

In September 2009, the Fund's shareholders approved the investment policy and the financial offer proposed by Franklin Templeton Investment Management Limited United Kingdom. The Bucharest Branch of Franklin Templeton Investment Management Limited United Kingdom was established in September 2009 and is subject to the global policies, procedures and best practices already in place within the Franklin Templeton group, and Franklin Templeton Investment Management Limited United Kingdom specifically.

In February 2010, the Fund's Ordinary General Shareholders Meeting approved the final form of the Investment Management Agreement which was endorsed by CNVM Decision no. 254 dated 23 February 2010. The Investment Management Agreement was signed on 25 February 2010, its entry into force being dependent on the cumulative fulfilment of the following conditions: (i) the execution of the Investment Management Agreement, (ii) the publication of the general shareholders meeting resolution with the Official Gazette, (iii) the completion of the registration of the Bucharest Branch of Franklin Templeton Investment Management Limited United Kingdom and (iv) the conclusion between the Fund and the Fund Manager of the handover protocol regarding the portfolio.

By decision no. 613 dated 11 May 2010, CNVM authorised the Bucharest Branch of Franklin Templeton Investment Management Limited United Kingdom for the purpose of investment management of the Fund.

With effect from 29 September 2010, Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch took over as the Sole Administrator of the Fund for a period of 4 years.

Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch did not have any agreement, understanding or family relationship with the shareholders responsible for appointing it to the position of Sole Administrator. On 31 December 2013 Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch held no shares issued by the Fund.

At the date of this report, Grzegorz Maciej Konieczny, Adrian Cighi and Oana Valentina Truța are the legal representatives of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, each of them having full management powers.

Grzegorz Konieczny, executive vice president/portfolio manager, joined the Franklin Templeton organization in 1995. He has research and portfolio management responsibilities in Central and Eastern Europe. From September 2010 he has been the Portfolio Manager on Fondul Proprietatea, the largest closed-end investment fund in Romania. Prior to joining Templeton, Mr. Konieczny was director of Capital Market Transactions at Bank Gdanski SA, one of the largest financial institutions in Poland at the time.

Mr. Konieczny earned a master's degree in economics and foreign trade from the University of Gdansk (Poland). In 1994, he obtained an investment advisor license from the Polish Securities and Exchange Commission. Mr. Konieczny speaks Polish, English, and Russian. As at 31 December 2013, Mr Konieczny held no shares issued by the Fund.

Adrian Cighi has experience in investment management and portfolio analysis. Mr Cighi has earned a bachelor's degree in Finance from the American International University in London and a master's degree in Accounting and Finance at London School of Economics and Political Science. He was employed as an analyst by major international investment banking and securities firms, such as Goldman Sachs (London) and Lehman Brothers (London). Locally, Mr Cighi has acted as an investment analyst and management counsellor to Rematinvest (Cluj) and BT Asset Management (Cluj). He joined the Bucharest office of Franklin Templeton in 2010. As at 31 December 2013, Mr Cighi held no shares issued by the Fund.

Oana Truța has experience in investment management and portfolio analysis. Ms Truța has earned a bachelor's degree in Finance and Insurance from the Babes Bolyai University in Cluj-Napoca and a master's degree in Quantitative Economics and Finance from the same university. Prior to joining Franklin Templeton Ms Truța has acted as an investment analyst at Interdealezr Capital Invest. She joined the Bucharest office of Franklin Templeton in 2010. As at 31 December 2013, Ms Truța held no shares issued by the Fund.

The Remuneration of the Sole Administrator and Fund Manager

The fee due to the Fund Manager in accordance with the Investment Management Agreement shall be calculated and paid in RON by the Fund in compliance with the following provisions:

1. The fee shall be calculated based on a fixed fee, mentioned below, and applied to the notional amount according to the following formula:

The fee = the fixed fee multiplied by the notional amount, multiplied by the number of calendar days the payment is related to divided by 365.

Where:

- the fixed fee = the number of basis points per year;
- 1 basis point = 0.0001;
- 1 year = 365 days

The fixed fee per year is composed of:

- Fixed management fee of 37.9 (thirty seven point nine) basis points per year
- Additional administration fee of 10 (ten) basis points per year.

2. The notional amount is the following:

- a) prior to the Fund listing, the average of the monthly values of the Fund's net assets, calculated within the quarter for which the payment is made;
- b) in the period 25 January - 31 December 2011, the market value of the Fund which is defined as the market capitalisation of the Fund (the number of issued shares multiplied by the average market price of the Fund's shares calculated for the last 90 days of trading session in a calendar year or the number of the trading sessions left before the end of the year, in case there are less than 90 days of trading session left from the listing until the end of the year);
- c) Beginning with 1 January 2012, the market value of the Fund which is defined as the market capitalisation of the Fund (the number of issued shares multiplied by the average market price of the Fund shares calculated for the respective quarter).

3. The fee shall be paid as follows:

- a) prior to the Fund listing (25 January 2011), quarterly, based on the invoices to be issued by the Fund Manager within 20 business days following the end of the quarter for which payment is made;
- b) in the period 25 January - 31 December 2011, annually, based on the invoices to be issued by the Fund Manager within 20 business days following the end of the calendar year for which payment is made;
- c) beginning with 1 January 2012, the fee shall be paid to the Fund quarterly, based on the invoices to be issued by the Fund Manager within 20 business days following the end of the quarter for which payment is made.

The invoices shall be submitted to the Depositary of the Fund.

The Fund Manager shall provide to the Board of Nominees quarterly and on an annual basis and upon request of the Board of Nominees (where appropriate) a detailed report regarding the fee collected under this Agreement, in the form required by the latter.

4. The payment shall be done by the Fund Manager only after the verification and certification by the Depositary of the correctness of the notional amount, as well as the procedures for computing the fee.

The payment shall be done within 30 business days since the receipt of the invoice.

The Fund's Shareholders

The rights of the Fund's minority shareholders are adequately protected according to the relevant domestic legislation.

The Fund is committed to effectively and actively communicate with its shareholders and ensure that all shareholders have equal access to public information.

According to the provision of the Constitutive Act, each share issued by the Fund which is rightfully owned and paid up by a shareholder carries the following rights: (i) voting right at the shareholders' meetings, (ii) to elect and revoke the members of the Board of Nominees as well as to elect and revoke the Sole Administrator and (iii) right to participate in the distribution of profits.

At present, the Constitutive Act does not specify any further special conditions on such rights than those specified by the law.

The Romanian legislation imposes another restriction regarding unpaid shares and as a result, as long as the Romanian state has unpaid shares, it has no voting rights for those unpaid shares and has no right to receive dividends in relation to them.

With respect to the right to receive dividends, the Constitutive Act set out that the Fund's net profit shall be distributed based on the decision of the general shareholders meeting, each shareholder being entitled to receive dividends proportionally to the number of paid shares held in the Fund's share capital. Pursuant to the Companies' Law, the payment of dividends shall be carried out no later than 6 months from the approval of the annual financial statements for the previous year, under penalty of default interest payment.

Other than as presented above, no rights, preference or restrictions are attached to the shares. Pursuant to the Companies' Law, as a rule, the shares issued by a company entitle each holder to equal rights. Such rights mainly refer to the shareholders' involvement in the operations of a company and the resulting benefits and are regulated by the applicable laws. Shareholders must exercise their rights in good faith, without breaching the interest of other shareholders or that of the company.

The Fund is committed to encouraging shareholders to participate in shareholders general meetings, as well as the full exercise of their rights and to raise questions concerning items to be debated during such meetings. General shareholders meetings enable and encourage dialogue between the shareholders and the Fund and its representatives. The Fund encourages its shareholders to take part in meetings, and those who cannot attend are able to vote in absentia by sending the votes to the headquarter of the Fund, using the voting bulletin for the votes by correspondence made available by the Fund at the headquarters and/or on the Fund's website.

Furthermore, the Fund ensures that its shareholders have access to relevant material information, so as to allow them to fully exercise their rights. The Fund has a dedicated section on its website (www.fondulproprietatea.ro) that can be easily identified and accessed. This information typically includes: the time and place of meetings; information on how to exercise voting rights including the proxy process with relevant forms; meeting agendas as well as detailed documents relating to specific agenda items.

The Fund Manager has established a dedicated investor relations team. This experienced team is responsible for handling relationships with both private and institutional investors locally and abroad.

In conclusion, in present the Fund observes the one paid share, one vote, and one dividend principle. There are no shares conferring the right to more than one vote or preference shares.

Shareholders holding at least 5% of the paid share capital may ask for calling of a General Shareholders Meeting. Such shareholders have also the right to add new items on the agenda of a General Shareholders Meeting, provided such proposals are accompanied by a justification or a draft resolution proposed for approval and copies of the identification documents of the shareholders who make the proposals.

Proposals with respect to adding new items on the agenda of such General Shareholders Meeting can be submitted at the headquarters of the Fund, or by e-mail having attached an extended electronic signature, in compliance with the Law no. 455/2001 on digital signature.

Likewise, the shareholders holding at least 5% of the paid share capital are entitled to propose, revised versions of resolutions for the items listed on the agenda or proposed by other shareholders to be added on the agenda of such General Shareholders Meeting.

The shareholders may attend in person or may be represented in the General Shareholders Meetings either by their legal representatives or by representatives having a special proxy, based on the special proxy template made available by the Fund. Such proxy template may be obtained from the Fund's headquarters and/or can be found on the Fund's website, under the respective General Shareholders Meeting section item.

The shareholders of the Fund, regardless of the stake of the share capital held, may submit written questions with respect to the items on the agenda of the General Meetings of Shareholders. The shareholders may also send such questions by e-mail. The answers will be provided during the General Shareholders Meeting based on public information or non-public and non-material information.

Should the questions require elaborate answers, a Q&A (questions and answers) form will be made available on the Fund's website. The disclosure of commercially sensitive information that could result in a loss or competitive disadvantage for the Fund will be avoided when providing the answers, in order to protect the interest of our shareholders.

Women's Advancement

The Fund and the Sole Administrator supports gender diversity and promotion of women in management positions.

While there are currently no female members of the Board of Nominees, the Sole Administrator has women in its management.

More than 50% of the members with key positions of the Sole Administrator are women and the overall proportion of women in the structure of the Sole Administrator is about 63%.

Bucharest Stock Exchange Code of Corporate Governance

The Fund adheres to the Bucharest Stock Exchange Code of Corporate Governance. The details about the compliance with the principles and recommendations stipulated under the Bucharest Stock Exchange Code of Corporate Governance are presented in the "Comply or Explain" Statement, which is the Annex 9 to the 2013 Annual Report.

Internal Control and Risk Management

The Sole Administrator has issued internal regulations to ensure that timely and accurate disclosure is made on all material matters regarding the Fund, including the financial position, performance, ownership and governance of the Fund. In addition, strict internal rules, designed to protect the Fund's interests, have been established in the areas of financial reporting, internal control and risk management.

According to article 62 of the Law 297/2004 regarding capital market, with subsequent amendments, the Sole Administrator has established a compliance department specialised in the control of compliance by the firm and by its staff with the legislation in force regarding the capital market as well as with internal regulations. The registered Compliance Officer is part of the Franklin Templeton International Compliance Department and reports directly to the Compliance Manager – Advisory EMEA.

The compliance department is responsible for providing regulatory guidance, advice and compliance training to operational departments, assisting them in managing the reputational risk in relation to legal or regulatory requirements and codes of conduct and performing 2nd level compliance controls.

It covers the areas of conduct of business rules, personal conduct and anti-money laundering/financial crime.

The Sole Administrator has implemented a Risk Management Policy. The purpose of this policy is to establish an effective risk framework which meets regulatory requirements, and thereby enhances the Administrator's governance structure throughout the business.

The European Risk Committee of Franklin Templeton is responsible for the oversight of all risk management processes, including those relating to Anti Money Laundering (AML), and is made up of senior management from the business areas and key risk and control functions. Meeting quarterly, it reviews risk reports and input from business management and maintains a detailed register of risk items and resolutions.

The Board of Directors of Franklin Templeton Investment Management Limited United Kingdom provides oversight by being aware of risk management practices and their deployment within the firm, staying apprised of significant risks and management responses. The Board of Directors of Franklin Templeton Investment Management Limited United Kingdom has assigned this responsibility to the Audit Committee of Franklin Templeton Investment Management Limited United Kingdom.

In addition, the Sole Administrator oversees the risk based on its Compliance Monitoring Policy. The risk assessment is a critical element of Compliance's oversight and monitoring program. The compliance monitoring programme is updated annually with findings reported to Senior Management on a monthly basis. At a minimum, high risk areas are monitored annually; medium risk areas are monitored on an 18 month cycle and low risk items on a 3 year cycle. The compliance monitoring programs will be updated to reflect the results of the final risk assessment for each fiscal year.

In respect of the portfolio monitoring activity, the Franklin Templeton Investment Management Limited United Kingdom has procedures and controls which are designed to ensure that all assets are managed prudently and in accordance with client mandates. In addition Franklin Templeton has a dedicated team Global Investment Adviser Compliance ("GIAC") of specialists who are responsible for the rigorous day-to-day monitoring of all client accounts, including Fondul Proprietatea, against the agreed investment guidelines and constraints.

The front office trade management system has embedded compliance functionality which enables investment restrictions, regulatory and internal requirements to be included within the system. All trade orders (with the exception of foreign exchange trades and certain debt and derivative security trades) are automatically checked against the relevant investment restrictions in our system prior to trading.

Post trade compliance checks are automatically run overnight for all portfolios against the investment restrictions included within our trade management system. Any exceptions are investigated and cleared by Franklin Templeton GIAC team. Investment restrictions that cannot be automated are reviewed periodically.

All active and passive breaches are reported to the relevant investment managers and operating departments. Corrective action is taken as necessary to address and resolve any issues. Trading errors are monitored by the Global Compliance department of Franklin Templeton.

The Global Compliance department of Franklin Templeton produces monthly reports which provide details on significant compliance matters and initiatives, updates on monitoring activities, and current complaints and breaches. These reports are circulated to the relevant senior management.

Conflicts of Interests and Related Parties Transactions

FTIML adopted operating solutions suitable to facilitate the identification and adequate handling of any situations in which a member of the Board of Nominees or an employee of the Sole Administrator/Fund Manager has an actual or potential conflict of interest between the interest of the Fund and his/her own or on behalf of third parties. The Fund Manager will adopt operating solutions suitable for the adequate handling of any situations arising from related parties transactions.

Treatment of Corporate Information

The members of the Board of Nominees and the Sole Administrator/Fund Manager shall keep confidential any documents and information acquired in the performance of their duties.

Financial Statements Analysis

The audited financial statements for the year ended 31 December 2013 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 year ended 31 December 2013 and the two prior years.

Balance Sheet

RON million	31 December 2011	31 December 2012	31 December 2013
	Audited	Audited	Audited
Intangible assets	-	0.3	0.8
Financial assets	10,627.9	11,097.8	10,490.6
Non-current assets - total	10,627.9	11,098.1	10,491.4
Current assets - total	549.2	776.5	454.1
Prepaid expenses	-	0.1	-
Payables within one year	42.2	21.1	31.2
Total assets less current liabilities	11,134.9	11,853.6	10,914.3
Provisions	14.2	16.8	29.3
Shareholders' equity	11,120.7	11,836.8	10,885.0

As at 31 December 2013, **intangible assets** included the value of the licences and the implementation costs of a new customised accounting and reporting software solution.

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 public available qualitative and quantitative information regarding the assets.

The value of financial assets increased by RON 469.9 million in 2012 compared to 2011 mainly due to the reversal of the impairment adjustments for listed equity investments during the year, principally for OMV Petrom (RON 1,573.1 million), offset by the impairment adjustment recorded for Hidroelectrica, of RON 1,105.5 million, calculated on the basis of an independent valuation.

During 2013, the value of financial assets decreased by RON 607.2 million, mainly due to the disposals of equity investments in this period: the entire holding in Transgaz (impact of RON 177.4 million) and part of the holding in OMV Petrom (impact of RON 270.8 million) and Raiffeisen Bank International AG (impact of RON 24.6 million).

The increase of the impairment adjustments for Nuclearelectrica (net: RON 320.4 million) and CE Oltenia (RON 348.4 million), were partially offset by the reversal of the impairment adjustments for Hidroelectrica (RON 104.2 million) and OMV Petrom (RON 448.6 million).

Due to the fact that the litigation which triggered the Bucharest Court of Appeal decision on 25 February 2014 (please see Significant Post Balance Sheet Events Section) by which Hidroelectrica was placed back under reorganisation procedure was in progress as at 31 December 2013, the updated valuation of the holding in Hidroelectrica performed in March 2014 was reflected in the financial statements for the year ended 31 December 2013.

The new valuation report was prepared by an independent valuer and indicated a value for the Fund's holding in Hidroelectrica of RON 2,105.2 million, which is RON 134.2 million lower than the valuation previously available, before the Court decision.

In 2012, the rise in the value of **current assets** was principally due to the cash inflows from dividend receivables (RON 625.4 million) and from the full disposal of the holding in Azomures and partial disposals of the holdings in Raiffeisen Bank and Erste Group Bank AG (RON 207.7 million), net of the cash outflows from the payment of dividends and related taxes (RON 510.5 million).

The fall in the current assets in 2013, of RON 322.4 million was mainly accounted for by the decrease in treasury bills and short-term government bonds from RON 454.7 million as at 31 December 2012 to RON 213.6 million as at 31 December 2013 and of bank deposits from RON 317.9 million to RON 237.6 million.

This decrease was principally due to the funding of the second buy-back programme (RON 974.8 million) and payment of 2012 dividends and related taxes (RON 530.7 million), net of the proceeds from the disposal of portfolio holdings (RON 570.8 million) and dividends collected from portfolio companies during the year (RON 696.3 million).

The **provisions** increase of RON 12.5 million during 2013 is mainly related to the legal case started by World Trade Center București against the Fund in August 2013, asking the Fund to pay back the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and to pay the related legal interest. The amounts recovered from the enforcement procedure (approximately RON 9.5 million equivalent) were originally accounted for by the Fund as contributions of Ministry of Public Finance to the share capital of the Fund, decreasing the receivable related to 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.

Income Statement

RON million	2011 Audited	2012 Audited	2013 Audited
Revenues from current activity, out of which:	617.9	871.8	1,311.2
Revenues from financial assets	519.1	619.0	649.7
Interest income	41.1	34.9	36.2
Reversal of impairment adjustments & provisions	30.5	5.7	48.3
Revenues from disposal of financial assets	13.4	208.1	573.1
Revenues from foreign exchange differences	1.6	0.1	0.3
Other income from current activity	12.2	4.0	3.6
Expenses from current activity, out of which:	72.3	304.8	629.0
Expenses from disposal of financial assets	4.6	195.1	528.7
Expenses from foreign exchange differences	0.9	0.3	0.2
Depreciation, provisions, losses from receivables and sundry debtors	11.7	49.7	13.0
Commissions and fees	17.2	16.2	26.3
Other expenses from current activity*	37.9	43.5	60.8
Gross profit	545.6	567.0	682.2
Income tax expense	1.8	-	-
Net profit	543.8	567.0	682.2

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

Revenues from financial assets represent dividend income earned from the Fund's portfolio companies. This income increased in 2013 compared to 2012, due to a higher level of dividend distributions from portfolio companies (mainly OMV Petrom RON 319.0 million, Romgaz RON 158.9 million and Transgaz RON 37.6 million).

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

In 2012 **revenue from reversal of impairment adjustments and provisions** was mostly impacted by the reversal of impairment adjustments for receivables of RON 5.2 million, related to share capital unpaid by the Romanian State. During 2012, the Fund received 521,107 shares in Hidroelectrica (following its share capital increase with the value of land for which Hidroelectrica obtained title) whose nominal value (RON 10 per share) was set off against the receivable related to the unpaid share capital.

During the year 2013, the Fund recorded in this revenue category the reversal of the impairment adjustment related to the receivable due by Hidroelectrica (2010 dividend and related penalties), collected by the Fund during the year, according to the payment schedule agreed between Hidroelectrica and Fondul Proprietatea (for RON 47.1 million).

Revenues from disposal of financial assets (RON 573.1 million in 2013, RON 208.1 million in 2012 and RON 13.4 million in 2011) represent the proceeds from the sales of portfolio company holdings, while the **expenses from disposal of financial assets** (RON 528.7 million in 2013, RON 195.1 million in 2012 and RON 4.6 million in 2011) represent the cost of the investments disposed of.

The significant increase in 2012 of expenses for **depreciation, provisions, losses from receivables and sundry debtors** included the impairment adjustment related to Hidroelectrica's 2010 dividend and related penalties levied by the Fund for late payment of dividends, amounting to RON 47.1 million in total, which was reversed in 2013, as presented above.

During the year 2013, the depreciation, provisions, losses from receivables and sundry debtors included mainly the expenses with impairment adjustment related to the receivable from the Ministry of Public Finance (RON 9.5 million) and the legal interest and similar expenses (RON 1.6 million), both related to the litigation started by World Trade Center București against the Fund, mentioned above.

Commissions and fees mainly include FSA's 0.1% per annum fee, calculated on the basis of the Fund's NAV, amounting to RON 15.1 million in 2013 (2012: RON 14.1 million, 2011: RON 15.6 million), and the depositary bank's fees of RON 1.8 million (2012: RON 1.7 million, 2011: RON 1.6 million). During 2013 commissions and fees included also the brokerage fees related to the disposals of equity investments, in the amount of RON 7.7 million (2012: RON 0.4 million) and FSA and BVB fees related to these disposals, in amount of RON 1.3 million.

Other expenses from current activity can be analysed as follows:

RON million	2011 Audited	2012 Audited	2013 Audited
FTIML investment management and administration fees	32.1	34.3	45.3
Salaries and similar expenses	0.8	0.7	0.9
Stamp duties for litigations	0.1	0.1	0.1
Other expenses	4.9	8.4	14.5
Other expenses from current activity	37.9	43.5	60.8

During 2013, **other expenses from current activity** increased by RON 17.3 million compared to 2012. This was mainly due to the increase of the FTIML's 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 and investor relations expenses.

The increase in other expenses by RON 3.5 million in 2012 compared to 2011 was mainly accounted for by litigation assistance and other legal expenses and investor relations expenses.

In 2013, the increase of other expenses was mainly due to the higher level of legal fees as compared to 2012.

Analysis of 2013 Income Statement by Quarters

Although this report covers the year ended 31 December 2013, given that the Fund reports on a quarterly basis, the following split has been prepared to show the actual results per quarter in 2013.

RON million	Quarter 1 2013	Quarter 2 2013	Quarter 3 2013	Quarter 4 2013	Year end 31 December 2013 Audited
Revenues from current activity, out of which:	11.9	862.9	49.8	386.6	1,311.2
Revenues from financial assets	-	604.8	15.0	29.9	649.7
Interest income	10.5	10.2	10.4	5.1	36.2
Reversal of impairment adjustments & provisions	0.2	0.8	23.6	23.7	48.3
Revenues from disposal of financial assets	1.0	246.8	0.2	325.1	573.1
Revenues from foreign exchange differences	-	0.1	-	0.2	0.3
Other income from current activity	0.2	0.2	0.6	2.6	3.6
Expenses from current activity, out of which:	17.5	342.7	29.2	239.6	629.0
Expenses from disposal of financial assets	1.4	317.5	0.2	209.6	528.7
Expenses from foreign exchange differences	-	0.1	-	0.1	0.2
Depreciation, provisions, losses from receivables and sundry debtors	0.2	1.4	11.1	0.3	13.0
Commissions and fees	4.4	7.0	4.3	10.6	26.3
Other expenses from current activity *	11.5	16.7	13.6	19.0	60.8
Gross profit / (Loss)	(5.6)	520.2	20.6	147.0	682.2
Income tax expense	-	-	-	-	-
Net profit / (Loss)	(5.6)	520.2	20.6	147.0	682.2

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

Statement of Cash Flows

RON million	2011 Audited	2012 Audited	2013 Audited
Cash flows from operating activities			
Payments to suppliers and similar payments	(36.6)	(61.5)	(62.5)
Payments to employees and similar payments, including related taxes and contributions	(0.9)	(0.7)	(1.0)
Payments of other taxes and commissions	(15.8)	(14.3)	(15.7)
Other receipts, net of other payments	0.1	-	-
Income tax paid	(1.1)	(0.1)	-
Net cash used in operating activities	(54.3)	(76.6)	(79.2)
Cash flow from investments			
Dividends received	497.4	625.4	696.3
Interests received	46.0	30.3	33.2
Payments for the acquisition of intangible assets	-	(0.3)	(0.5)
Payments for acquisitions of financial assets	(769.8)	(0.1)	-
Subscriptions to share capital increases of portfolio companies	-	(2.6)	(42.7)
Proceeds from the sales of financial assets	13.4	207.9	570.8
Other receipts related to financial assets	12.5	1.8	1.4
Net proceeds from / (payments for) treasury bills and bonds	52.8	(254.6)	245.9
Net collection of deposits with maturity of more than 3 months	378.5	-	-
Net cash from investment activities	230.8	607.8	1,504.4
Cash flow from financing activities			
Dividends paid, including related withholding tax	(452.0)	(510.5)	(530.7)
Payments for buybacks	(120.3)	-	(974.8)
Net cash flow used in financing activities	(572.3)	(510.5)	(1,505.5)
Net increase / (decrease) in cash and cash equivalents	(395.8)	20.7	(80.3)
Cash and cash equivalents at the beginning of the year	693.5	297.4	317.9
Foreign exchange differences related to transactions in foreign currency	(0.3)	(0.2)	-
Cash and cash equivalents at the end of the year	297.4	317.9	237.6

Payments of other taxes and commissions mainly comprise fees paid to CNVM/FSA (of RON 15.1 million in 2013, RON 14.1 million in 2012 and RON 15.6 million in 2011) following the Fund's registration with the regulator in August 2010.

Dividends received were higher in 2013 compared to the previous years, mainly because the portfolio companies distributed relatively higher dividends in 2013 and the Fund collected most of these dividends during the year.

In 2012, the cash flow from investment activity was generated mainly by the **proceeds from the sales of financial assets**, mainly related to the disposal of Fund's entire holding in Azomures SA and to partial disposal of its holdings in Erste Group Bank AG and Raiffeisen Bank International AG.

In 2013, proceeds from the sales of financial assets related mainly to the disposal of Fund's entire holding in Transgaz and to the partial disposal of its holdings in OMV Petrom and Raiffeisen Bank International AG.

Dividends paid in 2013 principally included the distributable profits for 2012 (RON 0.04089 per share), dividends paid in 2012 related to 2011 profits (RON 0.03854 per share), while dividends paid in 2011 related to 2010 profits (RON 0.03141 per share). 99% of these dividend distributions were paid by 31 December 2013.

Payments for buybacks represent the acquisition cost (including brokerage fees and other costs directly related to the acquisition) of the own shares bought back by the Fund in the buy-back programmes carried out during the period. In 2013, the Fund carried out the second buy-back programme, buying back 1.1 billion shares.

Related Party Transactions

The Romanian State represented by the Ministry of Public Finance controlled the Fund in previous years, but during 2011 its holding fell below the control threshold (as at 31 December 2013: 2.67% of issued share capital, respectively 0.02% of paid-up share capital).

(a) Subsidiaries

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

Ownership interest	2012	2013
Alcom SA Timisoara	72%	72%
Comsig SA Sighisoara	70%	70%
Primcom SA Bucuresti	75%	75%
Zirom SA Giurgiu	100%	100%
Carom – Broker de Asigurare SA Bucuresti*	70%	-
Telerom Proiect SA Bucuresti*	69%	-

* During 2013, the Fund sold its entire holdings in Carom – Broker de Asigurare SA Bucuresti and Telerom Proiect SA Bucuresti.

Dividend income

Company (RON thousand)	2012	2013
Alcom SA Timisoara	-	24.4
TOTAL	-	24.4

Dividends collected

Company (RON thousand)	2012	2013
Alcom SA Timisoara	-	24.4
TOTAL	-	24.4

(b) Associates

Ownership interest	2012	2013
OMV Petrom SA	20%	19%

In May 2013, the Fund disposed of 632,482,000 shares in OMV Petrom SA, accounting for approximately 1.1% of the company's share capital. Following this transaction, the Fund's holding in OMV Petrom SA decreased to 18.99% of the share capital of the company.

In 2013 the Fund recorded and received from OMV Petrom SA a dividend of RON 319.0 million (2012: RON 353.1 million).

The transactions with the related parties were performed in the normal course of business of the Fund.

(c) Fund Manager

During 2013, the Fund recorded the following expenses payable to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, the Fund Manager of the Fund: investment management and administration fees RON 45.3 million (2012: RON 34.3 million), rent expenses RON 104.2 thousand (2012: RON 105.3 thousand) and related operating costs RON 28.9 thousand (2012: RON 28.2 thousand).

During 2013 the Fund also recorded an amount of RON 1.8 million (2012: RON 1.0 million), representing expenses incurred by the Fund Manager on Fund's behalf. These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominees approval.

As at 31 December 2013 the liability to Fund Manager related to the above mentioned transactions was in the amount of RON 14.0 million (31 December 2012: 9.1 million).

Significant Post Balance Sheet Events

General Meeting of Shareholders

On 16 December 2013 the Fund Manager announced the calling of a new Extraordinary General Meeting of Shareholders for 3 February 2014, having on the agenda a change of the Constitutive Act and the distribution of RON 0.05 per share, following the share capital decrease through the reduction of the nominal value of Fund's shares.

On 3 February 2014 the shareholders of the Fund approved three important items, as follows:

1. An amendment of the Constitutive Act of Fondul Proprietatea, in order to eliminate the quorum restrictions that were additional to Romanian legislation for the share capital decrease. The amendment of the Constitutive Act enters into force after the endorsement of Financial Supervisory Authority and after the publication in Official Gazette.
2. The decrease of the subscribed share capital of Fondul Proprietatea for capital distribution, involving the decrease of the subscribed share capital of SC Fondul Proprietatea SA from RON 13,538,087,407 to RON 12,861,183,036.65 through the reduction of the nominal value of the shares of Fondul Proprietatea from RON 1.00 to RON 0.95. The decrease of the share capital will be effective, in accordance with Article 208 para. (1) of Law no. 31/1990, after the expiry of a two months term starting with the publication of the general meeting of shareholders resolution in the Official Gazette of Romania, Part IV, provided that Financial Supervisory Authority shall have endorsed the amendment of Article 7 para. (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders during the meeting. The shareholders registered with Central Depository on 30 April 2014 have the right to receive RON 0.05 per share, proportionally with their participation to the paid share capital of Fondul Proprietatea. The payment shall start in 30 days after the decrease of the share capital mentioned above is effective.
3. The ratification and approval of all resolutions taken by the general shareholders meetings and all the legal acts (including decisions and contracts) concluded, adopted and issued in the name of Fondul Proprietatea through Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, between 6 September 2010 and 2 February 2014 and the approval and ratification of any implementation acts, facts and operations based on such, including the management of the Fondul Proprietatea under an unitary system.

Review of strategic options for Fund's holding in OMV Petrom S.A.

As part of its ongoing commitment to increase value for shareholders and improve the liquidity of the assets in the Fund's portfolio, the Fund is reviewing strategic options to potentially reduce its ownership interest in OMV Petrom SA to below a 15% holding, subject to appropriate market conditions and required approvals. The review is in its early stages and there is no defined timetable for any decision. The Fund currently holds 19% of the issued share capital of OMV Petrom SA and aims to enhance the trading liquidity of the company's shares while remaining committed to its successful development.

Update regarding Hidroelectrica

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

- Cancelled the initial decision of Bucharest Court 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.

Signatures:

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

Grzegorz Maciej Konieczny

Legal Representative

14 March 2014

Prepared by

Mihaela Moleavin

Financial Reporting Manager

Annex 1

FONDUL PROPRIETATEA S.A.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

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 and with CNVM Instructions no. 2/2007 regarding the preparation and submission of annual financial statements, applicable to the entities authorised, regulated and monitored by the FSA, as subsequently amended (“Romanian Accounting Regulations”)

(This is a translation from the official Romanian version)

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To the Board of Nominee and Shareholders of
S.C. Fondul Proprietatea S.A.
Bucharest, Romania

Independent Auditor's Report

Report on the financial statements

- 1 We have audited the accompanying financial statements of S.C. Fondul Proprietatea S.A. ("the Fund"), which comprise the balance sheet as at 31 December 2013, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:

- Total shareholder's equity : RON 10,885,061 thousand
- Profit/loss for the year: RON 682,154 thousand, profit

Management's responsibility for the financial statements

- 2 Management of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the President of the National Securities Commission ("CNVM") no.13/2011 for the approval of Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV ("EEC Directive IV"), applicable to the entities authorized, regulated and monitored by the Financial Supervisory Authority ("FSA"), former CNVM, with the subsequent amendments and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

- 6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of S.C. Fondul Proprietatea S.A. as of December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with the Order of CNVM President no. 13/2011, for the approval of the Regulation no. 4/2011 regarding accounting regulations compliant with EEC Directive IV, with the subsequent amendments and as described in the accounting policies presented in the notes to the financial statements.

Emphasis of matter

- 7 We draw attention to Notes 3 and 17 to the financial statements. As at December 31, 2013 the Fund has several unsettled litigations which are at different stages with the Romanian courts. Also, the Fund is in process of addressing certain regulatory matters with the relevant Romanian authorities. Some of the legal requirements relevant to the Fund and their implementation into practice may contradict and are subject to different legal interpretations by various regulatory authorities in Romania and therefore any change in interpretation increases legal risks for the Fund. The ultimate outcome and related impact of these legal and regulatory risks on the financial statements is uncertain. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified in respect of these matters.
- 8 We draw attention to Note 6 (a) to the financial statements which states that consolidated financial statements of the Fund prepared in accordance with International Financial Reporting Standards, as adopted by European Union have not yet been published. Note 6 (a) to the financial statements presents when consolidated financial statements will be published and the method of accounting and other disclosures related to unconsolidated subsidiaries respectively. Our opinion is not qualified in respect of this matter.

Other Matters

- 9 This report is made solely to the Fund's shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.
- 10 The accompanying financial statements are not intended to present the financial position, results of operations and a complete set of notes to the financial statements of the Fund in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying financial statements are not designed for those who are not informed about Romanian legal and statutory requirements.

Report on conformity of the Administrators' Report with the Financial Statements

In accordance with the Order of the CNVM President no. 13/2011 for the approval of the Regulation no. 4/2011, with the subsequent amendments, Section 7, article 278, point 4, we have read the Administrators' Report. The said report is not part of the financial statements. In the Administrators' Report we have not identified any historic financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements.

Ahmed Hassan, Audit Partner

*For signature please refer to
the original Romanian
version.*

*Registered with the Chamber of Financial Auditors in Romania
Under the certificate no. 1529/25.11.2003*

On behalf of:

DELOITTE AUDIT S.R.L.

*Registered with the Chamber of Financial Auditors in Romania
under the certificate no. 25/25.06.2001*

Bucharest, Romania
March 14, 2014

FONDUL PROPRIETATEA S.A.

BALANCE SHEET
AS OF 31 DECEMBER 2013
FORM CODE 10

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

The format of the Financial Statements as at 31 December 2013 for the entities authorised, regulated and monitored by the Financial Supervisory Authority (FSA), for the closed-end funds (AOPC) set up under articles of association

Type of financial statement: SI

County: Bucharest

Legal entity: Fondul Proprietatea S.A.

Address: Bucharest, District 1,

78-80, Buzeşti Street, 7th Floor

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

Trade Register no.: J40/21901/2005

Ownership type: 22

Main activity:

(CAEN group): 643

CAEN class: 6430

Sole Registration Code: 18253260

	Row	Note	Balance	
			1 January 2013	31 December 2013
A	B		1	2
A. NON-CURRENT ASSETS				
I. INTANGIBLE ASSETS				
3. Concessions, patents, licences, trademarks and similar rights and other intangible assets (acc. 205 + 208 - 2805 - 2808 - 2905 - 2908)	03		-	760,113
5. Advances and intangible assets in progress (acc. 233+234-2933)	05		323,413	-
TOTAL: (rows. 01 to 05)	06	1 a)	323,413	760,113
III. FINANCIAL ASSETS				
1. Shares held in subsidiaries (acc. 261 - 2961)	12		65,404,757	67,481,778
3. Investments in associates (acc. 263 - 2963)	14		4,876,542,832	5,054,412,918
5. Other investments held as financial assets (acc. 262 + 264 + 265 + 266 - 2696 - 2962 - 2964)	16		6,155,793,871	5,368,734,780
TOTAL: (rows 12 to 17)	18	1 b)	11,097,741,460	10,490,629,476
NON-CURRENT ASSETS - TOTAL (rows 06 + 11 + 18)	19		11,098,064,873	10,491,389,589
B. CURRENT ASSETS				
II. RECEIVABLES				
1. Trade receivables (acc. 2675 + 2676 + 2678 + 2679 - 2966 - 2969 + 4092 + 411 + 413 + 418 - 491)	24		394	1,712
4. Other receivables (acc. 425 + 4282 + 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482 + 4582 + 461 + 473 - 496 + 5187)	27		3,919,151	2,907,389
TOTAL: (rows 24 to 28)	29	5	3,919,545	2,909,101
III. SHORT TERM INVESTMENTS				
2. Other short term investments (acc. 5031 + 5032 + 505 + 5061 + 5062 + 5071 + 5072 + 5081 + 5082 + 5088 + 5089 - 593 - 595 - 596 - 597 - 598 + 5113 + 5114)	31		454,732,856	213,635,521
TOTAL: (rows 30 to 31)	32	13	454,732,856	213,635,521
IV. CASH AND BANK ACCOUNTS (acc. 5112 + 5121 + 5122 + 5123 + 5124 + 5125 + 5311 + 5314 + 5321 + 5322 + 5323 + 5328 + 5411 + 5412 + 542)	33	12	317,885,969	237,573,615

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

	Row	Note	Balance	
			1 January 2013	31 December 2013
A	B		1	2
CURRENT ASSETS - TOTAL (rows 23 + 29 + 32 + 33)	34		776,538,370	454,118,237
C. PREPAID EXPENSES (acc. 471)	35		27,199	43,882
D. PAYABLES WITHIN ONE YEAR				
3. Advance from customers (acc. 419)	38		160,000	-
4. Trade payables (acc. 401 + 404 + 408)	39		10,135,208	17,189,337
8. Other payables, including tax and social security payables (acc. 1623 + 1626 + 167 + 1687 + 2698 + 421 + 423 + 424 + 426 + 427 + 4281 + 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481 + 4551 + 4558 + 456 + 457 + 4581 + 462 + 473 + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	43		10,768,970	13,974,834
TOTAL: (rows 36 to 43)	44	5	21,064,178	31,164,171
E. NET CURRENT ASSETS OR NET CURRENT LIABILITIES (rows 34 + 35 - 44 - 60.2)	45		755,501,391	422,997,948
F. TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19 + 45)	46		11,853,566,264	10,914,387,537
H. PROVISIONS				
2. Provisions for taxes (acc. 1516)	57		16,798,226	18,222,179
3. Other provisions (acc. 1511+1512+1513+1514+1518)	58		-	11,104,066
TOTAL PROVISIONS (rows 56 +57 + 58)	59	2	16,798,226	29,326,245
J. SHARE CAPITAL AND RESERVES				
I. SHARE CAPITAL (rows 62 to 63) out of which:	61	7	13,778,392,208	13,778,392,208
- subscribed unpaid share capital (acc. 1011)	62		365,612,042	365,254,622
- subscribed paid in capital (acc. 1012)	63		13,412,780,166	13,413,137,586
IV. RESERVES (rows 68-69+70+71+72+73+74)	67		(2,443,247,819)	(2,531,739,371)
1. Legal reserves (acc. 1061)	68		158,151,474	192,259,194
2. Reserves related to impairment adjustments of financial assets (acc.1062 - <i>debit balance</i>)	69		2,738,430,054	2,869,929,030
4. Reserves for financial assets received free of charge (acc.1065)	71		16,731,205	25,630,909
7. Other reserves (acc.1068)	74		120,299,556	120,299,556
TREASURY SHARES (acc.109 – <i>debit balance</i>)	75		120,268,583	1,095,093,250
V. RETAINED EARNINGS (acc. 117)				
Credit balance	78		83,251,853	85,455,026
VI. RESULT FOR THE YEAR (acc. 121)				
Credit balance	80		566,988,651	682,154,399
Profit allocation (acc. 129 – <i>debit balance</i>)	82	3	28,348,272	34,107,720
TOTAL SHAREHOLDERS' EQUITY (rows 61 + 64 + 65 - 66 + 67 -75+76-77+78 -79+80-81-82)	83		11,836,768,038	10,885,061,292

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

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

FONDUL PROPRIETATEA S.A.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013
FORM CODE 20

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

A	Row	Note	Financial year end	
			31 December 2012	31 December 2013
	B		1	2
A. REVENUES FROM CURRENT ACTIVITY – TOTAL (rows 02 to 11)	01	4	871,748,228	1,311,202,217
1. Revenues from financial assets (acc. 761)	02	15	618,971,283	649,701,517
4. Revenues from disposal of financial assets (acc.758(part)+764)	05		208,134,752	573,117,053
6. Revenues from provisions, receivables previously written off and sundry debtors (acc.754+781+786)	07		5,639,063	48,323,844
7. Revenues from foreign exchange differences (acc.765)	08		130,402	275,376
8. Interest income (acc.766)	09		34,922,880	36,143,817
10. Other income from current activity (acc. 705+706+708+741+758(part)+767+768 +7815)	11		3,949,848	3,640,610
B. EXPENSES FROM CURRENT ACTIVITY – TOTAL (rows 13 to 20)	12	4	304,782,791	629,047,818
12. Expenses from disposal of financial assets (acc. 658(part) +664)	14		195,055,419	528,672,074
13. Expenses from foreign exchange differences (acc. 665)	15		348,131	241,275
15. Commissions and fees (acc.622)	17		16,185,344	26,318,786
16. Expenses for bank services and similar expenses (acc.627)	18		64,296	74,337
17. Depreciation and amortisation, provisions, losses from receivables and sundry debtors (acc.654+681+686)	19		49,747,870	13,045,331
18. Other expenses from current activity (rows 21+22+23+26+27)	20		43,381,731	60,696,015
c. Salary expenses (rows 24+25), of which:	23		718,162	947,635
c1. Salaries (acc.621+641+642 +644)	24	8	576,170	779,052
c2. Social security contributions (acc. 645)	25		141,992	168,583
d. Third party expenses (acc.611+612+613+614+623+624+625+626+628+658(part)+667 +668)	26		42,551,910	59,408,117
e. Other taxes, duties and similar expenses (acc. 635)	27		111,659	340,263
C. CURRENT RESULT				
- Profit (row 01 - 12)	28		566,965,437	682,154,399
19. TOTAL REVENUE (rows 01+30)	34		871,748,228	1,311,202,217
20. TOTAL EXPENSES (rows 12+31)	35		304,782,791	629,047,818
G. GROSS PROFIT:				
- Profit (row 34 - 35)	36		566,965,437	682,154,399
21. INCOME TAX EXPENSE				
- Income tax expense (acc.691)	38	10	(23,214)	-
H. RESULT FOR THE YEAR				
- Profit (row 36-38-39)	40		566,988,651	682,154,399

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

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

FONDUL PROPRIETATEA S.A.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are expressed in RON, unless otherwise specified)

	2012	2013
Cash flows from operating activities		
Payments to suppliers and similar payments	(61,518,841)	(62,510,251)
Payments to employees and similar payments, including related taxes and contributions	(686,412)	(968,578)
Payments related to other taxes and fees	(14,279,168)	(15,705,597)
Other receipts, net of other payments	(1,473)	-
Income tax paid	(121,794)	-
Net cash flows used in operating activities	(76,607,688)	(79,184,426)
Cash flows from investment activities		
Dividends received	625,371,215	696,286,935
Interest received	30,329,917	33,209,977
Payments for the acquisition of tangible and intangible assets	(323,413)	(576,672)
Payments for acquisition of financial assets	(62,217)	-
Subscriptions to share capital increases of portfolio companies	(2,539,840)	(42,713,841)
Proceeds from disposal of financial assets	207,870,803	570,774,068
Other receipts related to financial assets	1,756,213	1,439,583
Net proceeds from/(payments for) treasury bonds & bills	(254,624,873)	245,947,135
Net cash flows generated from investment activities	607,777,805	1,504,367,185
Cash flows from financing activities		
Dividends paid, including related withholding tax	(510,476,930)	(530,673,777)
Payments for buybacks	-	(974,824,667)
Net cash flows used in financing activities	(510,476,930)	(1,505,498,444)
Net increase/(decrease) in cash and cash equivalents	20,693,187	(80,315,685)
Cash and cash equivalents as at the beginning of the year	297,393,152	317,885,969
Foreign exchange differences related to transactions in foreign currency	(200,370)	3,331
Cash and cash equivalents as at the end of the year	317,885,969	237,573,615

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

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FONDUL PROPRIETATEA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are expressed in RON, unless otherwise specified)

Element of equity	Balance as at 1 January 2012	Increases		Decreases		Balance as at 31 December 2012
		Total	Of which, by transfer	Total	Of which, by transfer	
Subscribed paid in share capital	13,407,569,096	5,211,070	5,211,070	-	-	13,412,780,166
Subscribed unpaid share capital	370,823,112	-	-	5,211,070	5,211,070	365,612,042
Legal reserves – <i>Credit balance</i>	129,803,202	28,348,272	28,348,272	-	-	158,151,474
Reserves related to impairment adjustments of financial assets – <i>Debit Balance</i>	(3,378,542,766)	(1,774,904,998)	-	(2,415,017,710)	-	(2,738,430,054)
Other reserves – <i>Credit Balance</i>	120,299,556	-	-	-	-	120,299,556
Reserves from shares received free of charge – <i>Credit balance</i>	106,715	16,624,490	-	-	-	16,731,205
Treasury shares – <i>Debit Balance</i>	(120,268,583)	-	-	-	-	(120,268,583)
Result from the adjustment of accounting errors – <i>Credit Balance</i>	74,136,468	-	-	-	-	74,136,468
Retained earnings representing profit not allocated – <i>Credit Balance</i>	227,580	516,546,322	516,546,322	507,658,517	-	9,115,385
Result for the year (profit) – <i>Credit Balance</i>	543,825,216	566,988,651	-	543,825,216	543,825,216	566,988,651
Allocation of profit – <i>Debit Balance</i>	(27,278,894)	(28,348,272)	(28,348,272)	(27,278,894)	(27,278,894)	(28,348,272)
Total equity	11,120,700,702	(669,534,465)	521,757,392	(1,385,601,801)	521,757,392	11,836,768,038

The decrease in *retained earnings representing profit not allocated - Credit Balance*, of RON 507,658,517 represents the 2012 dividend distribution relating to 2011 earnings. The gross dividend was RON 0.03854 per share.

Element of equity	Balance as at 1 January 2013	Increases		Decreases		Balance as at 31 December 2013
		Total	Of which, by transfer	Total	Of which, by transfer	
Subscribed paid in share capital (see Note 7)	13,412,780,166	357,420	357,420	-	-	13,413,137,586
Subscribed unpaid share capital (see Note 7)	365,612,042	-	-	357,420	357,420	365,254,622
Legal reserves – <i>Credit Balance</i> (see Note 2)	158,151,474	34,107,720	34,107,720	-	-	192,259,194
Reserves related to impairment adjustments of financial assets – <i>Debit Balance</i> (see Note 1)	(2,738,430,054)	(2,318,097,048)	-	(2,186,598,072)	-	(2,869,929,030)
Other reserves – <i>Credit Balance</i>	120,299,556	-	-	-	-	120,299,556
Reserves from shares received free of charge – <i>Credit Balance</i>	16,731,205	8,899,704	-	-	-	25,630,909
Treasury shares – <i>Debit Balance</i>	(120,268,583)	(974,824,667)	-	-	-	(1,095,093,250)
Result from the adjustment of accounting errors – <i>Credit Balance</i>	74,136,468	-	-	-	-	74,136,468
Retained earnings representing profit not allocated – <i>Credit Balance</i> (see Note 2)	9,115,385	538,640,379	538,640,379	536,437,206	-	11,318,558
Result for the year (profit) – <i>Credit Balance</i>	566,988,651	682,154,399	-	566,988,651	566,988,651	682,154,399
Allocation of profit – <i>Debit Balance</i> (see Note 2)	(28,348,272)	(34,107,720)	(34,107,720)	(28,348,272)	(28,348,272)	(34,107,720)
Total equity	11,836,768,038	(2,062,869,813)	538,997,799	(1,111,163,067)	538,997,799	10,885,061,292

The decrease in *retained earnings representing profit not allocated - Credit Balance*, of RON 536,437,206 represents the 2013 dividend distribution relating to 2012 earnings. The gross dividend was RON 0.04089 per share.

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

FONDUL PROPRIETATEA S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are expressed in RON, unless otherwise specified)

1. NON-CURRENT ASSETS**a) Intangible assets**

	Intangible assets in progress	Intangible assets
Gross value (acquisition cost)		
Balance as at 1 January 2013	323,413	-
Acquisitions	482,073	94,599
Transfers	(805,486)	805,486
Balance as at 31 December 2013	-	900,085
Accumulated amortisation		
Balance as at 1 January 2013	-	-
Amortisation in the year	-	139,972
Balance as at 31 December 2013	-	139,972
Net book value as at 1 January 2013	323,413	-
Net book value as at 31 December 2013	-	760,113

As at 31 December 2013, intangible assets included the value of licences and implementation costs of the new specialised accounting and reporting software. The implementation of the new software was completed in May 2013.

b) Financial assets

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

	Financial Assets
Gross value (acquisition cost/initial value)	
Balance as at 1 January 2013	13,844,046,373
Cash contribution to share capital increases of portfolio companies	42,713,841
Shares received as contributions in kind to share capital	357,420
Bonus shares received from portfolio companies – incorporation of reserves	8,899,704
Disposals	(528,460,466)
Balance as at 31 December 2013	13,367,556,872
Adjustments for impairment of financial assets	
Balance as at 1 January 2013	(2,746,304,913)
Adjustments for impairment during the period through reserves (acc.1062)	(2,318,097,048)
Reversal of adjustments for impairment during the period through reserves (acc.1062)	2,186,598,073
Reversal of adjustments for impairment during the period through income statement (acc. 7863)	876,492
Balance as at 31 December 2013	(2,876,927,396)
Net book value as at 1 January 2013	11,097,741,460
Net book value as at 31 December 2013	10,490,629,476

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

1. NON-CURRENT ASSETS (continued)

Acquisitions and Disposals

In 2013, the Fund sold its entire holdings in Carom Broker de Asigurare, Mecanoenergetica, Ciocirlia, Telerom Proiect, Celuloză și Otel and Transgaz and finalised the disposal of its holding in Commetex.

In May 2013 the Fund disposed 632.48 million shares of OMV Petrom, accounting for approximately 1.1% of company's share capital. Following this transaction, the Fund's holding in OMV Petrom decreased at 18.99% of the share capital of the company. Also, in December 2013, the Fund sold part of the holdings in Raiffeisen Bank International AG.

In the first half of 2013, the Fund received 35,742 shares in Romgaz (with a nominal value of RON 357,420) following share capital increases by that company, accounted for as contributions in kind by the Romanian state, represented by the Ministry of Public Finance, to the share capital of the Fund.

In 2013, the Fund participated in the cash share capital increases of portfolio companies, through:

- executing its pre-emptive right and participating in the cash share capital increase of E.ON Gaz Distribuție SA, acquiring 399,164 shares at the nominal value of RON 2.5 per share (RON 997,910 in total);
- subscribing 1,111,575 new shares, in the cash share capital increase of Zirom, at the nominal value of RON 10 per share (RON 11,115,750 in total);
- executing its pre-emptive right and participating in the share capital increase of Nuclearelectrica, receiving 2,732,159 allotment rights (which were converted into shares upon the listing of Nuclearelectrica on the BVB), acquired at RON 11.2 per share (RON 30,600,181 in total), the acquisition price in the Initial Public Offering carried out by this company.

In May 2013, the Fund received 8,899,704 bonus shares (with a nominal value of RON 1/ share) from Banca Transilvania, as a result of share capital increase of this company by incorporating the reserves from 2012 profits, which were reflected as part of Fund portfolio in July 2013, following the completion of the registration of the share capital increase of this company with the Trade Register (before registration, these shares were reflected in other non-current assets category).

Hidroelectrica's Insolvency

On 26 June 2013, the Bucharest Court approved the closure of the judicial reorganisation procedure opened against Hidroelectrica in June 2012. An updated independent fair valuation of Fund's holding in Hidroelectrica was performed in December 2013.

The litigation which triggered the Bucharest Court of Appeal decision on 25 February 2014 (please see Note 18) by which Hidroelectrica was placed back under reorganisation procedure, was in progress as at 31 December 2013. This indicates that these conditions existed before the end of Fund's reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, the Fund updated the valuation of its holding in Hidroelectrica on 11 March 2014 that was reflected in the financial statements for the year ended 31 December 2013. The new valuation report was prepared by an independent valuer and indicated a value for the Fund's holding in Hidroelectrica of RON 2,105,161 thousand, which is RON 134,251 thousand lower than the valuation previously available, before the Court decision. The decrease in the valuation was mainly due to the new legal situation of Hidroelectrica, which has resulted in a higher discount being applied for the lack of marketability (25% versus 10% used in the original valuation report prepared prior to 31 December 2013).

NON-CURRENT ASSETS (continued)

The movements in impairment adjustment for the financial assets during 2013 are presented below:

Name of the company	Balance as at 1 January 2013	Adjustments for impairment during the year	Reversal of adjustments for impairment to income statement	Reversal of adjustments for impairment during the year through reserves	Balance as at 31 December 2013
Adjustments for impairment of shares held in subsidiaries					
Primcom SA	-	12,114,137	-	7,778,665	4,335,472
Zirom SA	-	11,047,356	-	7,364,903	3,682,453
Alcom SA	-	-	-	-	-
Others	377,265	236,083	-	613,348	-
Total – adjustments for impairment of shares held in subsidiaries	377,265	23,397,576	-	15,756,916	8,017,925
Adjustments for impairment of investments in associates					
OMV Petrom SA	837,654,429	316,304,257	-	811,449,876	342,508,810
Total - adjustments for impairment of investments in associates	837,654,429	316,304,257	-	811,449,876	342,508,810
Adjustments for impairment in other investments held as financial assets					
Hidroelectrica SA	1,105,503,426	-	-	104,161,000	1,001,342,426
Nuclearelectrica SA	340,796,918	702,334,915	-	351,304,499	691,827,334
Complexul Energetic Oltenia SA	-	1,045,322,436	-	696,881,624	348,440,812
Transelectrica SA	137,044,173	5,937,127	-	36,612,284	106,369,016
BRD-Group Societe Generale SA	120,265,369	33,003,693	-	55,598,529	97,670,533
Alro SA	30,723,933	50,217,568	-	9,912,321	71,029,180
Raiffeisen Bank International AG	34,473,715	33,654,065	-	24,257,585	43,870,195
Romaero SA	45,089,116	2,885,720	876,492	9,289,113	37,809,231
Posta Romana SA	3,842,380	60,096,000	-	40,064,000	23,874,380
Uzina Mecanica Bucuresti SA	20,024,890	-	-	-	20,024,890
Romplumb SA	19,249,219	-	-	-	19,249,219
Electrica Furnizare SA	17,819,672	-	-	-	17,819,672
Erste Group Bank AG	20,020,882	5,944,104	-	8,801,835	17,163,151
Severnav SA	-	20,714,308	-	11,825,971	8,888,337
Oil Terminal SA	5,182,500	4,060,363	-	1,771,795	7,471,068
Forsev SA	-	9,370,098	-	6,246,732	3,123,366
Simtex SA	3,059,859	-	-	-	3,059,859
Others	5,177,167	4,854,818	-	2,663,993	7,367,992
Total adjustments for impairment in other investments held as financial assets	1,908,273,219	1,978,395,215	876,492	1,359,391,281	2,526,400,661
TOTAL	2,746,304,913	2,318,097,048	876,492	2,186,598,073	2,876,927,396

The accompanying notes are an integral part of these financial statements.
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1. NON-CURRENT ASSETS (continued)

List of the financial assets as at 31 December 2013:

Name of the company	% of the share capital held as at 31 December 2013	Cost as at 31 December 2013	Adjustment for impairment as at 31 December 2013	Cost less impairment adjustment as at 31 December 2013
Shares held in subsidiaries				
Zirom SA	100.00%	47,146,452	3,682,452	43,464,000
Primcom SA	75.48%	27,749,567	4,335,473	23,414,094
Alcom SA	71.89%	471,052	-	471,052
Comsig SA	69.94%	132,632	-	132,632
Total - Shares held in subsidiaries		75,499,703	8,017,925	67,481,778
Investments in associates				
OMV Petrom SA	18.99%	5,396,921,728	342,508,810	5,054,412,918
Total - Investments in associates		5,396,921,728	342,508,810	5,054,412,918
Other investments held as financial assets				
Hidroelectrica SA	19.94%	3,106,503,426	1,001,342,426	2,105,161,000
Romgaz SA	14.99%	416,658,864	-	416,658,864
Complexul Energetic Oltenia SA	21.53%	670,084,812	348,440,812	321,644,000
Nuclearelectrica SA	9.72%	998,527,117	691,827,333	306,699,784
BRD-Group Societe Generale SA	3.64%	326,157,637	97,670,533	228,487,104
Electrica Distributie Muntenia Nord SA	21.99%	165,221,141	-	165,221,141
Transelectrica SA	13.49%	262,614,413	106,369,016	156,245,397
ENEL Distributie Banat SA	24.12%	141,578,929	-	141,578,929
CN Aeroporturi Bucuresti SA	20.00%	131,168,263	-	131,168,263
E.ON Moldova Distributie SA	22.00%	131,073,011	-	131,073,011
Electrica Distributie Transilvania Sud SA	21.99%	125,918,629	-	125,918,629
ENEL Distributie Dobrogea SA	24.09%	114,760,053	-	114,760,053
Electrica Distributie Transilvania Nord SA	22.00%	113,299,904	-	113,299,904
Enel Distributie Muntenia SA	12.00%	107,277,263	-	107,277,263
Alro SA	10.21%	176,493,361	71,029,180	105,464,181
Raiffeisen Bank International AG	0.34%	121,663,504	43,870,195	77,793,309
Societatea Nationala a Sarii SA	48.99%	76,347,715	-	76,347,715
Conpet SA	29.70%	69,313,368	-	69,313,368
Banca Transilvania	2.93%	68,755,656	-	68,755,656
CN Administratia Porturilor Maritime SA	19.99%	65,441,294	-	65,441,294
GDF Suez Energy Romania SA	12.00%	62,522,462	-	62,522,462
Posta Romana SA	25.00%	84,664,380	23,874,380	60,790,000
E.ON Energie Romania SA	13.39%	45,765,358	-	45,765,358
Erste Group Bank AG	0.10%	62,263,612	17,163,152	45,100,460
E.ON Gaz Distributie SA	12.00%	38,468,154	-	38,468,154
ENEL Energie SA	12.00%	26,124,808	-	26,124,808
Romaero SA	20.99%	58,533,949	37,809,231	20,724,718
CN Administratia Canalelor Navigabile SA	20.00%	15,194,209	-	15,194,209
Oil Terminal SA	8.45%	13,057,145	7,471,069	5,586,076
Severnav SA	39.10%	14,014,409	8,888,337	5,126,072

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

1. NON-CURRENT ASSETS (continued)

Name of the company	% of the share capital held as at 31 December 2013	Cost as at 31 December 2013	Adjustment for impairment as at 31 December 2013	Cost less impairment adjustment as at 31 December 2013
Other investments held as financial assets (continued)				
Plafar SA	48.99%	3,160,329	-	3,160,329
Enel Energie Muntenia SA	12.00%	2,833,769	-	2,833,769
Aeroportul International Timisoara - Traian Vuia SA	20.00%	2,652,588	-	2,652,588
Aeroportul International Mihail Kogalniceanu - Constanta SA	20.00%	1,490,898	-	1,490,898
Palace SA	15.42%	1,860,419	693,923	1,166,496
Comcereal Cluj SA	11.36%	913,756	-	913,756
CN Administratia Porturilor Dunarii Fluviale SA	20.00%	675,810	-	675,810
Forsev SA	28.14%	3,780,366	3,123,366	657,000
IOR SA	2.81%	348,756	-	348,756
Electroconstructia Elco Cluj SA	7.61%	319,656	-	319,656
Salubriserv SA	17.48%	207,601	-	207,601
Mecon SA	12.51%	484,544	304,382	180,162
Transilvania Com SA	39.99%	177,010	-	177,010
Cetatea SA	20.43%	118,840	-	118,840
Turdapan SA	44.06%	240,000	134,002	105,998
World Trade Hotel SA	19.90%	17,912	2,983	14,929
Petrotel - Lukoil SA	1.78%	2,787,316	2,787,316	-
Resib SA	2.87%	126,217	126,217	-
Carbid Fox SA	7.96%	927,357	927,357	-
Gerovital Cosmetics SA	9.76%	340,996	340,996	-
Fecne SA	12.12%	-	-	-
World Trade Center Bucuresti SA	19.90%	42,459	42,459	-
CN Administratia Porturilor Dunarii Maritime SA	20.00%	1,351,671	1,351,671	-
Electrica Furnizare SA	22.00%	17,819,672	17,819,672	-
Simtex SA	30.00%	3,059,858	3,059,858	-
Bat Service SA	33.00%	656,686	656,686	-
Romplumb SA	33.26%	19,249,219	19,249,219	-
Uzina Mecanica Bucuresti SA	36.60%	20,024,890	20,024,890	-
Total – other investments held as financial assets		7,895,135,441	2,526,400,661	5,368,734,780
TOTAL		13,367,556,872	2,876,927,396	10,490,629,476

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

2. PROVISIONS

Provisions	1 January 2013	Transfers		31 December 2013
		Increase	Reversal	
Provisions for taxes	16,798,226	1,423,953	-	18,222,179
Provisions for litigation	-	11,104,066	-	11,104,066
TOTAL	16,798,226	12,528,019	-	29,326,245

The *provisions for taxes* are related to the reserves for bonus shares received from portfolio companies that increased their share capital through incorporation of reserves.

The *provisions for litigations* are related to the legal case started by World Trade Center Bucuresti against the Fund in August 2013, asking the Fund to pay back the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and to pay the related legal interest.

3. PROFIT ALLOCATION

Destination	1 January 2013	31 December 2013
Net profit to be allocated, of which:	566,988,651	682,154,399
- Legal reserve	28,348,272	34,107,720
Profit not allocated	538,640,379	648,046,679

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

Being an entity regulated by FSA (former CNVM) and governed by Capital Market Law, the Fund also has the obligation to calculate and publish monthly, including for the year-end, its net asset value according to the requirements included in the Regulation no.4/2010, as subsequently amended, issued by CNVM (referred hereinafter "NAV"). The capital market law states that "the publication and the use of other measures or calculations for the value of the total net assets, the unitary value of the net assets and the number of holders of participation titles, except for those certified by the depositary shall be forbidden." On this basis, "net assets" is defined as the net assets certified by the depositary of the Fund.

CNVM Regulation no.4/2011, with subsequent amendments (Romanian accounting regulations) and CNVM Regulation no.4/2010, prescribe two different calculation rules for the net assets of the Fund, one value is presented in the annual financial statements prepared in accordance with Romanian accounting regulations (presented as Total shareholders' equity) and another value is presented in the year-end (31 December) NAV reporting submitted to CNVM/FSA (presented as Net Asset Value). There are significant differences in respect of the two calculation methods, the most significant being related to the measurement of equity investments, which in the financial statements prepared in accordance with Romanian accounting regulations are measured at cost less any adjustments for impairment, recorded directly through equity, not through Income statement (shareholders' equity as at 31 December 2013: RON 10,885,061,292), while in the NAV reporting they are measured at their fair value (NAV as at 31 December 2013: RON 15,013,742,081.74).

Since its registration with CNVM on 18 August 2010, the Fund has adopted the net asset value computed in accordance with CNVM Regulation 4/2010 as the most relevant basis to determine the fair market value of the net assets for assessing whether dividends are distributable, as per article 69 of the Companies law provisions.

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3. PROFIT ALLOCATION (continued)

The Fund is currently in the process of obtaining clarifications from the relevant Romanian authorities (being the Ministry of Public Finance, the Ministry of Justice and the FSA) on the interpretation of the provisions of contrasting regulations regarding the distribution of dividends and other reserves of the Fund. Depending on the final conclusion of the clarifications, any change in interpretations from the regulatory authorities increases the legal risks regarding dividend distribution and may require changes in the Fund's distribution policy in the future. It should also be noted that, in the near future (probably in 2015), IFRS will become the statutory set of financials and, when this occurs, the dividend policy and profit allocation practices will need to be reviewed in line with the applicable regulations and accounting standards in force at that time. The Fund Manager remains committed to ensuring annual distributions to the Fund's shareholders.

Any further allocation of profits, besides the allocation to legal reserves of 5% of the gross profit, is subject to shareholders decision.

4. ANALYSIS OF THE OPERATING RESULT

Caption	2012	2013
Revenues from financial assets (acc.761)	618,971,283	649,701,517
Revenues from disposal of financial assets (acc.764)	208,134,752	573,117,053
Revenues from foreign exchange differences (acc.765)	130,402	275,376
Interest income (acc.766)	34,922,880	36,143,817
Revenues from provisions and impairment adjustments reversals (acc.781 + acc.786), including:	5,639,063	48,323,844
- from provisions for restructuring (acc.7812)	59,523	-
- from adjustments for impairment of dividend receivables (acc.7814)	-	47,089,931
- from adjustment for impairment of financial assets (acc.7863)	368,470	876,493
- from adjustments for impairment of receivables related to unpaid capital (acc.7864)	5,211,070	357,420
Other income from current activity (acc.706 + acc.708 + acc.758 + acc.767)	3,949,848	3,067,763
Other financial income (acc. 768)	-	572,847
REVENUES FROM CURRENT ACTIVITY	871,748,228	1,311,202,217

Revenues from financial assets included dividends receivable from portfolio companies, net of withholding tax on dividends, where applicable.

Revenues from disposal of financial assets represent the proceeds from the sales of portfolio company holdings.

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

Revenues from provisions and impairment adjustments reversals included the reversal of the impairment adjustment related to the receivable due by Hidroelectrica (2010 dividend and related penalties), collected by the Fund during the year, according to the payment schedule agreed between Hidroelectrica and Fondul Proprietatea.

In 2013, *other income from current activity* principally includes penalties levied by the Fund for late payment of dividends related to the year 2012, litigation expenses recovered and income resulting from the cancellation of dividends unclaimed by shareholders, related to years 2008 and 2009 (RON 2,397,767 in total).

The accompanying notes are an integral part of these financial statements.
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4. ANALYSIS OF THE OPERATING RESULT (continued)

Caption	2012	2013
Expenses from disposal of financial assets (acc.664)	(195,055,419)	(528,672,074)
Expenses from foreign exchange differences (acc.665)	(348,131)	(241,275)
Expenses with banking and similar charges (acc.627)	(64,296)	(74,337)
Commissions and fees (acc.622)	(16,185,344)	(26,318,786)
Depreciation and amortisation, impairment adjustments and provisions expenses (acc.681+ acc.686), including:	(49,747,870)	(13,045,331)
• depreciation of non-current assets	-	(139,972)
• provisions for risks and charges (acc.6812)	(2,659,919)	(3,132,378)
• impairment of dividend and related receivables (acc.6814)	(47,087,951)	(377,340)
• Impairment of receivable in respect of equity contributions	-	(9,395,641)
Other expenses from current activity, including:	(43,381,731)	(60,696,015)
• personnel, administrators and similar expenses, including:	(718,162)	(947,635)
- salaries and incentives (acc.641+ acc.642)	(576,170)	(779,052)
- social security (acc.645)	(141,992)	(168,583)
• external services, including:	(42,551,910)	(58,898,026)
- third parties services (acc.628)	(41,308,241)	(57,724,271)
- protocol and public relations (acc.623)	(670,591)	(805,339)
- rents (acc.612)	(160,530)	(134,229)
- insurance premiums (acc.613)	(195,549)	(199,193)
- other expense (acc.611+ acc.658)	(216,999)	(34,994)
• other financial expenses (acc.668)	-	(510,091)
• other taxes and similar expenses (acc.635)	(111,659)	(340,263)
EXPENSES FROM CURRENT ACTIVITY	(304,782,791)	(629,047,818)
GROSS RESULT FROM CURRENT ACTIVITY	566,965,437	682,154,399

Expenses from disposal of financial assets represent the cost of the portfolio holdings sold, prior to their disposal.

In 2013, *commissions and fees* mainly comprised monthly fees payable to FSA, at 0.1% per annum calculated based on NAV, amounting to RON 15,098,151 (2012: RON 14,113,438) and the depositary banks' fees of RON 1,780,597 (2012: RON 1,675,454). Commissions and fees included also the brokerage fees related to the disposals of equity investments, in the amount of RON 7,653,492 in 2013 (2012: RON 351,522) and FSA and BVB fees related to these disposals, in amount of RON 1,292,929.

Impairment of receivable in respect of equity contributions is related to the legal case started by World Trade Center Bucuresti against the Fund in August 2013, asking the Fund to pay back the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and to pay the related legal interest. The amounts recovered from the enforcement procedure of RON 9,395,641, 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 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.

In 2013 third party services included investment management and administration fees payable to the Fund Manager, of RON 45,273,318 (2012: RON 34,325,088).

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

5. STATEMENT OF RECEIVABLES AND PAYABLES

Receivables	31 December 2013	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Interest receivable	88,875	88,875	-	-
Profit tax receivable	436,920	436,920	-	-
Trade receivables	1,712	1,712	-	-
Other receivables	2,381,594	2,381,594	-	-
TOTAL	2,909,101	2,909,101	-	-

Receivables	1 January 2013	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Dividend receivables - net	799,994	799,994	-	-
Interest receivable	1,281,109	1,281,109	-	-
Profit tax receivable	436,920	436,920	-	-
Trade receivables	394	394	-	-
Other receivables	1,401,128	1,401,128	-	-
TOTAL	3,919,545	3,919,545	-	-

Interest receivable included interest receivables on bank deposits.

As at 31 December 2013, *other receivables* included mainly the receivables from sell trades under settlement, amounting to RON 1,304,178 (equivalent of EUR 290,806) and the tax recoverable from the Austrian tax authorities relating to dividends distributed by Austrian portfolio companies, amounting to RON 1,038,188, equivalent of EUR 231,496 (1 January 2013: RON 803,888, equivalent of EUR 181,518).

5. STATEMENT OF RECEIVABLES AND PAYABLES (continued)

Payables	31 December 2013	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Trade payables	273,741	273,741	-	-
Accrued expenses	16,915,596	16,915,596	-	-
Dividends payable	11,250,020	11,250,020	-	-
Other taxes and fees payable	2,686,807	2,686,807	-	-
Taxes on salaries	35,825	35,825	-	-
Payments received in advance	2,182	2,182	-	-
TOTAL	31,164,171	31,164,171	-	-

Payables	1 January 2013	Due date		
		< 1 year	1 – 5 years	> 5 years
	Col.1=2+3+4	2	3	4
Trade payables	559,418	559,418	-	-
Accrued expenses	9,575,790	9,575,790	-	-
Dividends payable	9,481,720	9,481,720	-	-
Other taxes and fees payable	1,230,482	1,230,482	-	-
Payable to Board members	31,750	31,750	-	-
Taxes on salaries	25,018	25,018	-	-
Payments received in advance	160,000	160,000	-	-
TOTAL	21,064,178	21,064,178	-	-

As at 31 December 2013, *accrued expenses* mainly included investment management and administration fees payable to the Fund Manager of RON 13,471,953 (1 January 2013: RON 8,862,463).

As at 31 December 2013, *dividends payable* included dividends payable to shareholders related to the financial year 2012 for RON 7,099,170 and dividends related to years 2010 - 2011 for RON 4,150,850. In April 2013, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.04089 per share, payable to shareholders with effect from 28 June 2013, which represented the distributable profits of the 2012 financial year.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Preparation and presentation of the financial statements

These financial statements are the responsibility of the Management of the Fund and have been prepared in accordance with the National Securities Commission (“CNVM”) Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV (“EEC Directive IV”), applicable to the entities authorised, regulated and monitored by the Financial Supervisory Authority (“FSA”), approved by CNVM Order no. 13/2011 (“CNVM Order 13/2011”) and with CNVM Instructions no. 2/2007 regarding the preparation and submission of annual financial statements by the entities authorised, regulated and monitored by the FSA, as subsequently amended.

The accounting regulations compliant with EEC Directive IV, approved by CNVM Order 13/2011 are applicable together with the Accounting Law no. 82/1991 (as revised).

The financial statements have been prepared on a historical cost basis. The CNVM Order 13/2011 regarding the approval of the “Accounting Regulations compliant with EEC Directive IV applicable to the entities authorised, regulated and monitored by the National Securities Commission” provides for the preparation of the financial statements at historical cost.

The Fund is required to prepare separate and consolidated financial statements in compliance with International Financial Reporting Standards as endorsed by European Union (“IFRS”). Fondul Proprietatea Group, comprising Fondul Proprietatea S.A. and its subsidiaries will prepare a set of consolidated financial statements, in accordance with IFRS, for the year ended 31 December 2013, and these will be published in accordance with the requirements of the legislation in force.

b. Basis of preparation of the financial statements

These financial statements are prepared and expressed in RON and are rounded to the nearest unit. The financial statements have been prepared on the basis of the accounting records held by the Fund, in accordance with the Romanian accounting regulations applicable to the institutions regulated and monitored by FSA.

These financial statements have not been prepared to reflect the financial position and the results of operations in accordance with IFRS.

The financial statements were prepared in compliance with the accrual basis of accounting. Thus, the effects of the transactions and of other events are recognised when they occur and are recorded in the accounts and reported in the financial statements of the related periods.

The general accounting principles applied are as follows:

- **Going concern principle** – assumes that the Fund will continue to operate normally in a predictable future without facing the impossibility of continuing as a going concern or without a significant reduction in its activity;
- **Consistency principle** – involves the application of the same rules regarding the valuation and recording in accounting of the transactions, ensuring the comparability in time of the financial information;
- **Prudence principle** – assumes all the impairment adjustments for assets, as well as all the liabilities and potential losses incurred in current or previous financial years are recorded;

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Basis of preparation of the financial statements (continued)

- **Accrual principle** – assumes that all the income and expenses pertaining to the financial year are recorded, irrespective of the date of receipt or payment of these income and expenses;
- **Separate valuation of assets and liabilities** – assumes that assets and liabilities are valued separately;
- **Opening balances principle** – the opening balances of each financial year are identical with the closing balances of the previous financial year;
- **Non off-setting principle** – assumes that assets cannot be offset with liabilities, and income cannot be offset with expenses, except for the offsetting allowed by CNVM Order 13/2011;
- **Substance over form** – assumes that the information presented in the financial statements reflects the economic reality of the events and transactions and not only their legal form;
- **Materiality principle** – assumes that any element that has a significant value is presented distinctly in the financial statements.

c. Use of estimates

The preparation of financial statements in accordance with CNVM Order 13/2011, with subsequent amendments, requires Management to make estimates and assumptions that affect the reported value of assets and liabilities, disclosure of contingent assets and contingent liabilities at balance sheet date, and income and expenses reported to the respective financial year. Although the estimates and assumptions are made by Management using the most reliable information available at balance sheet date, the actual results may differ from these estimates.

d. Going concern

These separate financial statements were prepared based on the going concern principle, which assumes that the Fund will continue its activity in the foreseeable future. In order to evaluate the applicability of this assumption, the Fund's administrator analyses the forecasted future cash flows.

Based on this analysis, the administrator believes that the Fund will continue its activity in the foreseeable future, and, therefore, the applicability of the going concern principle is justified.

e. Foreign currency transactions

(i) Functional and presentation currency

The functional and presentation currency of the financial statements is the local currency, RON.

(ii) Translation of the transactions in foreign currency

The Fund's foreign currency transactions are translated to RON at the official exchange rate published by the National Bank of Romania ("NBR") for the transaction date. The foreign currency balances are translated to RON at the exchange rates published by NBR for balance sheet date. Any gains or losses resulting from settlement of foreign currency transactions and from conversion of foreign currency monetary assets and liabilities are recognised in the Income Statement.

The exchange rates of the main foreign currencies as at the closing date of the financial year were the following:

	31 December 2012	31 December 2013
1 Dollar (USD)	RON 3.3575	RON 3.2551
1 Euro (EUR)	RON 4.4287	RON 4.4847

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial assets

(i) Classification

As at 31 December 2013 and 1 January 2013, the Fund classified as non-current financial assets all shares held in subsidiaries, investment in associates and other investments held as financial assets. Subsidiaries are entities controlled by the Fund. Control exists when the Fund has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account, when applicable. Associates are those entities in which the Fund has significant influence, but not control or joint control, over the financial and operating policies. The existence of significant influence is determined by analysing the ownership structure of the companies in which the Fund holds 20% or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee. The Fund does not exercise significant influence in a number of companies in which it holds between 20 and 50% of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and the major shareholder, or a group of shareholders holding majority ownership of the investee, operates without regard to the views of the Fund.

All equity investments of the Fund as at 31 December 2013 and 1 January 2013 were classified as non-current financial assets, as the Fund's investment objective is long-term capital appreciation via investments in equities or equities-linked securities.

If the Fund holds below the threshold of 20% from the share capital, but has a significant influence, based on the criteria analysis which indicate the existence of significant influence, those holdings were considered and presented in these financial statements, as investments in associates. As at 31 December 2013, the Fund had only one holding which met these criteria.

(ii) Recognition

The Fund recognises the financial assets as at the date when they have been transferred to the Fund and are recorded at acquisition cost, including brokerage fees and other costs directly related to the acquisition (where applicable) or at the value determined based on the transfer documents.

In the case of listed companies, all securities purchases which involve a settlement in a certain period, determined according to the regulations in place or upon market agreement, are recognised at the date that the transaction is recorded at the exchange where the shares are traded (trade date).

In the case of unlisted companies, the securities purchases are recognised at the date of registration at the Trade Register and securities disposals are accounted for at the date of the transfer of ownership.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

The initial book value represents the value of the participating securities received by the Fund as contribution to the share capital and was calculated according to the specific laws for Fondul Proprietatea.

The cost (initial value) of financial assets which are contributed in kind by the Romanian State to the Fund's share capital is determined in accordance with the provisions of Law 247/2005 regarding the reform in property and justice, as well as certain adjacent measures, with subsequent amendments ("Law 247/2005"), as follows:

- for the shares received at the Fund's establishment in December 2005, the cost is equal to:
 - the weighted average price of the last 90 trading days, provided that the last of the 90 trading days is not more than 60 days prior to 24 November 2005, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
 - the book value of the shareholders' equity at 31 December 2004, determined in accordance with statutory financial statements, multiplied by the Fund's holding percentage, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Financial assets (continued)

- for the shares received in June 2007, the cost is equal to:
 - the weighted average price of the last 90 trading days prior to 29 June 2007, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
 - the book value of the shareholders' equity at 31 December 2006, determined in accordance with statutory financial statements, multiplied by the Fund's holding percentage, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the additional shares received in companies owned by the Romanian State (through State authorities) and to which the State has made contributions in kind, which are received by the Fund so as not to dilute its shareholding in such companies, the cost (initial value) is the nominal value of the shares received.

(iii) Measurement

Financial assets are initially recognised at acquisition cost.

Subsequent to the initial recognition, according to the provisions of CNVM Order 13/2011, with subsequent amendments, financial assets are carried in the balance sheet at historical cost, less accumulated adjustments for impairment.

As at balance sheet date, the carrying value (acquisition cost /initial value plus additions) should be compared with the recoverable value. The negative differences shall be recorded as impairment adjustments in a shareholders' equity account (account 1062 – Reserves related to impairment adjustments of financial assets), while the positive differences shall not be recorded.

For financial assets, the recoverable value is determined as follows:

- For listed securities, with an adequate liquidity (traded in the last 30 days before year end), it is calculated based on the last available closing price in the year.
- For unlisted securities or for illiquid listed securities, it is estimated using shareholders' equity as per the most recently available financial statements of the issuers (e.g.: semi-annual or annual financial statements), proportionally with the stake held by the Fund, or using values assessed by independent valuers.

In performing the above-mentioned impairment test, the financial information from the most recent financial statements of the companies is corroborated with the most recent public available qualitative and quantitative information regarding the assets.

The impairment adjustment can be reversed if a change in the conditions existing at the time of determining the recoverable value occurred. The reversal of an impairment adjustment can only be made such that the net value of the asset does not exceed its historical book value. The adjustments for impairment are reversed as follows:

- through income, if the adjustments were initially recognised through Income Statement;
- through changes in the reserve account – 1062, if the adjustments were initially recognised directly in this account.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*(iv) Derecognition*

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The derecognition of any financial asset disposed of is recognised on the date when ownership is transferred. Gains or losses arising from derecognition are calculated based on proceeds on disposal of financial assets and assets historical cost / initial value and are recorded in the Income Statement.

The Fund uses the weighted average cost method (WAC) to determine the cost / initial value of financial assets disposed of.

g. Cash and cash equivalents and Other financial instruments

Cash and cash equivalents are recorded in the balance sheet at cost. For the purposes of the Statement of Cash Flows, cash and cash equivalents include the petty cash, current accounts with banks, placements in bank deposits with original maturity less than 3 months and short term financial investments comprising bonds and treasury bills.

The inventory relief method used for the disposal of treasury bills and bonds is "first in first out" (FIFO).

h. Provisions for risks and expenses

The provisions are recognised when the Fund has a legal or implicit obligation resulting from past events, when in order to settle the obligation an outflow of resources embodying economic benefits is necessary and when a reliable estimate can be made with regard to the value of the obligation.

i. Employees' benefits

During the normal course of business, the Fund makes payments due to the state health, pensions and unemployment funds related to its employees in accordance with the regulations in force. All the employees are members of the pension plan of the Romanian State. Such costs are recognised in the Income Statement together with the recognition of the salaries.

The Fund does not operate any other pensions plan or post-retirement benefits plan and therefore has no obligations regarding pensions.

j. Taxation

The Fund records the current income tax liabilities based on the taxable income in the tax reporting, according to the relevant Romanian laws. The income tax rate for the year 2013 is 16% (2012: 16%).

k. Expense recognition

Expenses from disposal of financial assets represent the accounting value of the investments disposed of, on the date of the sale, using the weighted average cost method (WAC).

The commissions and fees and the operating expenses of the Fund are recognised in Income statement at the date the services they are referring to are received.

l. Income recognition*(i) Income from investments*

Dividend income paid by listed companies is recognised at the ex-dividend date. Dividend income distributed by unlisted companies is recorded on the date when such companies' General Shareholders Meetings approve dividends.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**l. Income recognition (continued)***(ii) Interest income*

Interest income is recognised according to the accrual principle, taking into consideration the interest due according to contractual clauses during the financial year, to the extent that it is certain that upon the due date the interest can actually be collected.

(iii) Income from sale of securities

Gains or losses from the disposal of the financial assets are recognised in the Income Statement at the date of derecognition of the financial assets.

m. Bonus shares and Romanian state in kind contributions

Bonus shares and the shares received from Romanian state as in kind contributions are recognised at nominal value.

According to the provisions of Law 247/2005 (title VII, article 9 paragraph (6)), with subsequent amendments, the nominal value of the shares received from the Romanian state as in kind contributions was partially used to cover the share capital subscribed and that remained unpaid by the Romanian State.

The bonus shares from the incorporation of reserves of portfolio companies are recorded at nominal value as at the date of entering the portfolio of the respective shares. These shares are recorded in account 1065 - Reserves for securities received free of charge.

Bonus shares are recorded in accounting as a financial asset at the date when they are recorded with the Central Depository (for listed shares) or Trade Register (for unlisted shares).

n. Treasury shares

The Fund recognises treasury shares (repurchases of own shares) at the date when the transaction is recorded at the exchange where shares are traded (trade date) and are recorded at acquisition cost, including brokerage fees and other costs directly related to the acquisition.

o. Dividends payable

Dividends declared by the Fund are recorded as dividends payable when the Fund's General Shareholders Meeting approves them, as the Fund is then legally obliged to pay them.

According to the provisions of the legislation in force, the Fund is allowed to cancel the rights of shareholders to collect any dividends which have remained unclaimed 3 years after the date when the respective dividend distribution commenced. Upon cancellation, the Fund records the value of these dividends as income in the Income Statement.

p. Value added tax

The Fund is not a taxable legal entity for the purposes of the provisions of the Fiscal Code. As a result, value added tax is recognised as part of the expenses for the acquisition of services or as part of the acquisition value for the purchases of goods (inventories or fixed assets).

q. Events after the balance sheet date

Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) Those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- (b) Those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

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

In case of adjusting events after the balance sheet date, the Fund needs to adjust the amounts recorded in the annual financial statements, to reflect the events after the balance sheet date. In case of non-adjusting events after the balance sheet date, the Fond does not adjust the amounts recorded in the annual financial statements, those being disclosed in the notes of the financial statements.

7. FINANCING SOURCES

Shares

As at 31 December 2013, the share capital subscribed was RON 13,778,392,208 representing 13,778,392,208 shares with a nominal value of 1 RON/share, out of which 365,254,622 shares were unpaid.

The shareholder structure as at 31 December 2013 is as follows:

No	Shareholder Type	% of subscribed share capital	% of paid-up share capital	% of voting rights
1	Foreign institutional shareholders	53.44%	54.89%	60.99%
2	Romanian private individuals	20.16%	20.71%	23.00%
3	Romanian institutional shareholders	8.46%	8.69%	9.66%
4	Foreign private individuals	5.54%	5.69%	6.32%
5	Ministry of Public Finance	2.67%	0.02%	0.03%
6	Treasury shares	9.73%	10.00%	0.00%
TOTAL		100.00%	100.00%	100.00%

The total number of shareholders as at 31 December 2013 was 8,159.

Unpaid share capital represents the net value of certain contributions due from the Romanian State represented by the Ministry of Public Finance, as shareholder, to the Fund that were recorded in previous years as paid capital (based on Law 247/2005, with subsequent amendments).

During 2013, the paid-up capital of the Fund increased by RON 357,420 to RON 13,413,137,586, while its subscribed capital remained unchanged at RON 13,778,392,208. The increase in the paid-up capital reflects a reduction in the unpaid share capital held by the Romanian state due to the receipt by the Fund of 35,742 shares in Romgaz (having a nominal value of RON 357,420) following a share capital increase of that company with the value of land for which Romgaz obtained title deeds.

Treasury Shares

The Fund's General Shareholders Meeting in September 2010 approved a buyback programme of up to 10% of the Fund's share capital at prices ranging between 0.2 - 1.5 RON, which was valid until March 2012. The buyback programme started in May 2011 and by 30 September 2011 the Fund completed this programme by acquiring 240,304,801 shares equivalent to 1.74% of the Fund subscribed share capital for a total acquisition cost of RON 120,268,583.

At the General Shareholders Meeting in April 2012, the shareholders approved to cancel the own shares bought back and to reduce the share capital, but the registration of the shareholders' decision with the Trade Register was blocked at the request of one shareholder. In the litigation started by this shareholder, the Court irrevocably ruled in favour of the Fund, but the registration procedure with Trade Register remains outstanding.

The same shareholders meeting in April 2012 approved a second buyback programme: subject to availability of cash, where the Fund Manager was authorised to repurchase a maximum number of 1,100,950,684 shares within 18 months of the date when the shareholders' resolution is published in the Official Gazette, within the price range of RON 0.2 per share to RON 1.5 per share to be cancelled upon completion of the buyback programme. The publication of this GSM decision in the Official Gazette and, consequently, the beginning of the buy-back programme, were postponed by one of the legal cases opened by one shareholder.

7. FINANCING SOURCES (continued)

The Bucharest Court announced on 5 March 2013 a decision in favour of the Fund and rejected the request of the minority shareholder, ordering the Trade Register to register the shareholder resolution and to publish it in the Official Gazette. The second buy-back programme started on 12 April 2013 and by 31 December 2013 the Fund had acquired all the 1,100,950,684 shares at a total acquisition value, including transaction costs of RON 974,824,667. None of the shares had been cancelled by 31 December 2013.

At the General Shareholders Meeting in November 2013, the shareholders approved a third buyback programme: the Fund Manager was authorised to repurchase a maximum number of 252,858,056 shares or 1.89% of the paid-up share capital, within 18 months of the date when the shareholders' resolution is published in the Official Gazette, within the price range of RON 0.2 per share to RON 1.5 per share to be cancelled upon completion of the buyback programme.

8. INFORMATION REGARDING THE EMPLOYEES, ADMINISTRATORS AND MANAGEMENT

	2012	2013
Gross salaries:		
Members of the Board of Nominees	523,507	779,052
Employees	52,663	-
Gross salaries and incentives expense	576,170	779,052

Note: the expenses representing the Fund's contribution to the social security budgets, health budgets, unemployment and social protection budgets are not included in the amounts above. All the amounts presented above are gross amounts and include the taxes and contributions owed by the employees and members of Board of Nominees, according to the laws in force.

On 29 September 2010 the administration and management of Fondul Proprietatea was taken over by Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch, which was appointed as Sole Director and according to the Investment Management Agreement also acts as Fund Manager of the Fund. The activity of the Fund Manager is supervised by the Board of Nominees, composed of 5 members appointed by the shareholders.

The amounts representing gross remuneration granted to the members of the Board of Nominee in 2013 and 2012 were granted for their capacity as members of this Board.

In 2012, the gross salary cost for employees represented mostly compensation payments for contract termination during 2012.

As at 31 December 2013 the Fund has no employees.

9. COMPUTATION AND ANALYSIS OF THE MAIN FINANCIAL RATIOS

1. Liquidity ratios

	31 December 2012	31 December 2013
a) Current liquidity ratio (number of times)		
$\frac{\text{Current assets}}{\text{Current liabilities}} =$		
	36.87	14.57
b) Quick liquidity ratio/acid test (number of times)		
$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}} =$		
	36.87	14.57
c) Payment capacity ratio		
$\frac{\text{Cash and bank accounts} + \text{Short term financial investments}}{\text{Current liabilities}} =$		
	36.68	14.48

2. Risk ratios

	31 December 2012	31 December 2013
a) Gearing ratio		
$\frac{\text{Borrowed capital}}{\text{Shareholders' equity}} =$		
	-	-
b) Solvency ratio		
$\frac{\text{Total assets}}{\text{Current liabilities}} =$		
	563.74	351.22

The gearing ratio is zero, as the Fund had no borrowings as at 31 December 2012 and 31 December 2013

3. Activity ratios (management ratios)

	31 December 2012	31 December 2013
c) Turnover of non-current assets (number of times)		
$\frac{\text{Turnover}^*}{\text{Non-current assets}} =$		
	0.079	0.125
d) Turnover of total assets (number of times)		
$\frac{\text{Turnover}^*}{\text{Total assets}} =$		
	0.073	0.120

* For the calculation of this ratio, we used Total revenues from current activity

4. Profitability ratios

	31 December 2012	31 December 2013
a) Profitability of capital employed (%)		
$\frac{\text{Profit before interest and income tax}}{\text{Capital employed}^*} =$		
	4.79%	6.27%
b) Return on Assets (%)		
$\frac{\text{Net Profit}}{\text{Total assets}} =$		
	4.77%	6.23%
c) Return on Equity (%)		
$\frac{\text{Net Profit}}{\text{Shareholders' equity}} =$		
	4.79%	6.27%
d) Dividend yield (%)		
$\frac{\text{Dividend per share}}{\text{Share price}^{**}} =$		
	7.01%	4.91%
e) Dividend pay-out ratio		
$\frac{\text{Dividend per share}}{\text{Profit per share}} =$		
	0.93	0.95

* Capital employed includes Shareholders' equity

** Closing price as at 31 December 2012 and 31 December 2013

The accompanying notes are an integral part of these financial statements.

This is a translation from the official Romanian version.

10. OTHER INFORMATION

a) Information regarding the presentation of the Fund

The Fund is an undertaking for collective investments, in the form of a closed end investment company, established in accordance with Law no. 247/2005, as subsequently amended („Law 247/2005”), and registered in Bucharest on 28 December 2005. During the reporting period, the address of the Fund’s registered office was 78 – 80, Buzzești Street, 7th Floor, District 1, Bucharest.

When established, the Fund was an entity controlled by the Romanian state represented by the Ministry of Public Finance, the stake of the state decreasing below the control threshold, as the compensation process in accordance with Law 247/2005 continued.

The Fund undertakes its activities in accordance with Law 297/2005, regarding the securities market, as amended (“Law 297/2004”), and Law no. 31/1990 regarding companies, republished, with subsequent amendments (“Law 31/1990”). In accordance with its statute, the main activity of the Fund is performing financial investments (Code CAEN 6430 – mutual funds and other similar financial entities).

The Fund’s investment objective is long-term capital appreciation via investments mainly in Romanian equities or equity-linked securities.

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

The records of the shares and shareholders are kept by Depozitarul Central SA, according to the law.

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

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

b) Information regarding the relationship of the Fund with subsidiaries, associates or with other companies in which strategic investments are held

The details regarding the related parties’ transactions and the nature of the relationships with them are disclosed in Note 14.

10. OTHER INFORMATION (continued)**c) Information regarding the current income tax**

	2012	2013
Gross profit	566,965,437	682,154,399
Tax deduction related to the allocation of profit to the legal reserve	-	(1,866,023)
Income from provisions and impairment adjustments - Non taxable	(5,639,063)	(48,323,844)
Income from dividends - Non taxable	(615,121,343)	(644,833,933)
Expenses with provisions and impairment adjustments - Non deductible	49,747,870	12,905,358
Other non-deductible expenses	783,022	1,089,440
Taxable profit / (Fiscal loss) for the current year	(3,264,077)	1,125,397
Tax losses carried forward	-	(3,264,077)
Taxable profit / (Fiscal loss) taking into account tax losses carried forward from previous year	(3,264,077)	(2,138,680)
Current income tax (16%)	-	-
Prior year income tax adjustment	(23,214)	-
Deductible foreign tax credit	-	-
Income tax	(23,214)	-
Income tax declared for the current year and paid	413,706	-
Income tax receivable	436,920	436,920

d) Turnover

Turnover includes total revenues from current activity, consisting mainly of dividend income, interest income and revenues from disposal of financial assets.

e) Auditor's fees

The financial auditor of Fondul Proprietatea for the year 2013 is Deloitte Audit SRL. The audit fee for the audit of the financial statements prepared in accordance with Romanian accounting regulations (CNVM Order 13/2011) of the year 2013 (statutory audit) is of RON 96,421 excluding VAT and is recorded in the period when the services are provided (partially in 2013 and partially in 2014).

11. PORTFOLIO COMPONENTS

Name of the company	% of the share capital held as at 31 December 2013	Cost (Initial value) as at 31 December 2013	Market value as at 31 December 2013
Listed companies			
Alcom SA	71.89%	471,052	4,908,695
Alro SA	10.21%	176,493,361	105,464,181
Banca Transilvania	2.93%	68,755,656	106,793,311
BRD - Group Societe Generale SA	3.64%	326,157,637	228,487,104
Comcereal Cluj SA	11.36%	913,756	1,027,409
Conpet SA	29.70%	69,313,368	115,715,745
Erste Group Bank AG	0.10%	62,263,612	45,100,460
Forsev SA	28.14%	3,780,366	7,237,510
IOR SA	2.81%	348,756	603,123
Mecon SA	12.51%	484,544	180,162
Nuclearelectrica SA	9.72%	998,527,117	306,699,783
Oil Terminal SA	8.45%	13,057,145	5,586,076
OMV Petrom SA	18.99%	5,396,921,728	5,054,412,918
Palace SA	15.42%	1,860,419	1,224,821
Primcom SA	75.48%	27,749,566	23,414,095
Raiffeisen Bank International AG	0.34%	121,663,504	77,793,309
Resib SA	2.87%	126,217	-
Romaero SA	20.99%	58,533,949	20,724,718
Romgaz SA	14.99%	416,658,864	1,975,701,972
Romplumb SA	33.26%	19,249,219	-
Severnav SA	39.10%	14,014,409	5,126,072
Transelectrica SA	13.49%	262,614,413	156,245,397
Transilvania Com SA	39.99%	177,010	1,656,438
Turdapan SA	44.06%	240,000	105,592
Subtotal – Listed companies		8,040,375,668	8,244,208,891
Unlisted companies			
Aeroportul International Mihail Kogalniceanu - Constanta SA	20.00%	1,490,898	4,706,731
Aeroportul International Timisoara - Traian Vuia SA	20.00%	2,652,588	6,210,688
BAT Service SA	33.00%	656,686	-
Carbid Fox SA	7.96%	927,357	-
Cetatea SA	20.43%	118,840	384,917
CN Administratia Canalelor Navigabile SA	20.00%	15,194,209	16,218,527
CN Administratia Porturilor Dunarii Fluviale SA	20.00%	675,810	3,540,557
CN Administratia Porturilor Dunarii Maritime SA	20.00%	1,351,671	-
CN Administratia Porturilor Maritime SA	19.99%	65,441,294	66,404,813
CN Aeroporturi Bucuresti SA	20.00%	131,168,263	287,653,854
Complexul Energetic Oltenia SA	21.53%	670,084,812	321,642,659
Comsig SA	69.94%	132,633	1,629,011
E.ON Energie Romania SA	13.39%	45,765,358	65,130,526
E.ON Gaz Distributie SA	12.00%	38,468,154	165,199,954

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

11. PORTFOLIO COMPONENTS (continued)

Name of the company	% of the share capital held as at 31 December 2013	Cost as at 31 December 2013	Market value as at 31 December 2013
E.ON Moldova Distributie SA	22.00%	131,073,011	345,358,983
Electrica Distributie Muntenia Nord SA	21.99%	165,221,141	296,199,721
Electrica Distributie Transilvania Nord SA	22.00%	113,299,904	206,699,576
Electrica Distributie Transilvania Sud SA	21.99%	125,918,629	191,999,302
Electrica Furnizare SA	22.00%	17,819,672	-
Electroconstructia Elco Cluj SA	7.61%	319,656	545,882
ENEL Distributie Banat SA	24.12%	141,578,929	573,249,282
ENEL Distributie Dobrogea SA	24.09%	114,760,053	379,109,745
ENEL Distributie Muntenia SA	12.00%	107,277,263	473,069,998
Enel Energie Muntenia SA	12.00%	2,833,769	45,871,977
ENEL Energie SA	12.00%	26,124,808	54,293,064
Fecne SA	12.12%	-	-
GDF Suez Energy Romania SA	12.00%	62,522,462	404,409,850
Gerovital Cosmetics SA	9.76%	340,996	-
Hidroelectrica SA*	19.94%	3,106,503,426	2,239,408,413
Petrotel - Lukoil SA	1.78%	2,787,316	-
Plafar SA	48.99%	3,160,329	4,789,333
Posta Romana SA	25.00%	84,664,380	60,789,083
Salubriserv SA	17.48%	207,601	10,756,722
Simtex SA	30.00%	3,059,858	-
Societatea Nationala a Sarii SA	48.99%	76,347,715	106,349,362
Uzina Mecanica Bucuresti SA	36.60%	20,024,890	-
World Trade Center Bucuresti SA	19.90%	42,459	-
World Trade Hotel SA	19.90%	17,912	14,930
Zirom SA	100.00%	47,146,452	43,463,915
Total Unlisted companies		5,327,181,204	6,375,101,375
Total		13,367,556,872	14,619,310,266

*The fair value of the Fund's holding in Hidroelectrica recorded in these financial statements was RON 2,105,161,000, based on an independent valuation performed in March 2014 (please see Note 18 Subsequent events). The adjustment for impairment related to this holding computed for 31 December 2013, was based on this valuation.

The market values for the financial assets presented above are the values as per the 31 December 2013 NAV report. They are determined according to regulations currently applying to Fondul Proprietatea (CNVM Regulation no. 4/2010, amended by CNVM Regulation no. 11/2012), as follows:

- for listed shares traded in the last 30 trading days: last closing price or reference price in 2013;
- for unlisted shares or listed shares not traded in the last 30 trading days: either shareholders' equity value per latest financial statements (proportionally with the stake held) or by using valuation methods in accordance with International Valuation Standards (fair value principles);
- 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 (fair value principles);
- 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.

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12. CASH AND BANK ACCOUNTS

	1 January 2013	31 December 2013
Term deposits with banks in RON	303,200,000	208,000,000
Overnight deposits with banks in RON	12,825,830	24,021,138
Overnight deposits with banks in foreign currency	2,512	-
Subtotal deposits	316,028,342	232,021,138
Current accounts with banks in RON	60,488	62,232
Current accounts with banks in RON – payment of dividends	1,791,607	1,643,996
Current accounts with banks in foreign currency	3,141	3,846,063
Cash in hand	2,391	186
Subtotal current accounts and cash	1,857,627	5,552,477
Total	317,885,969	237,573,615

A breakdown of deposits with banks, by counterparty, is presented below:

Bank	1 January 2013	31 December 2013
Unicredit Tiriac Bank	40,000,000	75,000,000
ING Bank NV Sucursala Bucuresti	17,133,624	75,000,000
Citi Bank Romania	88,600,000	58,000,000
BRD Groupe Societe Generale	7,694,718	24,021,138
Banca Comerciala Romana SA	70,900,000	-
Raiffeisen Bank	51,700,000	-
RBS Bank Romania SA	40,000,000	-
TOTAL	316,028,342	232,021,138

Description		Deposit amount		Interest as at 31 December 2013		Weigh in total Deposit amount	Date	
							Start date	Maturity date
Bank	Acc	Due date<60 days	Due date > 60 days	%	Amount			
Term Deposits								
Citi Bank Romania	5121	58,000,000	-	1.15%	3,706	25.01%	30-Dec-13	03-Jan-14
ING Bank NV Sucursala Bucuresti	5121	75,000,000	-	0.90%	28,125	32.32%	17-Dec-13	06-Jan-14
Unicredit Tiriac Bank	5121	75,000,000	-	1.80%	56,250	32.32%	17-Dec-13	13-Jan-14
Total Term Deposits		208,000,000	-		88,081	89.65%		
Overnight Deposits								
BRD Groupe Societe Generale	5121	14,406,546	-	0.99%	396	6.21%	31-Dec-13	01-Jan-14
BRD Groupe Societe Generale	5121	9,614,592	-	1.49%	398	4.14%	31-Dec-13	01-Jan-14
Total Overnight Deposits		24,021,138	-		794	10.35%		
Total Deposits		232,021,138	-		88,875	100.00%		

All deposits with banks as at 31 December 2013 and 1 January 2013 had original maturities less than or equal to 3 months.

13. SHORT-TERM INVESTMENTS

Short-term investments include treasury bills and short-term government bonds.

As at 31 December 2013 the treasury bills comprise treasury bills with discount, with residual maturity up to 12 months and with face value at maturity of RON 131,000,000.

The implicit interest rates calculated (based on the yield to maturity for each issue) ranged between 2.7% and 4.3% per year.

SHORT-TERM INVESTMENTS	1 January 2013	31 December 2013
Treasury bills	454,732,856	129,887,376
Government bonds	-	83,748,145
TOTAL	454,732,856	213,635,521

TREASURY BILLS

Intermediary	ISIN	Acquisition value	Treasury Bills (Acquisition value)		Cumulated interest as at 31 December 2013		Date	
			Maturity < 60 days	Maturity > 60 days	%	Amount	Starting date	Maturity date
Citi Bank Romania	RO13114CTN060	31,050,753	-	31,050,753	4.35%	686,610	02-Jul-13	12-Mar-14
Citi Bank Romania	RO13114CTN060	43,639,538	-	43,639,538	4.35%	991,345	27-Jun-13	12-Mar-14
Raiffeisen Bank	RO1314CTNOE7	53,482,762	-	53,482,762	2.72%	36,368	23-Dec-13	30-Apr-14
TOTAL		128,173,053	-	128,173,053		1,714,323		

SHORT-TERM GOVERNMENT BONDS

Intermediary	ISIN	Value as at 31 December 2013	Nominal value	Government bonds		Coupon rate %	Date	
				Maturity < 60 days	Maturity > 60 days		Starting date	Maturity date
Raiffeisen Bank	RO1214DBN027	48,971,641	46,470,000	-	48,971,641	5.95%	14-Aug-13	24-Apr-14
Raiffeisen Bank	RO1214DBN027	34,776,504	33,000,000	-	34,776,504	5.95%	20-Dec-13	24-Apr-14
TOTAL		83,748,145	79,470,000	-	83,748,145			

The accompanying notes are an integral part of these financial statements.
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14. RELATED PARTIES TRANSACTIONS

Transactions with related parties have been performed in the normal course of business of the Fund.

The Romanian State represented by the Ministry of Public Finance controlled the Fund during 2010, but during 2011 its holding fell below the control threshold (as at 31 December 2013: 2.67% of issued share capital, respectively 0.02% of paid-up share capital).

(a) Subsidiaries

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

Ownership interest	2012	2013
Alcom SA Timisoara	72%	72%
Comsig SA Sighisoara	70%	70%
Primcom SA Bucuresti	75%	75%
Zirom SA Giurgiu	100%	100%
Carom – Broker de Asigurare SA Bucuresti*	70%	-
Telerom Proiect SA Bucuresti*	69%	-

* During 2013, the Fund sold its entire holdings in Carom – Broker de Asigurare SA Bucuresti and Telerom Proiect SA Bucuresti..

Dividend income

Company	2012	2013
Alcom SA Timisoara	-	24,392
TOTAL	-	24,392

Dividends collected

Company	2012	2013
Alcom SA Timisoara	-	24,392
Carom – Broker de Asigurare SA Bucuresti	674	-
TOTAL	674	24,392

(b) Associates

Ownership interest	2012	2013
OMV Petrom SA	20%	19%

In May 2013, the Fund disposed of 632,482,000 shares in OMV Petrom SA, accounting for approximately 1.1% of the company's share capital. Following this transaction, the Fund's holding in OMV Petrom SA decreased at 18.99% of the share capital of the company.

In 2013 the Fund recorded and received from OMV Petrom SA a dividend of RON 318,951,645 (2012: RON 353,125,036).

14. RELATED PARTIES TRANSACTIONS (continued)**(c) Fund Manager**

During 2013, the Fund recorded the following expenses payable to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, the Fund Manager of the Fund: investment management and administration fees RON 45,273,318 (2012: RON 34,325,088), rent expenses RON 104,237 (2012: RON 105,276) and related operating costs RON 28,894 (2012: RON 28,188).

During 2013 the Fund also recorded an amount of RON 1,754,236 (2012: RON 1,012,597), representing expenses incurred by the Fund Manager on Fund's behalf. These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominees approval.

As at 31 December 2013 the liability to Fund Manager related to the above mentioned transactions was in the amount of RON 14,019,201 (1 January 2013: 9,146,226).

15. DIVIDEND INCOME

Company	2012	2013
OMV Petrom SA	353,125,036	318,951,645
Romgaz SA	140,639,003	158,941,766
Transgaz SA	52,515,091	37,568,760
E.ON Gaz Distributie SA	-	29,933,522
GDF Suez Energy Romania SA	-	22,800,000
Electrica Distributie Muntenia Nord SA	1,801,112	16,206,230
Complexul Energetic Oltenia SA	-	10,343,621
Societatea Nationala a Sarii SA	87,602	9,297,643
Electrica Furnizare SA	-	9,260,589
CN Aeroporturi Bucuresti SA	9,415,274	9,135,228
Conpet SA	6,612,533	8,403,049
CN Administratia Porturilor Maritime SA	6,570,224	5,355,572
Raiffeisen Bank International AG	3,849,941	4,211,536
Transelectrica SA	10,884,733	3,997,666
Nuclearelectrica SA	-	2,326,200
CN Administratia Canalelor Navigabile SA	525,946	856,672
Aeroportul International Timisoara - Traian Vuia SA	1,687,638	672,674
Erste Group Bank AG	-	656,048
CN Administratia Porturilor Dunarii Fluviale SA	693,950	473,250
CN Administratia Porturilor Dunarii Maritime SA	200,775	227,764
Oil Terminal SA	138,868	35,229
Alcom SA	-	24,392
Ciocirlia SA	2,525	22,393
IOR SA	690	68
Alro SA	19,375,860	-
Complexul Energetic Rovinari SA	6,457,434	-
BRD - Group Societe Generale SA	3,559,220	-
Enel Distributie Muntenia and Enel Energie Muntenia (2005)	799,994	-
Complexul Energetic Craiova SA	27,834	-
TOTAL	618,971,283	649,701,517

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

16. FINANCIAL RISK MANAGEMENT

Given the nature of its business, the Fund is exposed to various risks, which include: market risk, credit risk, liquidity risk, operational risk and the risks related to the economic environment. The management monitors the reduction of the potential adverse effects associated with these risk factors on the financial performance of the Fund.

With effect from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

i) Market risk

Market risk includes foreign currency risk, interest rate risk and price risk.

Foreign currency risk

The Fund can make investments in financial instruments or perform transactions denominated in foreign currency. As a result, the Fund is exposed to the risk that fluctuations in exchange rates can have an adverse effect on the value of the net assets of the Fund denominated in foreign currency.

Cash accounts with banks (EUR 857,477, USD 116, GBP 29), receivables (EUR 522,301) and liabilities (EUR 3,312) denominated in foreign currency are not material.

The Fund considers that its functional currency is the local currency (RON).

Interest rate risk

The majority of the financial assets of the Fund are not interest bearing. The interest bearing financial assets (deposits and government securities) generally have short-term maturity: deposits up to 3 months, treasury bills and short-term government bonds up to 12 months. As a result, the Fund has a limited exposure to variations in interest rates.

Price risk

Price risk is the risk that the value of the securities fluctuates as a result of changes occurring on the capital market, and it is determined by factors specific to an issuer, industry, country or region or that otherwise influence the capital market overall. This is the most significant source of risk and variability in the value of the Fund.

This risk has become more significant in previous years, especially since the latter half of 2008, given the large reductions in value of the stock exchange quotations for some of the securities in the Fund's portfolio. It has been necessary to book impairment adjustments in certain cases in that period, and these negatively influenced Fund's shareholders' equity. During the following years, including 2013, the impairment adjustments previously booked were partially reversed due to market recoveries, but in certain periods, on downward market trends, additional impairment adjustments were recorded for some of the listed equity investments of the Fund.

Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, government securities and dividends receivable.

For government securities held, the credit risk is assessed as low to moderate, given that their issuer is the Romanian State through the Ministry of Public Finance.

Cash held by the Fund that is not invested in portfolio companies or government securities may be invested in short-term bank deposits. After the Fund's management was taken over by the Fund Manager, a formal policy regarding bank counterparty risks and limits was established.

16. FINANCIAL RISK MANAGEMENT (continued)

The Fund only establishes new deposits where the financial institution or the institution's corporate parent, have a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

ii) *Liquidity risk*

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

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

The equity securities held by the Fund are listed on the Bucharest Stock Exchange or Vienna Stock Exchange. However, not all the shares listed on the Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to finance current liabilities.

iii) *Operational risks*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, service providers, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and avoidance of control procedures that restrict initiative.

iv) *Economic environment*

The on-going global credit and liquidity crisis has resulted in, among other things, lower liquidity levels and difficult access to the capital markets and across the Romanian banking sector.

Continuing fear that a deterioration of financial conditions in Europe could contribute to a further retrenchment in investor confidence, prompted coordinated efforts by governments and central banks to adopt special measures. These efforts helped to restore some degree of confidence in the market and have helped return the market to a more functional condition. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

17. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2013 the Fund was involved in certain litigations, either as defendant or claimant. The Fund discloses in the financial statements those litigations 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 Bucharest 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 Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch 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, Franklin Templeton Investment Management Limited, United Kingdom, Bucharest Branch 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 privatisation 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 in the share capital by the Romanian State once they are collected, with the approval of shareholders, according to the legislation in force.

17. CONTINGENT ASSETS AND LIABILITIES (continued)

ii. The receivables from World Trade Center Bucharest SA:

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

Until 30 September 2013, the Fund recovered from World Trade Center Bucharest SA, USD 510,131, EUR 148,701, RON 8,724,888. Given the uncertainties regarding their recoverability, the World Trade Center Bucharest SA receivables were recognised on a 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 next hearing in front of Bucharest Court for this file was set for 14 March 2014.

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

18. SUBSEQUENT EVENTS

3 February GSM Decisions

On 3 February 2014 the shareholders of the Fund approved three important items, as follows:

1. An amendment of the Constitutive Act of Fondul Proprietatea, in order to eliminate the quorum restrictions that were additional to Romanian legislation for the share capital decrease. The amendment of the Constitutive Act enters into force after the endorsement of Financial Supervisory Authority and after the publication in Official Gazette.
2. The decrease of the subscribed share capital of Fondul Proprietatea for capital distribution, involving the decrease of the subscribed share capital of Fondul Proprietatea from RON 13,538,087,407 to RON 12,861,183,036.65 through the reduction of the nominal value of the shares of Fondul Proprietatea from RON 1.00 to RON 0.95. The decrease of the share capital will be effective, in accordance with Article 208 para. (1) of Law no. 31/1990, after the expiry of a two months term starting with the publication of the general meeting of shareholders resolution in the Official Gazette of Romania, Part IV, provided that Financial Supervisory Authority shall have endorsed the amendment of Article 7 para. (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders during the meeting.

The shareholders registered with Central Depository on 30 April 2014 have the right to receive RON 0.05 per share, proportionally with their participation to the paid share capital of Fondul Proprietatea. The payment shall start in 30 days after the decrease of the share capital mentioned above is effective.

3. The ratification and approval of all resolutions taken by the general shareholders meetings and all the legal acts (including decisions and contracts) concluded, adopted and issued in the name of Fondul Proprietatea through Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, between 6 September 2010 and 2 February 2014 and the approval and ratification of any implementation acts, facts and operations based on such, including the management of the Fondul Proprietatea under an unitary system.

18. SUBSEQUENT EVENTS (continued)

Review of strategic options for Fund's holding in OMV Petrom S.A.

As part of its ongoing commitment to increase value for shareholders and improve the liquidity of the assets in the Fund's portfolio, the Fund is reviewing strategic options to potentially reduce its ownership interest in OMV Petrom SA to below a 15% holding, subject to appropriate market conditions and required approvals. The review is in its early stages and there is no defined timetable for any decision. The Fund currently holds 19% of the issued share capital of OMV Petrom SA and aims to enhance the trading liquidity of the company's shares while remaining committed to its successful development.

Update regarding Hidroelectrica

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

- Cancelled the initial decision of Bucharest Court from 26 June 2013 whereby the judicial reorganisation procedure of Hidroelectrica was closed for procedural reasons. As a result, the case will be sent back to the syndic judge for a retrial. As a consequence, the company is placed back under the reorganisation procedure and the former judicial administrator is reinstated with an immediate effect.
- Cancelled and sent back to the syndic judge for retrial two other cases, the first one filed by Hidroelectrica against a decision through which the syndic judge admitted the claim of Termoelectrica and the second one filed by Elsid Titu against a decision of the syndic judge through which he did not admit a claim worth around RON 13 million following the application of the force majeure clause in 2011.

The litigation which triggered the Bucharest Court of Appeal decision on 25 February 2014 by which Hidroelectrica was placed back under reorganisation procedure, was in progress as at 31 December 2013. This indicates that these conditions existed before the end of Fund's reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, the Fund updated the valuation of its holding in Hidroelectrica on 11 March 2014 that was reflected in the financial statements for the year ended 31 December 2013 (please see Note 1). The new valuation report was prepared by an independent valuer and indicated a value for the Fund's holding in Hidroelectrica of RON 2,105,161 thousand, which is RON 134,251 thousand lower than the valuation previously available, before the Court decision. The decrease in the valuation was mainly due to the new legal situation of Hidroelectrica, which has resulted in a higher discount being applied for the lack of marketability (25% versus 10% that was used in the original valuation report prepared prior to 31 December 2013).

Share capital decrease

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

FONDUL PROPRIETATEA S.A.
INFORMATIVE DATA
FOR THE YEAR ENDED 31 DECEMBER 2013
FORM 30

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

Informative Data

I. Data regarding the financial result	No Row	No of units 1	Amounts (RON) 2
Units that incurred profit	01	1	682,154,399
Units that incurred losses	02	-	-

II. Data regarding the overdue payments	No row	Total Col.2+3	Of which:	
			For the current activity	For the investment activity
A	B	1	2	3
Overdue Liabilities-total (row 05+09+15 to 19+23), of which:	04	14,856	14,856	-
Overdue Suppliers – total (row 06 to 08), of which:	05	14,856	14,856	-
- over 30 days	06	14,856	14,856	-

IV. Payments of interest, dividends and royalties	No row	Amounts
A	B	1
Gross dividends income paid to non-residents, of which:	40	347,775,521
- taxes owed to the state budget	41	43,112,859
Gross services income paid to non-residents in EU member states, of which:	58	1,460,594
- taxes owed to the state budget	59	220,067

VIII. Other information	No row	31 December 2012	31 December 2013
A	B	1	2
Financial assets, gross values (row 78 + 87), of which:	77	13,844,046,373	13,367,556,872
Shares held in subsidiaries, investments in associates, other non-current investments and bonds, gross values (row 79 to 86), of which:	78	13,844,046,373	13,367,556,872
- listed shares issued by residents	79	6,927,484,275	7,856,448,552
- unlisted shares issued by residents	80	6,700,919,209	5,327,181,204
- shares and social parts issued by non-residents	85	215,642,889	183,927,116
Trade receivables, advances to suppliers and other similar accounts, gross values (account 4092 + 411 + 413 + 418), of which:	90	1,979	1,485
Trade receivables not collected in due time (from account 4092 + from account 411 + from account 413)	92	1,979	1,485
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:	94	673,274	475,225
- 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	634,964	436,920
- other receivables from state budget (account 4482)	99	5	-
Other receivables (account 452 + 456 + 4582 + 461 + 471 + 473), of which:	102	54,516,316	17,239,130
- settlements from equity investments, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 4582)	103	4,790,234	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	49,726,082	3,410,675
Interests Receivables (account 5187), of which	106	1,281,109	88,875
- from non-residents	107	-	-
Short term investments, in gross amounts (account 501 + 503 + 505 + 506 + 507+ from the account 508) (row 110 to 118), of which:	109	454,732,856	213,635,521
- treasury bonds issued by residents	113	454,732,856	213,635,521
Petty cash in RON and currency (row 121 + 122), of which:	120	2,391	186
- in RON (account 5311)	121	2,391	186
Bank accounts, in RON and currency (row 124+ 126), of which:	123	317,883,578	237,573,429
- in RON (account 5121)	124	317,877,925	233,727,366
Bank accounts in RON opened with non-residents banks	125	-	-
- in currency (account 5124)	126	5,653	3,846,063
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 December 2012	31 December 2013
Liabilities (row 132 + 135 + 138 + 141 + 144 + 147 + 150 + 153 + 156 + 159 + 162 + 163 + 167 + 169 + 170 + 175 + 176 + 177 + 183, of which:	131	21,064,178	31,164,171
Trade payables, advances from clients and other similar accounts, gross values (account 401 + 403 + 404 + 405 + 408 + 419), of which:	167	10,295,208	17,189,337
- 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	222,588	14,856
Liabilities to employees and similar accounts (account 421 + 423 + 424 + 426 + 427 + 4281)	169	31,750	-
Liabilities to social security and state budget (account 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481), (row 171 to 174), of which:	170	1,255,500	2,722,632
- liabilities to social securities (account 431 + 437 + 4381)	171	18,968	25,420
- fiscal liabilities to state budget (account 441 + 4423 + 4428 + 444 + 446)	172	1,236,532	2,697,212
Other liabilities (account 452 + 456 + 457 + 4581 + 462 + 472 + 473 + 269 + 509), of which:	177	9,481,720	11,252,202
- settlements from equity investments, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 457 + 4581)	178	9,481,720	11,250,020
- other liabilities from individuals and juridical persons, other than liabilities to public institutions, (from account 462 + from account 472 + from account 473)	179	-	2,182
Subscribed paid in share capital (account 1012), (row 186 to 189), of which:	185	13,412,780,166	13,413,137,586
- listed shares	186	13,412,780,166	13,413,137,586
Brevets and licences (from account 205)	190	5,139	5,139

This is a translation from the official Romanian version.

IX. Subscribed paid in share capital	Nr. rd.	31.12.2012		31.12.2013	
A	B	1		2	
		Amount (1)	% (2)	Amount (1)	% (2)
Subscribed paid in share capital (account 1012) (row 192 + 195 + 199 to 201)	191	13,412,780,166	100.00%	13,413,137,586	100.00%
- share capital owned by public institutions, of which:	192	3,007,909	0.02%	3,266,961	0.02%
- public institution with Central subordination	193	3,007,909	0.02%	3,266,961	0.02%
- owned by companies with private capital	199	8,422,125,647	62.79%	9,574,240,933	71.38%
- owned by individuals	200	4,680,015,035	34.89%	3,540,182,439	26.40%
- owned by other entities	201	307,631,575	2.30%	295,447,253	2.20%

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

FONDUL PROPRIETATEA S.A.
STATEMENT OF NON-CURRENT ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2013

FORM 40

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

Statement of Non-Current Assets

Elements of non-current assets	No of row	Gross Values				
		Initial Balance	Increase	Total	Decrease Of which: Dismantling and scrapped	Final Balance (col. 5=1+2-3)
A	B	1	2	3	4	5
Intangibles Assets						
Other assets -software	02	5,139	900,085	-	-	905,224
Advances and intangible assets in progress	03	323,413	482,073	805,486	-	-
Total (row 01 to 03)	04	328,552	1,382,158	805,486	-	905,224
Tangible assets						
Machinery and equipment	07	6,608	-	-	-	6,608
Total (row 05 to 09)	10	6,608	-	-	-	6,608
Financial assets	11	13,844,046,373	51,970,965	528,460,466	-	13,367,556,872
Total non-current assets (row 4 + 10 + 11)	12	13,844,381,533	53,353,123	529,265,952	-	13,368,468,704

Statement of Amortisation and Depreciation of Non-Current Assets

Elements of non-current assets	No of row	Initial balance	Amortisation during the year	Amortisation of the assets removed from the records	Amortisation at the end of the year (col. 9 = 6+7-8)
A	B	6	7	8	9
Intangibles Assets					
Other assets - software	14	5,139	139,972	-	145,111
Total (row 13+14)	15	5,139	139,972	-	145,111
Tangibles Assets					
Machinery and equipment	18	6,608	-	-	6,608
Total (row 16 to 19)	20	6,608	-	-	6,608
Total (row 15+20)	21	11,747	139,972	-	151,719

This is a translation from the official Romanian version.

Statement of Adjustments for Impairment

Elements of non-current assets	No of row	Initial balance	Adjustments for impairment during the year	Reversal of adjustments for impairment	Final Balance (col. 13=10+11-12)
A	B	10	11	12	13
Financial Assets	32	2,746,304,913	2,318,097,048	2,187,474,565	2,876,927,396
Total impairment adjustments (row 25+31+32)	33	2,746,304,913	2,318,097,048	2,187,474,565	2,876,927,396

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

Annex 2 STATEMENT OF ASSETS AND OBLIGATIONS AS AT 31 DECEMBER 2013 PREPARED IN ACCORDANCE WITH CNVM REGULATION NO. 4/2010 (ANNEX NO. 4)

Item	31 December 2012				31 December 2013				Differences
	% of the net asset	% of the total asset	Currency	Lei	% of the net asset	% of the total asset	Currency	Lei	
I. Total assets	100.2527%	100.0000%		15,017,064,409.30	100.4029%	100.0000%		15,074,232,495.90	57,168,086.60
1 Securities and money market instruments, out of which: *	40.8826%	40.7796%	-	6,123,898,146.23	55.4688%	55.2463%	-	8,327,957,037.42	2,204,058,891.19
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	39.8068%	39.7065%	-	5,962,749,939.79	54.6503%	54.4310%	-	8,205,063,268.47	2,242,313,328.68
1.1.1 listed shares traded in the last trading 30 days	39.5731%	39.4733%	-	5,927,734,779.24	54.0258%	53.8089%	-	8,111,288,173.86	2,183,553,394.62
1.1.2 listed shares not traded in the last trading 30 days	0.2337%	0.2332%	-	35,015,160.55	0.0667%	0.0665%	-	10,026,949.09	(24,988,211.46)
1.1.3 Government bonds	-	-	-	-	0.5578%	0.5556%	-	83,748,145.52	83,748,145.52
1.1.4 allotment rights not admitted at trading	-	-	-	-	-	-	-	-	-
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	1.0758%	1.0731%	EUR36,387,261.12	161,148,206.44	0.8185%	0.8153%	EUR 27,402,896.28	122,893,768.95	(38,254,437.49)
1.2.1 listed shares traded in the last trading 30 days	1.0758%	1.0731%	EUR36,387,261.12	161,148,206.44	0.8185%	0.8153%	EUR 27,402,896.28	122,893,768.95	(38,254,437.49)
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:	54.1836%	54.0470%	-	8,116,277,279.82	42.4618%	42.2914%	-	6,375,101,372.72	(1,741,175,907.10)
- shares not admitted at trading	54.1836%	54.0470%	-	8,116,277,279.82	42.4618%	42.2914%	-	6,375,101,372.72	(1,741,175,907.10)
4 Bank deposits, out of which:	2.1183%	2.1130%	-	317,309,451.54	1.5459%	1.5398%	-	232,110,012.77	(85,199,438.77)
4.1. bank deposits made with credit institutions from Romania	2.1183%	2.1130%	-	317,309,451.54	1.5459%	1.5398%	-	232,110,012.77	(85,199,438.77)
- in lei	-	-	-	-	1.5459%	1.5398%	-	232,110,012.77	232,110,012.77
- in euro	-	-	-	-	-	-	-	-	-
4.2. bank deposits made with credit institutions from an EU state	-	-	-	-	-	-	-	-	-
4.3. bank deposits made with credit institutions from a non-EU state	-	-	-	-	-	-	-	-	-
5 Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	-	-	-
6 Current accounts and petty cash out of which:	0.0124%	0.0124%	-	1,857,627.12	0.0370%	0.0368%	-	5,552,476.95	3,694,849.83
- in lei	0.0124%	0.0123%	-	1,851,973.75	0.0114%	0.0113%	-	1,706,414.35	(145,559.40)
- in euro	-	-	EUR 1,276.53	5,653.37	0.0256%	0.0255%	EUR 857,477.41	3,845,528.95	3,839,875.58
- in USD	-	-	-	-	-	-	USD 115.92	377.33	377.33
- in GBP	-	-	-	-	-	-	GBP 29.05	156.32	156.32
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:	3.0358%	3.0281%	-	454,732,856.81	0.8652%	0.8617%	-	129,887,375.20	(324,845,481.61)
- Treasury bills with original maturities of less than 1 year	3.0358%	3.0281%	-	454,732,856.81	0.8652%	0.8617%	-	129,887,375.20	(324,845,481.61)
8 Participation titles of UCITS and/or of OCII (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.0200%	0.0199%	-	2,989,047.78	0.0242%	0.0240%	-	3,624,220.84	635,173.06
- net dividend receivable from Romanian companies	0.0053%	0.0053%	-	799,994.00	-	-	-	-	(799,994.00)
- receivables related to transactions under settlement	-	-	-	-	0.0087%	0.0087%	EUR 290,806.08	1,304,178.03	1,304,178.03
- dividend withholding tax to be recovered from Austrian Tax Authorities	0.0054%	0.0054%	EUR 181,517.91	803,888.37	0.0069%	0.0069%	EUR 231,495.58	1,038,188.23	234,299.86
- tax on dividends to be recovered from the State Budget	0.0013%	0.0013%	-	198,044.00	-	-	-	-	(198,044.00)
- tax on profit to be recovered from the State Budget	0.0029%	0.0029%	-	436,920.00	0.0029%	0.0029%	-	436,920.00	-
- receivables from penalties levied for late payment of dividends	0.0024%	0.0024%	-	360,106.88	-	-	-	-	(360,106.88)
- intangible assets	-	-	-	-	0.0051%	0.0050%	-	760,113.40	760,113.40
- other debts	0.0003%	0.0003%	-	39,482.51	0.0003%	0.0002%	-	40,939.63	1,457.12
- advance payments intangible assets	0.0022%	0.0022%	-	323,413.45	-	-	-	-	(323,413.45)
- prepaid expenses	0.0002%	0.0002%	-	27,198.57	0.0003%	0.0003%	-	43,881.55	16,682.98
II. Total liabilities	0.2528%	0.2521%		37,862,403.66	0.4029%	0.4012%		60,490,414.16	22,628,010.50
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.0592%	0.0590%	-	8,862,463.06	0.0897%	0.0894%	-	13,471,952.60	4,609,489.54
2 Liabilities related to the fees payable to the depositary bank	0.0010%	0.0010%	-	144,251.80	0.0013%	0.0012%	-	188,217.96	43,966.16
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	0.0082%	0.0082%	-	1,230,482.00	0.0084%	0.0084%	-	1,262,976.63	32,494.63
8 Audit fees	-	-	-	-	-	-	-	-	-
9 Other Liabilities, out of which:	0.1844%	0.1840%	-	27,625,206.80	0.2900%	0.2887%	-	43,539,415.20	15,914,208.40
- payable dividends	0.0633%	0.0631%	-	9,481,720.07	0.0749%	0.0746%	-	11,250,020.23	1,768,300.16
- tax on dividends	-	-	-	0.00	0.0095%	0.0094%	-	1,423,830.00	1,423,830.00
- provisions for risks and expenses	0.1121%	0.1119%	-	16,798,225.40	0.1954%	0.1945%	-	29,326,244.33	12,528,018.93
- salaries and related contributions	0.0004%	0.0004%	-	56,768.00	0.0002%	0.0002%	-	35,825.00	(20,943.00)
- other liabilities out of which:	0.0086%	0.0086%	-	1,288,493.33	0.0100%	0.0100%	-	1,503,495.64	215,002.31
- in lei	0.0071%	0.0071%	-	1,065,905.54	0.0099%	0.0099%	-	1,488,640.07	422,734.53
- in euro	0.0015%	0.0015%	EUR 50,260.30	222,587.79	0.0001%	0.0001%	EUR 3,312.50	14,855.57	(207,732.22)
- in USD	-	-	-	-	-	-	-	0.00	-
III. Net Asset Value (I - II)	100.0000%	99.7479%		14,979,202,005.64	100.0000%	99.5988%		15,013,742,081.74	34,540,076.10

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

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Unitary Net Asset Value

Item	31 December 2013	31 December 2012	Differences
Net Asset Value	15,013,742,081.74	14,979,202,005.64	34,540,076.10
Number of outstanding shares	12,071,882,101	13,172,475,365	(1,100,593,264)
Unitary net asset value	1.2436	1.1371	0.1065

DETAILED STATEMENT OF INVESTMENTS AS AT 31 DECEMBER 2013

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

1.1 listed shares traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method*
Alcom SA	ALCQ	12/Dec/2013	89,249	2.5	55.0000	4,908,695.00	71.89%	0.0326%	0.0327%	Reference price - Average price
Alro Slatina SA	ALR	30/Dec/2013	72,884,714	0.5	1.4470	105,464,181.16	10.21%	0.6996%	0.7025%	Closing price
Banca Transilvania SA	TLV	30/Dec/2013	64,723,219	1	1.6500	106,793,311.35	2.93%	0.7084%	0.7113%	Closing price
BRD-Groupe Societe Generale SA	BRD	30/Dec/2013	25,387,456	1	9.0000	228,487,104.00	3.64%	1.5157%	1.5219%	Closing price
Conpet SA	COTE	30/Dec/2013	2,571,461	3.3	45.0000	115,715,745.00	29.70%	0.7676%	0.7707%	Closing price
IOR SA	IORB	30/Dec/2013	2,622,273	0.1	0.2300	603,122.79	2.81%	0.0040%	0.0040%	Reference price - Average price
Mecon SA	MECP	16/Dec/2013	60,054	11.6	3.0000	180,162.00	12.51%	0.0012%	0.0012%	Reference price - Closing price
Nuclearelectrica SA	SNN	30/Dec/2013	27,408,381	10	11.1900	306,699,783.39	9.72%	2.0346%	2.0428%	Closing price
Oil Terminal SA	OIL	30/Dec/2013	49,216,526	0.1	0.1135	5,586,075.70	8.45%	0.0371%	0.0372%	Closing price
OMV Petrom SA	SNP	30/Dec/2013	10,758,648,186	0.1	0.4698	5,054,412,917.78	18.99%	33.5302%	33.6652%	Closing price
Palace SA	PACY	23/Dec/2013	5,832,482	0.1	0.2100	1,224,821.22	15.42%	0.0081%	0.0082%	Reference price - Average price
Primcom SA	PRIB	12/Dec/2013	1,561,981	2.5	14.9900	23,414,095.19	75.48%	0.1553%	0.1560%	Reference price - Average price
Romaero SA	RORX	30/Dec/2013	1,311,691	2.5	15.8000	20,724,717.80	20.99%	0.1375%	0.1380%	Reference price - Average price
Severnav SA	SEVE	11/Dec/2013	1,971,566	2.5	2.6000	5,126,071.60	39.10%	0.0340%	0.0341%	Reference price - Closing price
Romgaz SA	SNG	27/Dec/2013	57,785,960	1	34.1900	1,975,701,972.40	14.99%	13.1065%	13.1593%	Closing price
Transelectrica SA	TEL	30/Dec/2013	9,895,212	10	15.7900	156,245,397.48	13.49%	1.0365%	1.0407%	Closing price
Total						8,111,288,173.86		53.8089%	54.0258%	

* = 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 RGSB of Rasdaq and the average price for the securities listed on sections XMBS and UNLS of Rasdaq.

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Comercereal Cluj SA	COCL	9/Oct/2013	256,116	2.5	4.0115	1,027,409.33	11.36%	0.0068%	0.0068%	Shareholders equity/share
Forsev S.A.	FORS	26/Nov/2009	954,376	2.5	7.5835	7,237,510.40	28.14%	0.0480%	0.0482%	Shareholders equity/share
Resib SA	RESI	3/Jun/2004	894,600	0.10	-	-	2.87%	-	-	Priced at zero (negative equity)
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%	0.0110%	0.0110%	Shareholders equity/share
Turdapan SA	TUSB	29/Dec/2010	155,855	2.5	0.6775	105,591.76	44.06%	0.0007%	0.0007%	Shareholders equity/share
Total						10,026,949.09		0.0665%	0.0667%	

Securities admitted or traded on a regulated market from a member state:

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value *	Share value	Total value in Euro	Total value in LEI	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
ERSTE GROUP BANK AG	EBS	31/Dec/2013	397,020	EUR 28.6780	EUR 25.3300	10,056,516.60	45,100,460.00	0.10%	0.2992%	0.3004%	Closing price
RAIFFEISEN BANK INTERNATIONAL AG	RBI	31/Dec/2013	677,064	EUR 50.5420	EUR 25.6200	17,346,379.68	77,793,308.95	0.34%	0.5161%	0.5181%	Closing price
Total						27,402,896.28	122,893,768.95		0.8153%	0.8185%	

* = shareholders equity / share as at 31 December 2013

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Instruments mentioned at art. 187 letter a) of the Regulation no.15/2004 (unlisted shares)

a) Unlisted shares

Issuer	No. of shares held	Date of acquisition *	Acquisition price (total price of acquisition of shares)	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19/Jul/2005	1,490,898	203.2355	4,706,730.94	20.00%	0.0312%	0.0313%	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%	0.0412%	0.0414%	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%	0.0025%	0.0026%	Unlisted companies, in function	Shareholders equity/share
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	128.4952	3,540,556.74	20.00%	0.0235%	0.0236%	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%	0.1076%	0.1080%	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	0.0000	0.00	20.00%	0.0000%	0.0000%	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%	0.4405%	0.4423%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Aeroporturi Bucuresti SA **	2,875,443	5/Feb/2010	131,168,263	100.0381	287,653,854.38	20.00%	1.9082%	1.9159%	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%	2.1337%	2.1423%	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%	0.0108%	0.0109%	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%	1.0959%	1.1003%	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%	0.4321%	0.4338%	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%	2.2911%	2.3003%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Distributie Muntenia Nord SA	7,796,022	19/Jul/2005	165,221,141	37.9937	296,199,721.06	21.99%	1.9649%	1.9729%	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%	1.3712%	1.3767%	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%	1.2737%	1.2788%	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	1.6925	545,882.03	7.61%	0.0036%	0.0036%	Unlisted companies, in function	Shareholders equity/share
ENEL Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	62.1702	573,249,281.61	24.12%	3.8028%	3.8183%	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%	2.5150%	2.5251%	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%	3.1383%	3.1509%	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%	0.3043%	0.3055%	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%	0.3602%	0.3616%	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%	2.6828%	2.6936%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Hidroelectrica SA	89,261,778	19/Jul/2005	3,106,503,426	25.0881	2,239,408,412.64	19.94%	14.8559%	14.9158%	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%	0.0318%	0.0319%	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%	0.4033%	0.4049%	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%	0.0714%	0.0716%	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%	0.7055%	0.7083%	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%	0.2883%	0.2895%	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
Gervital Cosmetics SA	1,350,988	19/Jul/2005	340,996	-	-	9.76%	-	-	Dissolution	Priced at zero
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%	-	-	Juridical reorganisation	Priced at zero
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	-	-	19.90%	-	-	Insolvency	Priced at zero
Total			5,307,156,314		6,375,101,372.72		42.2914%	42.4618%		

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. and 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 Turcenti S.A., S.C. Complexul Energetic Craiova S.A., S.C. Complexul Energetic Rovinari S.A., Societatea Nationala a Lignitului Oltenia S.A.

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

FONDUL PROPRIETATEA S.A.

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

Treasury bills with discount

Series and number of the bond	No of bonds	Date of acquisition	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Intermediary Bank	Evaluation method
RO1314CTN0E7	10,800	23/Dec/2013	30/Apr/2014	53,482,762.26	4,040.92	36,368.28	53,519,130.54	0.3550%	0.3565%	RBS Bank	Acquisition price cumulated with the related interest since the acquisition date
RO1314CTN060	4,500	27/Jun/2013	12/Mar/2014	43,639,537.50	5,273.11	991,344.77	44,630,882.27	0.2962%	0.2973%	CITI Bank	
RO1314CTN060	3,200	2/Jul/2013	12/Mar/2014	31,050,752.64	3,751.97	686,609.75	31,737,362.39	0.2105%	0.2114%	CITI Bank	
Total							129,887,375.20	0.8617%	0.8652%		

Government bonds

Issuer	ISIN code	Date of the last trading session	No. of bonds	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Cumulated discount	Market price	Current value	stake in FP total assets	Stake in FP net asset	Evaluation method
Ministry of Finance	RO1214DBN027	25/Oct/2013	4,647	14/Aug/2013	23/Apr/2013	23/Apr/2014	47,136,419	7,575.25	1,916,537.38	-	10,125.91	48,971,641.15	0.3249%	0.3262%	Closing price (Gross price)
Ministry of Finance	RO1214DBN027	25/Oct/2013	3,300	23/Dec/2013	23/Apr/2013	23/Apr/2014	33,333,912	5,379.45	1,361,001.37	-	10,125.91	34,776,504.37	0.2307%	0.2316%	
Total												83,748,145.52	0.5556%	0.5578%	

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
CITI Bank	30/Dec/2013	3/Jan/2014	RON 58,000,000.00	RON 1,852.78	RON 3,705.56	RON 58,003,705.56	0.3848%	0.3863%	Term deposit value cumulated with the related interest
ING Bank	17/Dec/2013	6/Jan/2014	RON 75,000,000.00	RON 1,875.00	RON 28,125.00	RON 75,028,125.00	0.4977%	0.4997%	
Unicredit Tiriac Bank	17/Dec/2013	13/Jan/2014	RON 75,000,000.00	RON 3,750.00	RON 56,250.00	RON 75,056,250.00	0.4979%	0.4999%	
BRD Groupe Societe Generale	31/Dec/2013	3/Jan/2014	RON 9,614,592.16	RON 397.94	RON 397.94	RON 9,614,990.10	0.0638%	0.0640%	
BRD Groupe Societe Generale	31/Dec/2013	3/Jan/2014	RON 14,406,545.93	RON 396.18	RON 396.18	RON 14,406,942.11	0.0956%	0.0960%	
TOTAL						232,110,012.77	1.5398%	1.5459%	

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

	Year T-2/ 31 Dec 2011	Year T-1 / 31 Dec 2012	Year T/ 31 Dec 2013
Net Asset	14,465,379,292.28	14,979,202,005.64	15,013,742,081.74
NAV/share	1.0788	1.1371	1.2436

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

Grzegorz Maciej Konieczny
Legal representative

Marius Nechifor
Compliance Officer

BRD Groupe Societe Generale

Victor Strâmbei
Manager Depositary Department

Claudia Ionescu
Director

Annex 3

FONDUL PROPRIETATEA S.A.

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

Prepared in accordance with International Financial Reporting Standards

Contents

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To the Sole Director, Board of Nominee and Shareholders of
Fondul Proprietatea S.A.
Bucharest, Romania

INDEPENDENT AUDITOR'S REPORT

Report on the Separate Financial Statements

1. We have audited the accompanying separate financial statements of S.C. Fondul Proprietatea S.A. (the "Fund") which comprise the separate statement of financial position as of December 31, 2013, and the separate statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

- 2 Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

- 3 Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurances about the separate financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the separate financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

This is a free translation from the original Romanian binding version

Opinion

- 6 In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of S.C. Fondul Proprietatea S.A. as at December 31, 2013, and its separate financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

- 7 We draw attention to Notes 19 (e) and 20 to the separate financial statements. As at December 31, 2013 the Fund has several unsettled litigations which are at different stages with the Romanian courts. Also, the Fund is in process of addressing certain regulatory matters with the relevant Romanian authorities. Some of the legal requirements relevant to the Fund and their implementation into practice may contradict and are subject to different legal interpretations by various regulatory authorities in Romania and therefore any change in interpretation increases legal risks for the Fund. The ultimate outcome and related impact of these legal and regulatory risks on the financial statements is uncertain. The separate financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified in respect of these matters.
- 8 We draw attention to Note 2 (a) to the separate financial statements which states that consolidated financial statements of the Fund prepared in accordance with International Financial Reporting Standards, as adopted by European Union have not yet been published. Notes 2 (a) to the separate financial statements explain when consolidated financial statements will be published and the method of accounting and other disclosures related to unconsolidated subsidiaries respectively. Our opinion is not modified in respect of this matter.

Other Matters

9. This report is made solely to the Fund's Sole Director, Board of Nominee and shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's Sole Director, Board of Nominee and shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Sole Director and shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

For signature, please refer to the original Romanian binding version.

Deloitte Audit S.R.L.
Bucharest, Romania
March 14, 2014

SEPARATE STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	<i>Note</i>	Year ended 31 December 2013	Year ended 31 December 2012
Gross dividend income	6	652,380,173	623,658,450
Gains on disposal of equity investments	7	247,822,287	17,878,048
Interest income	8	36,143,817	34,922,880
Reversal of impairment losses/ (impairment losses) on dividends receivable, net		46,907,126	(46,209,651)
Reversal of impairment losses/ (impairment losses) on receivables in respect of equity contributions, net		(9,038,221)	5,211,070
Impairment losses on equity investments	16	(835,772,382)	(772,364,379)
Impairment losses on other assets		(194,535)	(878,300)
Net foreign exchange gains / (losses)		34,102	(217,729)
Other operating income, net		3,130,519	3,949,848
Net operating income		141,412,886	(134,049,763)
Personnel expenses		(947,635)	(658,639)
Other operating expenses	9	(87,691,418)	(58,913,209)
Operating expenses		(88,639,053)	(59,571,848)
Profit / (Loss) before income tax		52,773,833	(193,621,611)
Income tax (expense)/ benefit	10	(890,110,425)	118,659,281
Loss of the year		(837,336,592)	(74,962,330)
Other comprehensive income			
Net change in fair value of available-for-sale equity investments	16	4,512,773,086	1,492,909,826
Deferred tax on other comprehensive income	10	467,247,696	(238,865,572)
Decrease in fair value reserve following the disposal of available-for-sale equity investments		(299,452,821)	-
Total other comprehensive income		4,680,567,961	1,254,044,254
Total comprehensive income for the period		3,843,231,369	1,179,081,924
Basic and diluted earnings per share		(0.0608)	(0.0054)

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

Grzegorz Maciej Konieczny

as Legal Representative on behalf of

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

The notes on pages 128 to 169 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	<i>Note</i>	31 December 2013	31 December 2012
Assets			
Cash and current accounts	11	5,552,477	1,857,628
Deposits with banks	12	232,110,013	317,309,452
Treasury bills	13	129,887,375	454,732,857
Government bonds	13	83,748,146	-
Dividends receivable	14	-	799,994
Equity investments	16	14,308,030,083	11,269,744,338
Deferred tax assets	17	342,189	363,487,628
Other assets		3,624,221	2,189,053
Total assets		14,763,294,504	12,410,120,950
Liabilities			
Other liabilities	18	42,268,236	21,064,179
Total liabilities		42,268,236	21,064,179
Equity			
Share capital	19	13,778,392,208	13,778,392,208
Fair value reserve on available-for-sale financial assets	19	7,174,887,404	2,494,319,443
Other reserves	19	312,558,751	278,451,031
Treasury shares	19	(1,095,093,250)	(120,268,583)
Accumulated losses		(5,449,718,845)	(4,041,837,328)
Total equity		14,721,026,268	12,389,056,771
Total liabilities and equity		14,763,294,504	12,410,120,950

The notes on pages 128 to 169 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2011	13,778,392,208	1,240,275,189	250,102,759	(120,268,583)	(3,430,868,209)	11,717,633,364
Comprehensive income for the period						
Loss for the year	-	-	-	-	(74,962,330)	(74,962,330)
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	1,492,909,826	-	-	-	1,492,909,826
Income tax on income and expense recognised directly in equity	-	(238,865,572)	-	-	-	(238,865,572)
Total other comprehensive income	-	1,254,044,254	-	-	-	1,254,044,254
Total comprehensive income for the period	-	1,254,044,254	-	-	(74,962,330)	1,179,081,924
Transactions with owners, recorded directly in equity						
Transfer to other reserves	-	-	28,348,272	-	(28,348,272)	-
Dividends declared	-	-	-	-	(507,658,517)	(507,658,517)
Total transactions with owners recorded directly in equity	-	-	28,348,272	-	(536,006,789)	(507,658,517)
Balance at 31 December 2012	13,778,392,208	2,494,319,443	278,451,031	(120,268,583)	(4,041,837,328)	12,389,056,771

The notes on pages 128 to 169 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserves on available-for-sale financial assets	Other reserves	Treasury shares	Accumulated losses	Total attributable to the equity holders of the Fund
Balance at 31 December 2012	13,778,392,208	2,494,319,443	278,451,031	(120,268,583)	(4,041,837,328)	12,389,056,771
Comprehensive income for the period						
Loss for the year	-	-	-	-	(837,336,592)	(837,336,592)
Other comprehensive income						
Net change in fair value of available-for-sale equity investments	-	4,512,773,086	-	-	-	4,512,773,086
Decrease in fair value following the disposal of available-for-sale equity investments	-	(299,452,821)	-	-	-	(299,452,821)
Income tax on income and expense recognised directly in equity	-	467,247,696	-	-	-	467,247,696
Total other comprehensive income	-	4,680,567,961	-	-	-	4,680,567,961
Total comprehensive income for the period	-	4,680,567,961	-	-	(837,336,592)	3,843,231,369
Transactions with owners, recorded directly in equity						
Transfer to other reserves	-	-	34,107,720	-	(34,107,720)	-
Buybacks	-	-	-	(974,824,667)	-	(974,824,667)
Dividends declared	-	-	-	-	(536,437,205)	(536,437,205)
Total transactions with owners recorded directly in equity	-	-	34,107,720	(974,824,667)	(570,544,925)	(1,511,261,872)
Balance at 31 December 2013	13,778,392,208	7,174,887,404	312,558,751	(1,095,093,250)	(5,449,718,845)	14,721,026,268

The notes on pages 128 to 169 are an integral part of these separate financial statements.

**SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2013**
(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2013	Year ended 31 December 2012
Cash flows from operating activities		
Proceeds from sale of equity instruments	570,774,069	207,870,803
Disposals and Maturity of treasury bills and bonds	1,283,136,960	282,590,748
Acquisitions of treasury bills and bonds	(1,037,189,824)	(537,215,621)
Interest received	33,209,977	30,329,419
Dividends received (net of withholding tax) equivalents	696,286,935	625,371,215
	3,330	(200,367)
Interest and penalties received in relation with the dividends late payments	1,439,583	1,756,213
Subscriptions to share capital increase of portfolio companies	(42,713,841)	(2,539,840)
Other receipts	-	158,362
Income tax paid	-	(121,794)
Salaries and related taxes paid	(968,578)	(686,412)
Suppliers and other taxes and fees paid	(78,792,523)	(76,280,760)
Acquisition of equity investments	-	(62,217)
Net cash flows from operating activities	1,425,186,088	530,969,749
Cash flows from financing activities		
Dividends paid (including related taxes)	(530,673,777)	(510,476,930)
Acquisition of treasury shares	(974,824,667)	-
Net cash flows used in financing activities	(1,505,498,444)	(510,476,930)
Net increase in cash and cash equivalents	(80,312,356)	20,492,819
Cash and cash equivalents at the beginning of the period	317,885,971	297,393,152
Cash and cash equivalents at the end of the period	237,573,615	317,885,971
	31 December 2013	31 December 2012
Cash	5,552,477	1,857,628
Bank deposits with original maturities of less than three months	232,021,138	316,028,343
	237,573,615	317,885,971

The notes on pages 128 to 169 are an integral part of these separate financial statements.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013**
(all amounts are in RON unless otherwise stated)

1. General information

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

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

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

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

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

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

2. Basis of preparation

(a) Statement of compliance

These financial statements are the annual separate financial statements of Fondul Proprietatea. The financial statements were prepared for the year ended 31 December 2013 in accordance with the International Financial Reporting Standards (“IFRS”) as adopted by European Union (“EU”).

The purpose of the preparation of these separate financial statements in Romania is to comply with CNVM Instruction no. 6/2011, as subsequently amended. According to the article 2 of the CNVM Instruction no 6/2011, as subsequently amended, effective from 1 February 2012, the Fund has been required to prepare its separate IFRS financial statements. This regulation is transposing certain Articles of Regulation (EC) 1606/2002 of the European Parliament and of the Council from 19 July 2002 on the Application of International Financial Reporting Standards.

The Fund has prepared these financial statements in order to provide the users of the Fund’s financial reports with supplementary financial information on the Fund’s separate financial position. According to the requirements of the legislation in force, the Fund will prepare and publish by 30 June 2014, consolidated financial statements of the Group, for the year ended 31 December 2013. The users of financial statements should read these financial statements together with the consolidated financial statements of the Fondul Proprietatea Group, once these ones will be available, in order to have a complete information regarding the Group’s financial position, statement of comprehensive income, statement of changes in shareholder’s equity and statement of cash flows as a whole.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013**
(all amounts are in RON unless otherwise stated)

2. Basis of preparation (continued)

(b) Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for the equity investments that are listed on an active market, the equity investments that are unlisted, but for which fair values reliably measured using valuation techniques were available, the treasury bills and short-term government bonds, which are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates

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

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

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

- Note 4 – Financial risk management;
- Note 9 – Other operating expenses;
- Note 16 – Equity investments (for valuation);
- Note 17 – Deferred tax assets and liabilities;
- Note 18 – Other liabilities;
- Note 20 – Contingencies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Fund reclassified in the Statement of comprehensive income for the year ended 31 December 2012, the income from the category reversal of impairment losses of equity investments into the category gain / loss on disposal of equity investments, in order to be consistent with current period presentation.

Change in accounting estimates

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement* "If a reliable measure becomes available for a financial asset or financial liability for which such a measure was previously not available, and the asset or liability is required to be measured at fair value if a reliable measure is available, then the asset or liability shall be remeasured at fair value".

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013**
(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)

As at 31 December 2013, the Fund reclassified part of its unlisted equity investments previously measured at cost into the category equity instruments measured at fair value, because fair values were available for these holdings, at this date. The fair values for these equity instruments were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards (fair value principles). The effect of this change in accounting estimates was reflected from the date when fair values for these equity investments were available (31 December 2013) and did not imply any restatement of comparative figures.

(a) Subsidiaries and associates

Subsidiaries are entities controlled by the Fund. Control exists when the Fund has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account, when applicable.

Associates are those entities in which the Fund has significant influence, but not control or joint control, over the financial and operating policies. The existence of significant influence is determined by analysing the ownership structure of the companies in which the Fund holds 20% or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee. However in situations where the Fund holds less than 20% of the voting power of an investee, it is a significant shareholder and demonstrates that it has significant influence through Board representation and participates in the policy making decisions, this investee is treated as an associate.

The Fund does not exercise significant influence in a number of companies in which it holds between 20 and 50 % of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operates without regard to the views of the Fund.

The lists of subsidiaries and associates at 31 December 2013 are disclosed in note 21 (b) and (c).

In these separate financial statements, investments in subsidiaries and associates are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement, as available-for-sale financial assets (see accounting policy 3 (c) below).

(b) Foreign currency

Transactions in foreign currencies are translated into the functional currency of the Fund at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

The exchange rates of the main foreign currencies published by the National Bank of Romania at 31 December 2013 were as follows: 4.4847 RON/EUR; 3.2551 RON/USD and 5.3812 RON/GBP (31 December 2012: 4.4287 RON/EUR; 3.3575 RON/USD and 5.4297 RON/GBP).

(c) Financial assets and liabilities

(i) Recognition

The Fund recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013**
(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(i) Recognition (continued)

Financial assets and liabilities are recognised initially at fair value plus any directly attributable transaction costs (including brokerage fees), except for the investments in equity securities whose fair value cannot be reliably measured, which are recognised initially at cost.

The cost of equity investments which are contributed in kind by the Romanian State to the Fund's share capital is determined in accordance with the provisions of Law 247/2005, as follows:

- for the shares received at the Fund's establishment in December 2005, the cost is equal:
 - either to the weighted average price of the last 90 trading days, provided that the last of the 90 trading days is not more than 60 days prior to 24 November 2005, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
 - or to the book value of the shareholders' equity at 31 December 2004, according to the statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the shares received in June 2007, the cost is equal:
 - either to the weighted average price of the last 90 trading days prior to 29 June 2007, for companies listed on a stock exchange and whose trading volume over the last 90 trading days represented at least 0.3% of their share capital;
 - or to the book value of the shareholders' equity at 31 December 2006, determined in accordance with statutory financial statements, multiplied by the Fund's shareholding, for unlisted companies and for listed companies whose trading volume over the last 90 trading days represented less than 0.3% of their share capital;
- for the additional shares received in companies owned by the Romanian State and to which the State has made contributions in kind, which are received by the Fund so as not to dilute its shareholding in such companies, the cost for the Fund is determined at the par value of the shares received.

Mergers of portfolio companies are recognised at the date when the merger is registered at the Trade Register.

The bonus shares received by the Fund from portfolio companies that increased their share capital through incorporation of reserves are not recognised.

(ii) Classification

See accounting policies 3(d), (e), (f) and (g).

(iii) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013**
(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(iii) Derecognition (continued)

Gains or losses arising from derecognition of a financial asset are calculated based on proceeds on disposal of financial assets and assets historical cost / initial valuation and are recorded in the profit or loss. The Fund uses the weighted average cost method (WAC) to determine the cost / initial valuation of financial assets disposed of. The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Policy applicable starting 1 January 2013

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

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

The fair value of financial assets - equity instruments that are not traded in an active market - is determined by independent valuers, using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used are generally recognised as standard within the industry and include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The Fund uses valuation techniques that maximises the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The valuation reports were prepared as at 30 September 2013, with a base of financial information available and used from the companies under valuation as at the respective date. The Fund is assessing and analysing available financial information from the portfolio companies, for the period between the date of the financial information used for the valuation reports to the end of the reporting period. If any significant change which may impact the fair values becomes available, the

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3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vi) Fair value measurement (continued)

Fund is requesting the independent valuer to adjust the valuation, to the extent that the financial assets are reflected in the financial statements at their fair value.

The output of a valuation model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Fund measures the fair value of an instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for an equity security is not active, the Fund tries to establish fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flows analysis. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets are measured at a bid price and liabilities are measured at an ask price.

(vii) Identification and measurement of impairment

At each reporting date, the Fund assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial assets. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment (continued)

Available for sale financial assets – equity investments

Impairment losses on equity investments carried at fair value are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired equity investment increases, the recovery is recognised directly in equity.

In determining that equity investments are impaired, the Fund considers all relevant factors, such as significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the issuer's operations, recent losses of the issuer, qualified independent auditor's report on the issuer's most recent financial statements etc.

Impairment losses on equity investments carried at cost (where their fair value cannot be reliably measured) are measured as the difference between the carrying amount and an estimate of present value of future cash flows, determined using generally accepted valuation techniques.

Losses are recognised in profit or loss and are not reversed.

(d) Cash and deposits with banks

Cash includes notes and coins in hand and current accounts held with banks.

Deposits with banks include deposits with original maturities of less than three months and deposits with original maturities of more than three months and less than one year.

Cash and deposits with banks are carried at amortised cost in the statement of financial position.

Deposits with banks with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(e) Held to maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Fund from classifying investment securities as held-to-maturity for the current and the following two financial years. The Fund did not classify any investments as held-to-maturity as at 31 December 2013 and 31 December 2012.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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3. Significant accounting policies (continued)

(f) Available-for-sale financial assets

The Fund's investments in treasury bills, government bonds and in equity securities are classified as available-for-sale financial assets. The inventory relief method used for the disposal of treasury bills and government bonds is "first-in first-out" (FIFO) method.

(i) Equity investments carried at fair value

Subsequent to initial recognition, equity investments (other than those described at section (ii) below) are measured at fair value and changes therein, other than impairment losses, are recognised directly in equity.

When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Equity investments carried at cost

Investments in equity securities that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured using a valuation technique, are measured at cost, subject to impairment testing.

(g) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses (in case of financial assets).

(h) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over a period of three years. The Fund intangible assets consist of computer software licenses and software development and implementation costs.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(i) Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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3. Significant accounting policies (continued)

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

(k) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Dividend income

Dividend income relating to listed equity investments is recognised in profit or loss on the ex-dividend date. Dividend distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared.

When the Fund receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

When bonus shares are received with no cash alternative and only certain shareholders are granted additional shares, the shares received are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Fund's interest should be unaffected by the bonus issue.

The Fund recognises dividends from subsidiaries and associates as income in its separate financial statements when its right to receive the dividend is established.

For late dividend payments, the Fund initiates legal recovery measures (conciliation, litigations etc.). The Fund is entitled to charge penalties for overdue net dividends, applying the legal penalty interest rate according to the legislation in force. Penalty income on dividends is recognised in the financial year when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are recognised as income taxes.

(m) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income relates to current accounts, deposits held with banks, treasury bills and government bonds.

(n) Income from sale of securities

Gains or losses from the disposal of the financial assets are recognised in profit or loss at the date of derecognising of the financial assets. When an equity investments carried at fair value is derecognised, on sale or other disposal, or is impaired, the cumulative fair value changes recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)

(o) Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis and include realised and unrealised foreign exchange differences.

(p) Expenses

All expenses are recognised in profit or loss on an accrual basis.

(q) Income tax

Income tax expense comprises current and deferred tax. Current tax includes also dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Fund are recognised at the same time as the liability to pay the related dividend is recognised.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

The applicable tax rates are 16% (standard tax rate and also, the dividend withholding tax).

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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3. Significant accounting policies (continued)

(r) Employee benefits

(i) Pensions and other post-retirement benefits

The Fund, in the normal course of business, makes payments to the Romanian State on behalf of its employees. All employees of the Fund are members of the Romanian State pension plan.

The Fund does not operate any other pension scheme or postretirement benefit plan and, consequently, has no obligation in respect of pensions. In addition, the Fund is not obliged to provide further benefits to its employees.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Fund is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Fund has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(s) Treasury shares

The Fund recognises the treasury shares (repurchases of own shares) at the date when the transaction is recorded at the exchange where shares are traded (trade date); treasury shares are recorded at acquisition cost, including brokerage fees.

(t) Dividend payable

Dividends declared by the Fund are recorded as dividend payable when the Fund's General Shareholders Meeting approves them, as the Fund is then legally obliged to pay them.

According to the provisions of the legislation in force, the Fund is allowed to cancel the rights of shareholders to collect any dividends which have remained unclaimed 3 years after the date when the respective dividend distribution commenced. Upon cancellation, the Fund records the value of these dividends as income in the Income Statement.

(u) Standards and Interpretations effective in the current period

The following standards, amendments to the existing standards issued by the International Accounting Standards Board and adopted by the European Union ("EU") are effective for the current period:

- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 "Presentation of financial statements" - Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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3. Significant accounting policies (continued)

(u) Standards and Interpretations effective in the current period (continued)

- Amendments to IAS 12 "Income Taxes"- Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to various standards "Improvements to IFRSs (cycle 2009-2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these amendments to the existing standards, except IFRS 13, will not led to any changes in the Fund's accounting policies.

(v) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 "Financial instruments: presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of assets" - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),

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3. Significant accounting policies (continued)

(v) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective (continued)

- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The Fund anticipates that the adoption of these standards, revisions and interpretations, except for IAS 27, IAS 31, IAS 36, IAS 39 and Amendments to IFRS 10, will have no material impact on its financial statements in the period of initial application.

Impact of the application of Addendum to IFRS 10 regarding “Investment Entities”

The Fund did not early adopt the Addendum to IFRS 10 regarding Investment entities in the separate financial statements for the year ended 31 December 2013. The Fund will apply the Addendum to IFRS 10 regarding Investment entities in the year starting 1 January 2014 when this addendum becomes effective.

By the time of the publication of these separate financial statements, the Fund did not assess the possible impact on the application of this addendum on the separate financial statements as at 31 December 2013. For the financial statements prepared as at 31 December 2014, once IFRS 10 Investment Entities will be effective, as required by the application of this standard the comparative information will be restated.

(w) Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations,, which were not endorsed for use as at the date of authorisation of these financial statements:

- IFRS 9 “Financial Instruments” and subsequent amendments (effective date was not yet determined),
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- IFRIC 21 “Levies” (effective for annual periods beginning on or after 1 January 2014).

The Fund anticipates that the adoption of these standards, amendments to the existing standards and interpretations, except for IFRS 9, will have no material impact on its financial statements in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principals have not been adopted by the EU, is still unregulated. According to the Fund’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement”, would not significantly impact the financial statements, if applied as at the balance sheet date.

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4. Financial risk management

The Fund's investment portfolio comprises listed and unlisted equity investments.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

Starting from 29 September 2010 the Fund Manager implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

(a) Market risk

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

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

The companies in which the Fund holds equity securities operate in different industries.

The Fund's exposure to industries was as follows:

	31 December 2013	31 December 2012
Oil and gas	7,151,416,711	5,393,677,236
Power utilities: generation	2,733,504,783	3,252,930,823
Power and gas utilities: transport, distribution, supply	3,259,422,077	1,579,714,678
Banks	458,174,184	437,936,339
Infrastructure	361,491,795	205,006,057
Heavy industry	147,808,896	142,420,748
Aluminium	105,464,181	145,769,428
Postal services	60,790,000	80,822,000
Others	29,957,456	31,467,029
	14,308,030,083	11,269,744,338

The Fund has equity investments of RON 8,178,000,261 at 31 December 2013 (31 December 2012: RON 6,071,338,958) listed on the Bucharest Stock Exchange (at either BSE or RASDAQ segment) or Vienna Stock Exchange.

For such investments, a ten per cent increase in the BET-C, respectively ATX index at the reporting date would have increased equity by RON 726,279,672 after tax (2012: RON 562,205,438); an equal change in the opposite direction would have decreased equity by RON 726,279,672 after tax (2012: RON 562,205,438). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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4. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Fund places cash into fixed rate bank deposits original maturities of more than one month and less than six months, and into treasury bills and government bonds with original maturities of up to one year.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

Fixed rate instruments	31 December 2013	31 December 2012
Bank deposits with original maturities of less than three months	232,021,138	316,028,343
Treasury bills	129,887,375	454,732,857
Government bonds	83,748,146	-
	445,656,659	770,761,200

(iii) Currency risk

The Fund is exposed to currency risk on current accounts and deposits held with banks and receivables and payables that are denominated in foreign currencies, i.e. EUR, USD or GBP, but the balances were not significant during the reporting period.

The local currency depreciated compared to the EUR (from 4.4287 at 31 December 2012 to 4.4847 at 31 December 2013), appreciated compared to the USD (from 3.3575 at 31 December 2012 to 3.2551 at 31 December 2013) and appreciated compared to the GBP (from 5.4297 at 31 December 2012 to 5.3812 at 31 December 2013).

The Fund's exposure to currency risk was as follows:

	31 December 2013	31 December 2012
RON		
Monetary assets		
Petty cash	186	2,391
Current accounts with banks	1,706,762	1,852,096
Bank deposits with original maturities of less than three months	232,021,138	316,025,831
Interest accrued on bank deposits	88,875	1,281,109
Treasury bills	129,887,375	454,732,857
Government bonds	83,748,146	-
Dividends receivable	-	799,994
Other receivables	1,281,855	1,385,165
	448,734,337	776,079,443
Monetary liabilities		
Other liabilities	(42,253,380)	(20,841,591)
	(42,253,380)	(20,841,591)
	406,480,957	755,237,852

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4. Financial risk management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

	31 December 2013	31 December 2012
EUR (in RON equivalent)		
Monetary assets		
Current accounts with banks	3,845,529	3,141
Bank deposits with original maturities of less than three months	-	2,512
Other receivables	2,342,366	803,888
	6,187,895	809,541
Monetary liabilities		
Other liabilities	(14,856)	(222,588)
	(14,856)	(222,588)
	6,173,039	586,953

	31 December 2013	31 December 2012
USD (in RON equivalent)		
Monetary assets		
Current accounts with banks	377	-
GBP (in RON equivalent)		
Monetary assets	156	-
Current accounts with banks		

A ten percent strengthening of the RON against the EUR as at 31 December would have decreased profit or loss by the amount shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2012.

Profit or loss	31 December 2013	31 December 2012
EUR	(617,304)	(58,695)
USD	(38)	-
GBP	(16)	-

As at 31 December 2013, the Fund held equity investments denominated in Euro with a fair value of EUR 27,402,896 (RON 122,893,769 equivalent).

As at 31 December 2012, the Fund held equity investments denominated in Euro with a fair value of EUR 36,387,261 (RON 161,148,206 equivalent).

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4. Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills, government bonds and dividends receivable. The Fund's maximum exposure to credit risk from cash and deposits with banks was RON 237,662,304 at 31 December 2013 (31 December 2012: RON 319,164,689).

Cash and deposits are held with the following banks:

	31 December 2013	31 December 2012
Cash and deposits held with		
Unicredit Tiriac Bank	75,057,641	40,212,147
ING Bank	75,029,849	17,247,810
CITI Bank	58,003,992	88,855,134
BRD - Groupe Societe Generale	29,511,355	9,488,306
B.C.R.	58,733	71,177,973
Raiffeisen Bank	427	52,025,192
RBS Bank	306	40,158,127
	237,662,304	319,164,689

(i) Cash and deposits with banks

Current accounts and deposits are held with banks in Romania.

The Fund Manager established a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent, have a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

(ii) Treasury bills

The Fund's maximum exposure to credit risk from treasury bills was RON 129,887,375 as at 31 December 2013 (31 December 2012: RON 454,732,857).

As of 31 December 2013, the Fund held the following treasury bills with discount, denominated in RON:

ISIN	Value as at 31 December 2013	Settlement Date	No. of units	Interest rate	Maturity date
RO1314CTN0E7	53,519,131	23-Dec-13	10,800	2.72%	30-Apr-14
RO1314CTN060	44,630,882	27-Jun-13	4,500	4.35%	12-Mar-14
RO1314CTN060	31,737,362	02-Jul-13	3,200	4.35%	12-Mar-14
Total	129,887,375				

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31 DECEMBER 2013**
(all amounts are in RON unless otherwise stated)

4. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Government bonds

The Fund's maximum exposure to credit risk from government bonds was RON 83,748,146 as at 31 December 2013 (31 December 2012: nil).

As of 31 December 2013, the Fund held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2013	Settlement Date	No. of units	Coupon rate	Maturity date
RO1214DBN027	48,971,641	14-Aug-13	4,647	5.95%	23-Apr-14
RO1214DBN027	34,776,504	23-Dec-13	3,300	5.95%	23-Apr-14
Total	83,748,146				

(iv) Dividends receivable

The Fund's maximum exposure to credit risk from dividends receivable was nil at 31 December 2013 (31 December 2012: RON 799,994).

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The following are the residual maturities of the Fund's financial assets and financial liabilities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2013				
Financial assets				
Cash and current accounts	5,552,477	-	-	-
Deposits with banks	232,110,013	-	-	-
Treasury bills	-	76,368,245	53,519,130	-
Government bonds	-	-	83,748,146	-
Dividends receivable	-	-	-	-
Equity investments	-	-	-	14,308,030,083
Other receivables	3,624,221	-	-	-
	241,286,711	76,368,245	137,267,276	14,308,030,083
Financial liabilities				
Other liabilities	42,268,236	-	-	-
	42,268,236	-	-	-

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013**
(all amounts are in RON unless otherwise stated)

4. Financial risk management (continued)

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2012				
Financial assets				
Cash and current accounts	1,857,628	-	-	-
Deposits with banks	317,309,452	-	-	-
Treasury bills	131,728,059	113,827,183	209,177,615	-
Dividends receivable	799,994	-	-	-
Equity investments	-	-	-	11,269,744,338
Other receivables	2,189,053	-	-	-
	453,884,186	113,827,183	209,177,615	11,269,744,338
Financial liabilities				
Other liabilities	21,064,179	-	-	-
	21,064,179	-	-	-

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

The Fund's listed equity securities are listed on the Bucharest Stock Exchange or on the Vienna Stock Exchange. However, not all listed shares listed on Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions.

(d) Taxation risk

On 1 January 2007 Romania became a member of the European Union ("EU") and therefore has to apply detailed and complex rules on the basis of the EU Treaties, Regulations and Directives. The Fund had to conform to EU legislation from 1 January 2007 and, therefore, it has prepared to apply the changes arising from the EU legislation. These changes were implemented and the tax authorities had up to 5 years to audit the way these changes were implemented.

Interpretation of the text and practical implementation procedures of the EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Fund's treatment.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013**
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4. Financial risk management (continued)

(e) Operating environment

The on-going global credit and liquidity crisis has resulted in, among other things, lower liquidity levels and difficult access to the capital markets and across the Romanian banking sector.

Continuing fear that a deterioration of financial conditions in Europe could contribute to a further retrenchment in investor confidence prompted coordinated efforts by governments and central banks to adopt special measures. These efforts helped to restore some degree of confidence in the market and have helped return the market to a more functional condition. However, political and economic turmoil in the emerging markets is expected to continue, and this can impact the value of the Romanian economy, and consequently the Fund's portfolio companies and its shares.

Management is unable to predict all developments which could have an impact on the Romanian financial sector and consequently what effect, if any, they could have on these financial statements.

Management is unable to reliably estimate the effects on the Fund's financial statements of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the illiquid credit market conditions and the increased volatility in the currency and equity markets.

(f) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, service providers, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(g) Capital management

Fund's policy is to maintain a strong capital base so as to maintain shareholders' confidence and to sustain future developments.

The Fund's capital (shareholders' equity) comprises share capital, fair value and other reserves and retained earnings. The shareholders' equity was RON 14,721,026,268 at 31 December 2013 (31 December 2012: RON 12,389,056,771).

The Fund was not subject to externally imposed capital requirements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities

Accounting classifications and fair values

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

	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2013						
Cash and current accounts	5,552,477	-	-	-	5,552,477	5,552,477
Deposits with banks	232,110,013	-	-	-	232,110,013	232,110,013
Treasury bills	-	-	129,887,375	-	129,887,375	129,887,375
Government bonds	-	-	83,748,146	-	83,748,146	83,748,146
Equity investments at fair value	-	-	14,032,669,261	-	14,032,669,261	14,032,669,261
Equity investments at cost	-	-	275,360,822	-	275,360,822	Not available
Other receivables	3,624,221	-	-	-	3,624,221	3,624,221
Other liabilities	-	-	-	(42,268,236)	(42,268,236)	(42,268,236)
	241,286,711	-	14,521,665,604	(42,268,236)	14,720,684,079	Not available
	Loans and receivables	Held to maturity	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2012						
Cash and current accounts	1,857,628	-	-	-	1,857,628	1,857,628
Deposits with banks	317,309,452	-	-	-	317,309,452	317,309,452
Treasury bills	-	-	454,732,857	-	454,732,857	454,732,857
Dividends receivable	799,994	-	-	-	799,994	799,994
Equity investments at fair value	-	-	6,071,338,958	-	6,071,338,958	6,071,338,958
Equity investments at cost	-	-	5,198,405,380	-	5,198,405,380	Not available
Other receivables	2,189,053	-	-	-	2,189,053	2,189,053
Other liabilities	-	-	-	(21,064,179)	(21,064,179)	(21,064,179)
	322,156,127	-	11,724,477,195	(21,064,179)	12,025,569,143	Not available

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities (continued)

As at 31 December 2013 and 31 December 2012, management estimated that the dividends receivable for which no impairment losses were recognised would be collected within a short period of time and therefore their carrying amount approximated fair value.

Equity investments carried at cost do not have reliably measurable fair values.

6. Gross dividend income

	Year ended 31 December 2013	Year ended 31 December 2012
OMV Petrom SA	318,951,645	353,125,036
Romgaz SA	158,941,766	140,639,003
Transgaz SA	37,568,760	52,515,091
E.ON Gaz Distributie SA	29,933,522	-
GDF Suez Energy Romania SA	22,800,000	-
Electrica Distributie Muntenia Nord SA	16,206,229	1,801,112
Complexul Energetic Oltenia SA	12,312,014	-
Societatea Nationala a Sarii SA	9,297,643	87,602
Electrica Furnizare SA	9,260,589	-
CN Aeroporturi Bucuresti SA	9,135,228	9,415,274
Conpet SA	8,403,049	6,612,533
CN Administratia Porturilor Maritime SA	5,355,571	6,570,224
Raiffeisen Bank International AG	4,433,195	4,052,568
Transelectrica SA	3,997,666	10,884,733
Nuclearelectrica SA	2,769,286	-
CN Administratia Canalelor Navigabile SA	856,672	525,946
Aeroportul International Timisoara - Traian Vuia SA	672,674	1,687,638
Alro SA	-	23,066,500
Complexul Energetic Rovinari SA	-	6,457,434
BRD - Group Societe General SA	-	4,237,166
Others	1,484,664	1,980,590
	652,380,173	623,658,450

The dividend income was subject to 16% withholding tax for Romanian equity investments and 5% withholding tax for Austrian equity investments. In cases where the relevant shareholding was larger than 10% for at least two years prior to the dividend distribution, no withholding tax was due.

7. Gains on disposal of equity investments

During 2013, the Fund finalised the disposal of its holding in Commetex SA and sold its entire holdings in Carom - Broker de Asiguraire SA, Mecanoenergetica SA, Ciocarlia SA, Telerom Proiect SA, Celuloza si Otel SA, Transgaz SA and part of the holding in Raiffeisen Bank International AG. Also, in May 2013, the Fund disposed of 632,482,000 shares in OMV Petrom SA, accounting for approximately 1.1% of the company's share capital. In 2013, the gain on disposal of these equity investments was RON 247,822,287 representing the difference between the proceeds from disposals (RON 573,117,053) and the carrying values of the equity investments as at disposal date (RON 681,786,220), plus the net unrealised gain related to these investments disposed, transferred from change in fair value reserve to profit or loss upon their derecognition (RON 356,491,454).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

7. Gains on disposal of equity investments (continued)

In 2012, the gain on disposal of these equity investments was RON 17,878,048 representing the difference between the proceeds from disposals (RON 208,134,752) and the carrying values of the equity investments as at disposal date (RON 190,256,704). The amount of RON 4,798,715, classified at that time as Reversal of impairment losses of equity investments, was reclassified under the category Gain on disposal of equity investments, to be consistent to current year presentation.

8. Interest income

Interest income amounting to RON 36,143,817 in 2013 (2012: RON 34,922,880) arose from deposits held with banks, treasury bills and short-term government bonds.

9. Other operating expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Investment management and administration fees	45,273,318	34,325,088
Financial Supervisory Authority fees	15,098,151	14,113,438
Depository fee	1,780,597	1,675,454
Brokerage fees for selling of holdings in portfolio companies	7,653,492	351,522
Third party services	14,513,194	7,287,927
Other operating expenses	3,372,666	1,159,780
	87,691,418	58,913,209

Third party services increase was mainly due to the higher level of legal fees.

10. Income tax expense

	Year ended 31 December 2013	Year ended 31 December 2012
Current tax expense		
Dividend withholding tax	(2,678,657)	(4,687,167)
Prior year income tax adjustment	-	23,214
	(2,678,657)	(4,663,953)
Deferred tax related to:		
Equity investments	(887,251,705)	122,810,506
Fiscal loss carried forward	(180,063)	522,252
Provisions for restructuring	-	(9,524)
	(887,431,768)	123,323,234
Total income tax/ (expense) benefit	(890,110,425)	118,659,281

The effective tax rate used to calculate the deferred tax position of the Fund for the years ended 31 December 2013 and 31 December 2012 was 16% (standard tax rate).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

10. Income tax expense (continued)

	Year ended 31 December 2013	Year ended 31 December 2012
Reconciliation of effective tax rate		
Loss for the period	(837,336,592)	(74,962,330)
Income tax (expense) / benefit	<u>(890,110,425)</u>	<u>118,659,281</u>
Profit/ (loss) excluding income tax	52,773,833	(193,621,611)
 Income tax using the standard tax rate (16%)	 (8,443,813)	 30,979,458
Effect of:		
Lower tax rate on dividend income	101,150,910	94,652,303
Profit appropriation to legal reserve	298,564	-
Other non-taxable income	7,591,576	833,771
Other non-deductible expenses	(1,982,699)	(7,626,955)
Austrian dividend withholding tax	(256,189)	(202,510)
Reversal of deferred tax following the changes in the fiscal legislation	(887,251,705)	-
Impact of non-recognition of deferred tax asset on equity investments	(101,217,069)	-
Prior year profit tax correction	-	23,214
Total income tax/ (expense) benefit	<u>(890,110,425)</u>	<u>118,659,281</u>

	Year ended 31 December 2013	Year ended 31 December 2012
Tax income / (expense) recognised directly in equity:		
On equity investments carried at fair value	467,247,696	(238,865,572)

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

11. Cash and current accounts

	31 December 2013	31 December 2012
Petty cash	186	2,391
Current accounts with banks	5,552,291	1,855,237
	5,552,477	1,857,628

The current accounts held with banks are not pledged as collateral for liabilities.

12. Deposits with banks

	31 December 2013	31 December 2012
Bank deposits with original maturities of less than three months	232,021,138	316,028,343
Interest accrued on bank deposits	88,875	1,281,109
	232,110,013	317,309,452

None of the deposits held with banks is pledged as collateral for liabilities.

13. Treasury bills and government bonds

In 2013 and 2012, the Fund acquired discounted treasury bills denominated in RON, having yields to maturity between 2.72% – 6.25% per year.

	31 December 2013	31 December 2012
Treasury bills with original maturities of less than three months	76,368,245	100,354,399
Treasury bills with original maturities of more than three months and less than one year	53,519,130	354,378,458
	129,887,375	454,732,857

Also, in 2013, the Fund acquired government bonds with coupon, denominated in RON. The government bonds in balance as at 31 December 2013 amounted RON 83,748,146 (31 December 2012: nil), have original maturities of more than three months and less than one year and coupon rate of 5.95% per year.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in RON unless otherwise stated)

14. Dividends receivables

	31 December 2013	31 December 2012
Dividends receivable		
CN Administratia Porturilor Dunarii Fluviale SA	173,250	-
Hidroelectrica SA	-	46,209,651
Other dividends receivable	655,718	1,446,159
	828,968	47,655,810
Impairment loss allowance		
CN Administratia Porturilor Dunarii Fluviale SA	(173,250)	-
Hidroelectrica SA	-	(46,209,651)
Other dividends receivable	(655,718)	(646,165)
	(828,968)	(46,855,816)
	-	799,994

In 2013, the Fund reversed the impairment adjustments related to dividends receivables collected during the year, the most significant one being that due by Hidroelectrica of RON 46,209,651, which was fully collected during 2013, according to the payment schedule agreed between Hidroelectrica SA and Fondul Proprietatea SA.

15. Receivables in respect of equity contributions

As at 31 December 2013 and 31 December 2012, the balance of receivables in respect of equity contributions was fully impaired. These receivables refer to unpaid contributions to Fund's share capital from the Ministry of Public Finance.

16. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance no.209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure for granting compensations for the property abusively nationalised ("GEO 81/2007") came into force, in accordance with which:

- 32 new shareholdings were added to the Fund's portfolio as contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund's portfolio and transferred back to the Romanian state.

The valuation of the shares contributed by the Romanian state in December 2005 and June 2007 was performed in October 2007 by an independent evaluator (Finevex S.R.L. Constanta), who followed the valuation methodology set forth by Law 247/2005. The value of the shareholdings, as determined by the evaluator, represents the cost (initial value) of the equity investments.

Equity investments are available-for-sale financial assets and are carried at fair value, except for the investments whose fair value cannot be reliably measured, which are carried at cost less impairment.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in RON unless otherwise stated)

16. Equity investments (continued)

As of 31 December 2013, the fair values of equity instruments that are traded in active markets were determined by reference to published bid price quotations on the stock exchange where shares are traded. For the unlisted equity instruments measured at fair value, the fair values were assessed by independent valuers, using valuation techniques in accordance with International Valuation Standards. Equity investments listed on the Bucharest Stock Exchange which are not actively traded, and unlisted securities for which a fair value was not available, are carried at cost less impairment.

As of 31 December 2012, the fair values were determined by reference to published bid price quotations on the stock exchange where shares are traded, where applicable, while the equity investments listed on the Bucharest Stock Exchange which are not actively traded, and all unlisted securities, were carried at cost less impairment.

At 31 December 2013 and 31 December 2012, for equity investments carried at cost, no fair values could be determined using valuation techniques as the range of the various estimates could not be reasonably assessed.

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

	Equity investments at fair value	Equity investments at cost	Total equity investments
31 December 2011	4,768,466,068	5,963,176,400	10,731,642,468
Shares contributions in kind by State	-	5,211,070	5,211,070
Subscriptions to share capital increase of portfolio companies	-	2,539,840	2,539,840
Acquisitions	62,217	-	62,217
Disposals	(190,099,153)	(157,551)	(190,256,704)
Impairment loss	-	(772,364,379)	(772,364,379)
Changes in fair value	1,492,909,826	-	1,492,909,826
31 December 2012	6,071,338,958	5,198,405,380	11,269,744,338
	Equity investments at fair value	Equity investments at cost	Total equity investments
31 December 2012	6,071,338,958	5,198,405,380	11,269,744,338
Shares contributions in kind by State	357,420	-	357,420
Cash contributions to portfolio companies share capital increases	42,713,841	-	42,713,841
Disposals	(680,039,979)	(1,746,241)	(681,786,220)
Reclassification of equity investments following their listing on BSE	998,147,455	(998,147,455)	-
Reclassification of unlisted equity investments following their valuation at fair value	3,923,150,862	(3,923,150,862)	-
Impairment loss	(835,772,382)	-	(835,772,382)
Changes in fair value	4,512,773,086	-	4,512,773,086
31 December 2013	14,032,669,261	275,360,822	14,308,030,083

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in RON unless otherwise stated)

16. Equity investments (continued)

In 2013, the Fund received 35,742 shares in Romgaz SA (with a nominal value of RON 357,420) following a share capital increase by that company, accounted for as contribution in kind of Romanian State, represented by Ministry of Public Finance, to the share capital of the Fund.

During 2013, the Fund participated in the cash share capital increases of portfolio companies, through:

- executing its pre-emptive right and participating in the cash share capital increase of E.ON Gaz Distribuție SA, acquiring 399,164 shares at the nominal value of RON 2.5 per share (in total of RON 997,910);
- subscribing 1,111,575 new shares, in the cash share capital increase of Zirom SA, at the nominal value of RON 10 per share (in total of RON 11,115,750);
- executing its pre-emptive right and participating in the share capital increase of Nuclearelectrica SA, receiving 2,732,159 allotment rights (converted into shares at the listing of the shares of Nuclearelectrica on Bucharest Stock Exchange), acquired at the acquisition price in the Initial Public Offering carried on by this company, of RON 11.2 per share (in total of RON 30,600,181);

During 2013, the Fund finalised the disposal of its holding in Commetex SA and sold its entire holdings in Carom - Broker de Asigura SA, Mecanoenergetica SA, Ciocarlia SA, Telerom Proiect SA, Celuloza si Otel SA, Transgaz SA and part of the holding in Raiffeisen Bank International AG. Also, in May 2013, the Fund disposed of 632,482,000 shares in OMV Petrom SA, accounting for approximately 1.1% of the company's share capital.

Following the listing of Nuclearelectrica SA and Romgaz SA on Bucharest Stock Exchange, the investments in these companies were reclassified from the category "Equity investments at cost" into the category "Equity investments at fair value". As at 31 December 2013, the fair values of these equity instruments were assessed on the bid price quotations on the stock exchange.

As at 31 December 2013, the Fund reclassified part of its unlisted equity investments previously measured at cost into the category "Equity instruments measured at fair value", because at that date, fair values were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards.

Hidroelectrica's Insolvency

On 26 June 2013, the Bucharest Court has approved the closing of the judicial reorganisation procedure opened against Hidroelectrica in June 2012.

The litigation which triggered the Bucharest Court of Appeal decision on 25 February 2014 (please see Note 22) by which Hidroelectrica was placed back under reorganisation procedure, was in progress as at 31 December 2013. This indicates that these conditions existed before the end of Fund's reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, the Fund updated the valuation of its holding in Hidroelectrica on 11 March 2014 that was reflected in the financial statements for the year ended 31 December 2013. The new valuation report was prepared by an independent valuer and indicated a value for the Fund's holding in Hidroelectrica of RON 2,105,161 thousand, which is RON 134,251 thousand lower than the valuation previously available, before the Court decision. The decrease in the valuation was mainly due to the new legal situation of Hidroelectrica, which has resulted in a higher discount being applied for the lack of marketability, 25% versus 10% used in the original valuation report prepared prior to 31 December 2013).

Impairment losses

In 2013, the Fund recorded impairment adjustments in amount of RON 835,772,382 (2012: RON 772,364,379) for the equity investments presented below, based on either fair values assessed by independent valuers or by reference to published prices quotations on the stock exchange (for listed holdings). All impairment losses are recognised through profit or loss. During 2013, an amount of RON 158,703,880 has been reclassified from other comprehensive income to profit or loss, due to the prolonged declined in the respective equity investments values.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in RON unless otherwise stated)

16. Equity investments (continued)

The equity investments for which the Fund recorded impairment adjustments were:

Company	Year ended 31 December 2013	Year ended 31 December 2012
Complexul Energetic Oltenia SA	348,440,812	-
Nuclearelectrica SA	305,472,325	-
BRD - Groupe Societe Generale SA	97,670,533	-
Raiffeisen Bank International AG	43,870,195	-
Posta Romana SA	20,032,000	3,842,380
Erste Group Bank AG	17,163,151	-
Forsev SA	3,123,366	-
Hidroelectrica SA	-	768,521,999
Total	835,772,382	772,364,379

The structure of the Fund's portfolio was the following:

	31 December 2013	31 December 2012
Equity investments at fair value		
OMV Petrom S.A.	5,054,412,918	4,876,542,833
Hidroelectrica S.A.*	2,105,161,000	-
Romgaz S.A.*	1,975,701,973	-
Enel Distributie Banat S.A.*	573,250,000	-
Enel Distributie Muntenia S.A.*	473,070,000	-
GDF Suez Energy Romania *	404,410,000	-
Enel Distributie Dobrogea S.A.*	379,110,000	-
E.ON Moldova Distributie S.A.*	345,359,000	-
Complexul Energetic Oltenia S.A.*	321,644,000	-
Nuclearelectrica S.A.*	306,699,784	-
Electrica Distributie Muntenia Nord S.A.*	296,200,000	-
CN Aeroporturi Bucuresti S.A.*	287,654,000	-
BRD - Groupe Societe Generale S.A.	228,487,104	205,892,268
Electrica Distributie Transilvania Nord S.A.*	206,700,000	-
Electrica Distributie Transilvania Sud S.A.*	192,000,000	-
E.ON Gaz Distributie S.A.*	165,200,000	-
Transelectrica S.A.	156,245,398	125,570,240
Conpet S.A.	115,715,745	92,958,315
Banca Transilvania S.A.	106,793,312	70,895,864
Alro Slatina S.A.	105,464,182	145,769,428
Raiffeisen Bank International AG	77,793,309	118,905,477
Posta Romana S.A.*	60,790,000	-
Zirom S.A.*	43,464,000	-
Forsev S.A.*	657,000	-
Transgaz S.A.	-	384,687,160
Other	50,686,536	50,117,374
	14,032,669,261	6,071,338,959

*equity investments reclassified from "Equity investments at cost" in "Equity investments at fair value"

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)

16. Equity investments (continued)

Equity investments at cost

Societatea Nationala a Sarii S.A.	76,049,556	76,049,556
CN Administratia Porturilor Maritime S.A.	52,621,414	52,621,414
E.ON Energie Romania S.A.	45,765,358	45,765,358
Primcom S.A.	25,347,293	25,347,293
Hidroelectrica S.A.*	-	2,001,000,000
Complexul Energetic Oltenia S.A.*	-	670,084,812
Electrica Distributie Muntenia Nord S.A.*	-	165,223,950
Enel Distributie Banat S.A.*	-	141,578,929
CN Aeroporturi Bucuresti S.A.*	-	131,168,262
E.ON Moldova Distributie S.A.*	-	131,073,011
Electrica Distributie Transilvania Sud S.A.*	-	125,918,628
Electrica Distributie Transilvania Nord S.A.*	-	115,755,059
Enel Distributie Dobrogea S.A.*	-	114,760,052
Enel Distributie Muntenia S.A.*	-	107,277,263
Posta Romana S.A.*	-	80,822,000
Romgaz S.A.*	-	416,301,444
Nuclearelectrica S.A.*	-	581,846,011
Other	75,577,201	215,812,337
	275,360,822	5,198,405,379
Total equity investments	14,308,030,083	11,269,744,338

*equity investments reclassified from "Equity investments at cost" in "Equity investments at fair value"

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

Fair value hierarchy

The table below analyses equity investments carried at fair value, by valuation method.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement, the different levels being defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)
16. Equity investments (continued)

At 31 December 2013:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	8,178,000,261	-	5,854,669,000	14,032,669,261
Treasury bills	129,887,375	-	-	129,887,375
Government bonds	83,748,146	-	-	83,748,146
	8,391,635,782	-	5,854,669,000	14,246,304,782

At 31 December 2012:

	Level 1	Level 2	Level 3	Total
Equity investments at fair value	6,071,338,958	-	-	6,071,338,958
Treasury bills	454,732,857	-	-	454,732,857
	6,526,071,815	-	-	6,526,071,815

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

For all Level 3, the equity instruments valuation was performed by an independent valuer, based on financial information provided by the Fund using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, under the supervision and review of the Fund's Management, who ensures that all underlying data used in the report is accurate, and appropriate inputs are used in the valuation. As the valuation reports were prepared as at 30 September 2013, with a base of financial information available and used from the companies under valuation as at the respective date, the Fund's Management have analysed, based on the available information, the period between the date of the valuation reports and 31 December 2013. There was no information known or available to the Fund's Management which may have impact on the fair values of the equity investments as at 31 December 2013, as they are presented in these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)
16. Equity investments (continued)

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

As at 31 December 2013, the equity investments classified as available for sale included equity investments valued at cost less impairment in amount of RON 275,360,822 (31 December 2012: RON 5,198,405,380).

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

As at 31 December 2013, unlisted equity investments with a carrying amount of RON 5,854,669,000 were classified into Level 3 of the fair value hierarchy. Out of this balance, an amount of RON 2,291,000,656 represents the net change in fair value recognised in other comprehensive income. The fair values for these equity investments were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards. Previously, these equity investments were measured at cost due to lack of availability of reliable fair values.

The following table sets out information about significant unobservable inputs used at 31 December 2013 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Financial assets	Fair value at 31 December 2013	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Total	5,854,669,000			
Unlisted equity instruments	5,749,758,000	Market approach - comparable companies (based on EBITDA multiples)	EBITDA multiple ranging from 5.52 to 9.18 Discount for lack of marketability: 10% or 25%	The higher EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)
16. Equity investments (continued)

Financial assets	Fair value at 31 December 2013	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity instruments	104,911,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 13% to 15%.	The lower the weighted average cost of capital, the higher the fair value.
			Discount for lack of marketability: 0% or 5% or 10%	The lower discount for lack of marketability, the higher the fair value.
			Discount for lack of control: 0% or 20%	The lower discount for lack of control, the higher the fair value.
			Long-term revenue growth rate ranging from 2% to 2.5%	The higher the revenue growth rate, the higher the fair value.

Significant unobservable inputs are the following:

EBITDA multiple: represents the most relevant multiple used when pricing the investments and is selected from comparable public companies based on geographic location, industry size, target markets and other factors that valuers considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount for lack of marketability: represents the discount applied to the comparable market multiples to reflect the illiquidity of the portfolio companies relative to the comparable peer group. Valuers determined the discount for lack of marketability based on its judgement after considering market liquidity conditions and company-specific factors.

Discount for lack of control: represents the discount applied to reflect the absence of the control power and it was considered under the discounted cash flow method, in order to derive the value of a minority shareholding in the equity of the subject companies.

Weighted average cost of capital: represents the calculation of a company's cost of capital in nominal terms (including inflation), based on the "Capital Asset Pricing Model". All capital sources – shares, bonds and any other long-term debts - are included in a weighted average cost of capital calculation.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)
17. Deferred tax assets and liabilities

	31 December 2013	31 December 2012
<i>Temporary differences deductible (taxable)</i>		
Impairment losses on equity investments	-	5,237,961,506
Changes in fair values of equity investments	-	(2,969,427,906)
Fiscal loss carried forward	2,138,680	3,264,075
	2,138,680	2,271,797,675
Deferred tax asset at 16%	342,189	363,487,628

The effective tax rate used to calculate the deferred tax position of the Fund as at 31 December 2013 and as at 31 December 2012 was 16% (standard tax rate).

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

18. Other liabilities

	31 December 2013	31 December 2012
Investment Management and Administration fees	13,471,953	8,862,463
Dividends payable	11,250,020	9,481,720
Provision for litigations	11,104,066	-
Financial Supervisory Authority commission	1,262,977	1,230,482
Tax on dividends	1,423,830	-
Other liabilities	3,755,390	1,489,514
	42,268,236	21,064,179

In April 2013, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.04089 per share, equivalent to a total gross dividend of RON 536,437,206, payable to shareholders with effect from 28 June 2013, which represented the distributable profits of 2012. As at 31 December 2013, shareholders had collected 99% of this dividend.

In April 2012, the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03854 per share, equivalent to a total gross dividend of RON 507,658,517, payable to shareholders with effect from 29 June 2012, which represented the distributable profits of 2011. As at 31 December 2013, shareholders had collected 99% of this dividend.

The provision for litigations was recorded in relation with the legal case started by World Trade Center against the Fund in August 2013, asking the Fund to pay back the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and the related legal interest (please see details in Note 20 Contingencies).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)
18. Other liabilities (continued)

The amounts recovered from the enforcement procedure (approximately RON 9.5 million equivalent) were originally accounted for by the Fund as contributions of Ministry of Public Finance to the share capital of the Fund, decreasing the receivable related to unpaid capital. Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted as a receivable over this shareholder of the Fund, for which an impairment adjustment has been recorded), while the legal interest was recorded as an expense with provisions for litigations.

19. Shareholders' equity
(a) Share capital

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

Unpaid share capital represents the net value of certain contributions due from the Romanian state, represented by the Ministry of Public Finance. During 2013, RON 357,420 (representing the nominal value of 35,742 shares in Romgaz SA received by the Fund as contribution in kind from Romanian state) were transferred from unpaid share capital to the paid in share capital.

Holders of unpaid shares are not entitled to vote or to receive dividends.

At 31 December 2012, the authorised and issued share capital comprised 13,778,392,208 ordinary shares at a nominal value of RON 1 per share, out of which 365,612,042 shares were unpaid.

By 31 December 2013, the State's share in the Fund's issued capital was 2.67% (31 December 2012: 2.68%) out of which only 0.024% was paid.

The movements in share capital components are presented below:

	Share capital paid in	Share capital unpaid	Total share capital
31 December 2011	13,407,569,096	370,823,112	13,778,392,208
Unpaid share capital compensated by State contributions	5,211,070	(5,211,070)	-
31 December 2012	13,412,780,166	365,612,042	13,778,392,208
Shares contributed in kind by the State	357,420	(357,420)	-
31 December 2013	13,413,137,586	365,254,622	13,778,392,208

(b) Fair value reserves on available-for-sale financial assets

The fair value reserves of RON 7,174,887,404 at 31 December 2013 (31 December 2012: RON 2,494,319,443) comprised the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

(c) Other reserves

	31 December 2013	31 December 2012
Legal reserve	192,259,194	158,151,474
Other reserves	120,299,557	120,299,557
	312,558,751	278,451,031

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in RON unless otherwise stated)

19. Shareholders' equity (continued)

(c) Other reserves (continued)

As required by the Romanian law, a minimum 5% of the statutory profit for the year must be transferred to the legal reserve. Such annual transfers must be discontinued when the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders.

The statutory financial statements have been prepared in accordance with the National Securities Commission ("CNVM") Regulation no. 4/2011 regarding accounting regulations compliant with Economic European Commission Directive IV, applicable to the entities authorised, regulated and monitored by Financial Supervision Authority ("FSA"), approved by CNVM Order no. 13/2011.

In 2013, the Fund transferred to the legal reserves an amount of RON 34,107,720 representing 5% of the 2013 statutory gross profit of RON 682,154,399 (in 2012: RON 28,348,272 representing 5% of the 2012 statutory gross profit of RON 566,988,651).

(d) Treasury shares

The Fund's General Shareholders Meeting in September 2010 approved a buyback programme at prices ranging between 0.2 - 1.5 RON, which was valid until March 2012. The buyback programme started in May 2011 and by 30 September 2011 the Fund completed this programme by acquiring 240,304,801 shares equivalent to 1.74% of the Fund subscribed share capital for a total acquisition value of RON 120,268,583. At the General Shareholders Meeting on April 2012, the shareholders approved to cancel the treasury shares and to reduce the share capital, but the registration of the shareholders' decision with Trade Register was blocked at the request of one shareholder of the Fund.

In the litigation started by this shareholder, the Court irrevocably ruled in favour of the Fund, the shareholders' resolution being registered with Trade Register and published in the Official Gazette on 31 July 2013. The legislation requires that after two months the resolution is published in the Official Gazette, the Fund Manager has to ask the Financial Supervisory Authority to approve the share capital decrease. Thus, the share capital decrease will be effective after the obtaining of the Financial Supervisory Authority approval.

The same shareholders meeting in April 2012 approved a second buyback programme: subject to cash availability, the Fund Manager was authorised to repurchase a maximum number of 1.1 billion shares within 18 months of the date when the shareholders' resolution is published in the Official Gazette, at prices ranging between 0.2 - 1.5 RON per share, following to cancel them upon the completion of the buyback programme. The second buy-back programme was delayed because of the case opened by a minority shareholder and it started on 12 April 2013. By 31 December 2013 the Fund had acquired all the 1,100,950,684 shares at a total acquisition value, including transaction costs of RON 974,824,667. None of the shares had been cancelled by 31 December 2013. The Fund Manager will submit to shareholders' approval the share capital decrease by cancelling the shares purchased during the second buy-back programme after the share capital decrease for capital distribution approved by shareholders on 3 February 2014 is effective.

On 22 November 2013, the shareholders approved a third buy-back programme: the Fund Manager was authorised to repurchase a maximum number of 252,858,056 shares or 1.89% of the paid in share capital, within 18 months of the date when the shareholders' resolution is published in the Official Gazette, within the price range of RON 0.2 per share to RON 1.5 per share, to be cancelled upon completion of the buy-back programme.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in RON unless otherwise stated)

19. Shareholders' equity (continued)

(d) Treasury shares (continued)

The third buy-back programme will be started after the first share capital decrease for cancelling the shares purchased during the first buy-back programme is effective.

(e) Dividends

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

Being an entity regulated by FSA (former CNVM) and governed by Capital Market Law, the Fund also has the obligation to calculate and publish monthly, including for the year-end, its net asset value according to the requirements included in the Regulation no.4/2010, as subsequently amended, issued by CNVM (referred hereinafter "NAV"). The capital market law states that "the publication and the use of other measures or calculations for the value of the total net assets, the unitary value of the net assets and the number of holders of participation titles, except for those certified by the depositary shall be forbidden." On this basis, "net assets" is defined as the net assets certified by the depositary of the Fund.

CNVM Regulation no.4/2011, with subsequent amendments (Romanian accounting regulations) and CNVM Regulation no.4/2010, prescribe two different calculation rules for the net assets of the Fund, one value is presented in the annual financial statements prepared in accordance with Romanian accounting regulations (presented as Total shareholders' equity) and another value is presented in the year-end (31 December) NAV reporting submitted to CNVM/FSA (presented as Net Asset Value). There are significant differences in respect of the two calculation methods, the most significant being related to the measurement of equity investments, which in the financial statements prepared in accordance with Romanian accounting regulations are measured at cost less any adjustments for impairment, recorded directly through equity, not through Income statement (shareholders' equity as at 31 December 2013: RON 10,885,061,292), while in the NAV reporting they are measured at their fair value (NAV as at 31 December 2013: RON 15,013,742,081.74).

Since its registration with CNVM on 18 August 2010, the Fund has adopted the net asset value computed in accordance with CNVM Regulation 4/2010 as the most relevant basis to determine the fair market value of the net assets for assessing whether dividends are distributable, as per article 69 of the Companies law provisions.

The Fund is currently in the process of obtaining clarifications from the relevant Romanian authorities (being the Ministry of Public Finance, the Ministry of Justice and the FSA) on the interpretation of the provisions of contrasting regulations regarding the distribution of dividends and other reserves of the Fund. Depending on the final conclusion of the clarifications, any change in interpretations from the regulatory authorities increases the legal risks regarding dividend distribution and may require changes in the Fund's distribution policy in the future. It should also be noted that, in the near future (probably in 2015), IFRS will become the statutory set of financials and, when this occurs, the dividend policy and profit allocation practices will need to be reviewed in line with the applicable regulations and accounting standards in force at that time. The Fund Manager remains committed to ensuring annual distributions to the Fund's shareholders.

During 2012 the Fund's General Shareholders Meeting approved the distribution of a gross dividend of RON 0.03854 per share, in relation to 2011 statutory profits.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in RON unless otherwise stated)

20. Contingencies

As at 31 December 2013 the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of the IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" the Fund discloses in the financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

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

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

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

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

new resolutions passed during the 25 April 2012 GSM and 23 November 2012 GSM specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (these resolutions were proposed by a shareholder and approved with a significant majority).

Therefore, FTIML as the Fund Manager of Fondul Proprietatea is liable to observe the current Constitutive Act and the shareholders' resolutions in force, and consequently will continue to manage the Fund in accordance with these and its management agreement.

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

2. Other contingencies of the Fund included:

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in RON unless otherwise stated)

20. Contingencies (continued)

2. The receivables from World Trade Center Bucharest SA:

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

Until 31 December 2013, the Fund recovered from World Trade Center Bucharest SA, USD 510,131, EUR 148,701, RON 8,724,888. Given the uncertainties regarding the recoverability of the amounts due by World Trade Center Bucharest SA, the above amounts were recognised on receipt basis in the Fund's financial statements.

In August 2013, World Trade Center Bucuresti SA filed a claim against the Fund asking to pay back the amounts received through the enforcement procedure during 2010 and 2011 (EUR 148,701, USD 10,131 and RON 8,829,663). The amounts recovered from the enforcement procedure were originally accounted for by the Fund as contributions of Ministry of Public Finance to the share capital of the Fund, decreasing the receivable related to the unpaid capital. Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted for as a receivable over this shareholder of the Fund, for which an impairment 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 14 March 2014.

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

21. Related parties

(a) Key management

	Year ended 31 December 2013	Year ended 31 December 2012
Salaries		
Members of the Board of Nominees	779,052	523,507

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in 2013 or in 2012.

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

The transactions carried between the Fund and Fund Manager were as follows:

Transactions	Year ended 31 December 2013	Year ended 31 December 2012
Investment management fee	35,821,686	27,159,099
Administration fee	9,451,632	7,165,989
Rental expense	104,237	105,276
Operating cost	28,894	28,188
	45,406,449	34,458,552

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
(all amounts are in RON unless otherwise stated)
21. Related parties (continued)
(a) Key management (continued)

During 2013 the Fund recorded also an amount of RON 1,754,236 representing expenses incurred by the Fund Manager on its behalf (2012: RON 1,012,597). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement, and was subject to Board of Nominees approval.

As at 31 December 2013, the Fund owed an amount of RON 14,019,201 to the Fund Manager (31 December 2012: RON 9,146,226).

There are no other elements of compensation for key management.

(b) Subsidiaries

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

	31 December 2013	31 December 2012
Ownership interest		
Alcom S.A. Timisoara	72%	72%
Comsig S.A. Sighisoara	70%	70%
Primcom S.A. Bucuresti	75%	75%
Zirom S.A. Giurgiu	100%	100%
Carom - Broker de Asigurare S.A. Bucuresti*	-	70%
Telerom Proiect S.A. Bucuresti*	-	69%

* In 2013, Fondul sold its entire holding in Carom Broker de Asigurare S.A. and Telerom Proiect S.A. Bucuresti

	Year ended 31 December 2013	Year ended 31 December 2012
Gross dividend income		
Alcom	24,392	-
Dividends received		
Alcom	24,392	-

	31 December 2013	31 December 2012
Dividends receivable		
Carom - Broker de Asigurare S.A. Bucuresti	10,158	10,158
	10,158	10,158
Impairment loss allowance		
Carom - Broker de Asigurare S.A. Bucuresti	(10,158)	(10,158)
	(10,158)	(10,158)
	-	-

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in RON unless otherwise stated)

21. Related parties (continued)

(c) Associates

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

	31 December 2013	31 December 2012
Ownership interest		
OMV Petrom S.A.	19%	20%

In May 2013 the Fund disposed of 632,482,000 shares in OMV Petrom SA and following this transaction, the Fund's holding in OMV Petrom decreased to 18.99% of the share capital of the company.

During 2013, the Fund recorded and received from OMV Petrom S.A. a dividend of RON 318,951,645 (31 December 2012: RON 353,125,036).

22. Subsequent events

3 February GSM Decisions

On 3 February 2014 the shareholders of the Fund approved three important items, as follows:

1. An amendment of the Constitutive Act of Fondul Proprietatea, in order to eliminate the quorum restrictions that were additional to Romanian legislation for the share capital decrease. The amendment of the Constitutive Act enters into force after the endorsement of Financial Supervisory Authority and after the publication in Official Gazette.

2. The decrease of the subscribed share capital of Fondul Proprietatea for capital distribution, involving the decrease of the subscribed share capital of Fondul Proprietatea from RON 13,538,087,407 to RON 12,861,183,036.65 through the reduction of the nominal value of the shares of Fondul Proprietatea from RON 1.00 to RON 0.95. The decrease of the share capital will be effective, in accordance with Article 208 para. (1) of Law no. 31/1990, after the expiry of a two months term starting with the publication of the general meeting of shareholders resolution in the Official Gazette of Romania, Part IV, provided that Financial Supervisory Authority shall have endorsed the amendment of Article 7 para. (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders during the meeting.

The shareholders registered with Central Depository on 30 April 2014 have the right to receive RON 0.05 per share, proportionally with their participation to the paid share capital of Fondul Proprietatea. The payment shall start in 30 days after the decrease of the share capital mentioned above is effective.

3. The ratification and approval of all resolutions taken by the general shareholders meetings and all the legal acts (including decisions and contracts) concluded, adopted and issued in the name of Fondul Proprietatea through Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, between 6 September 2010 and 2 February 2014 and the approval and ratification of any implementation acts, facts and operations based on such, including the management of the Fondul Proprietatea under an unitary system.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in RON unless otherwise stated)

22. Subsequent events (continued)

Review of strategic options for Fund's holding in OMV Petrom S.A.

As part of its ongoing commitment to increase value for shareholders and improve the liquidity of the assets in the Fund's portfolio, the Fund is reviewing strategic options to potentially reduce its ownership interest in OMV Petrom SA to below a 15% holding, subject to appropriate market conditions and required approvals. The review is in its early stages and there is no defined timetable for any decision. The Fund currently holds 19% of the issued share capital of OMV Petrom SA and aims to enhance the trading liquidity of the company's shares while remaining committed to its successful development.

Update regarding Hidroelectrica

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

- Cancelled the initial decision of Bucharest Court from 26 June 2013 whereby the judicial reorganisation procedure of Hidroelectrica was closed for procedural reasons. As a result, the case will be sent back to the syndic judge for a retrial. As a consequence, the company is placed back under the reorganisation procedure and the former judicial administrator is reinstated with an immediate effect.
- Cancelled and sent back to the syndic judge for retrial two other cases, the first one filed by Hidroelectrica against a decision through which the syndic judge admitted the claim of Termoelectrica and the second one filed by Elsid Titu against a decision of the syndic judge through which he did not admit a claim worth around RON 13 million following the application of the force majeure clause in 2011.

The litigation which triggered the Bucharest Court of Appeal decision on 25 February 2014 by which Hidroelectrica was placed back under reorganisation procedure, was in progress as at 31 December 2013. This indicates that these conditions existed before the end of Fund's reporting period and meet the requirements of an adjusting event after the end of the reporting period. As a result, the Fund updated the valuation of its holding in Hidroelectrica on 11 March 2014, that was reflected in the financial statements for the year ended 31 December 2013 (please see Note 16). The new valuation report was prepared by an independent valuer and indicated a value for the Fund's holding in Hidroelectrica of RON 2,105,161 thousand, which is RON 134,251 thousand lower than the valuation previously available, before the Court decision. The decrease in the valuation was mainly due to the new legal situation of Hidroelectrica, which has resulted in a higher discount being applied for the lack of marketability, 25% versus 10% used in the original valuation report prepared prior to 31 December 2013).

Share capital decrease

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

Annex 4

STATEMENT OF PERSONS RESPONSIBLE

Provisions of Art.30 of Accounting Law no. 82/1991 and
CNVM Regulations no. 1/2006, Art.112¹, par. 1, letter c

The annual financial statements as at 31 December 2013 prepared for:

Entity: Fondul Proprietatea S.A.

Address: Bucharest, District 1, 78–80, Buzzești Street, 7th Floor

Trade Registry Number: J40/21901/28.12.2005

Form of property: 22 (joint ownership with public capital under 50%, domestic and foreign public and private capital companies)

CAEN code and name: 6430 “Trusts, funds and similar financial entities”

Sole Registration Code: 18253260

The undersigned, Grzegorz Maciej Konieczny, Legal representative, and Mihaela Moleavin, Financial reporting manager with Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, as sole administrator of Fondul Proprietatea S.A, undertake the responsibility for the preparation of the annual financial statements on 31 December 2013 and confirm that:

- a) The accounting policies used for the preparation of the annual financial statements are in compliance with the applicable accounting regulations;
- b) The annual financial statements give a true and fair view of the financial position and performance and of other information regarding the conducted business.
- c) The company is conducting its business on the going concern basis.
- d) The Annual Administrator’s Report of Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, regarding the management and administration of Fondul Proprietatea S.A. for the year 2013, includes an accurate overview of the developments and performance of Fondul Proprietatea S.A., as well as a description of the main risks and uncertainties related to the business.

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

Grzegorz Maciej Konieczny
Legal Representative

Mihaela Moleavin
Financial Reporting Manager

Annex 5 Changes in the Constitutive Act of Fondul Proprietatea S.A during 2013

Annex 5.1. Constitutive Act in Force Beginning with 31 October 2013¹

CHAPTER I

Name of the company, legal form, headquarters and duration

ARTICLE 1

Name of the Company

- (1) The name of the Company is "Fondul Proprietatea" - S.A.
- (2) All invoices, offers, orders, tariffs, prospectuses and other documents used in business, issued by the Company shall indicate the name, the legal form, the registered office, the registration number with the Commercial Registry and the sole registration code (CUI), the subscribed share capital, and the paid share capital with the mention "closed – end investment company".

ARTICLE 2

Legal form of the company

- (1) "Fondul Proprietatea" - S.A., hereinafter referred to as Fondul Proprietatea, is a Romanian legal person, set up as a joint-stock company.
- (2) Fondul Proprietatea is organized, operates and ceases its activity under the provisions of Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed, and of Company Law No. 31/1990, republished, as further amended and completed.
- (3) Fondul Proprietatea is set up as an undertaking for collective investment (A.O.P.C.), of the closed-end-type, as defined by Art. 114(1) letter b) of Law No. 297/2004, as further amended and completed.

ARTICLE 3

Company headquarters

- (1) The registered office of Fondul Proprietatea is located in Bucharest, 78-80 Buzesti Street, floor 7th, Sector 1; the headquarters may be changed to any other location in Romania, by decision of the asset management company (Fund Manager), according to article 21 paragraph (3) xii).
- (2) The Company may set up secondary headquarters such as branches, representative offices, working points or other units with no legal personality, under the terms provided by law.

ARTICLE 4

Company duration

The duration of Fondul Proprietatea is unlimited.

¹ The Constitutive Act of SC Fondul Proprietatea SA in force on 31 October 2013 was approved by Extraordinary General Meeting ("EGM") Decision no. 2/04.04.2012, confirmed by EGM Decision no. 13/23.11.2012, ratified by EGM Decision no. 14/23.11.2012, ratified by EGM Decision no. 8/25.04.2013, adopted by EGM Decision no. 9/25.04.2013. Beginning with 16 October 2013 the Constitutive Act in force was amended by EGM Decisions nos. 2, 5 and 12 / 25.04.2013 (these EGM Decisions entered in force after the endorsement of Romanian Financial Supervisory and the publication in Official Gazette Part IV no. 5709/31.10.2013)

CHAPTER II

Purpose and business object of the company

ARTICLE 5

Company purpose

The purpose of Fondul Proprietatea is the management and administration of the portfolio.

ARTICLE 6

Business object

- (1) Fondul Proprietatea has as main object of activity the management and administration of the portfolio.
- (2) The main domain of activity of Fondul Proprietatea is the one described by CAEN Code 643 – mutual funds and other similar financial entities, and the main activity is financial investments - CAEN Code 6430.
- (3) The business object of Fondul Proprietatea is the following:
 - a) management and administration of the portfolio;
 - b) other additional and adjacent activities, according to the regulations in force.

CHAPTER III

Share capital, shares

ARTICLE 7

Share capital

- (1) The share capital of Fondul Proprietatea is in amount of Lei 13,778,392,208, divided in 13,778,392,208 ordinary, nominative shares, having a face value of RON 1 each. The capacity as shareholder of Fondul Proprietatea is attested by a statement of account issued by the Central Depository.
- (2) The identification data of each shareholder, the contribution to the share capital of each shareholder, the number of shares to which a shareholder is entitled to and the participation quota out of the total share capital are included in the shareholders' register kept by a computerized system by the Central Depository.

ARTICLE 8

Share capital increase and decrease

- (1) The extraordinary general meeting of the shareholders shall decide, under the conditions of the law, on the share capital increase and decrease of Fondul Proprietatea, in accordance with the provisions of art. 12(3) letter c) and d) of this constitutive act.
- (2) The share capital may be increased, in accordance with the provisions of the law, by:
 - a) by issuing new shares in exchange for cash contributions;
 - b) incorporating reserves, except for the legal reserves and of the reserves created out of the re-evaluation of the patrimony, as well as of the benefits and issuing premiums.

- (3) The share capital increase stated for in paragraph 2 shall be registered at the Trade Register Office, on the basis of the decision made by the General Meeting of the Shareholders of Fondul Proprietatea,
- (4) Any share capital decrease shall be performed in accordance with the provisions of the law.
- (5) The share capital may be decreased by:
 - a) decreasing the number of shares;
 - b) decreasing the nominal value of shares; and
 - c) other means provided by the law.
- (6) In case the Fund Manager notices that, due to accrued losses, the amount of the net assets, established as the difference between the total assets and total liabilities of Fondul Proprietatea, is less than half of the value of the subscribed share capital, Fund Manager is bound to call the extraordinary general meeting of the shareholders, which will decide if Fondul Proprietatea requires to be dissolved. In case the extraordinary general meeting of the shareholders does not decide the dissolution of Fondul Proprietatea, then Fondul Proprietatea is bound to proceed, at the latest by the termination of the fiscal year subsequent to the one in which the losses were determined, to a share capital decrease with an amount at least equal to that of the losses which could not be covered by reserves, in case in this time the net assets of Fondul Proprietatea were not reconstituted up to a value at least equal to half of the share capital.
- (7) Share capital decrease shall be performed only after two months as of the publication in the Official Gazette of Romania, Part IV, of the resolution of the extraordinary general meeting of the shareholders.

ARTICLE 9

Shares

- (1) The shares of Fondul Proprietatea are nominative, of equal value, issued in dematerialized form, established by registration in the account, and grants equal rights to their holders under the conditions provided by art. 11.
- (2) The nominal value of a share is RON 1.
- (3) The shares are indivisible with respect to Fondul Proprietatea, acknowledging only one holder for each share. In case a share becomes the property of more persons, Fondul Proprietatea / the Central Depository is not bound to register the transfer as long as those persons will not appoint a sole representative to exercise the rights arising from the share.
- (4) The partial or total transfer of the shares amongst the shareholders or third parties is done according to the terms, conditions and procedure provided by law.
- (5) Fondul Proprietatea may buy back its own shares in accordance with the conditions laid down in legislation in force.
- (6) The right to dividends are held by the shareholders registered in the shareholders' register, according to the provisions of Law No. 297/2004, as further amended and completed, as well as the regulations issued for the implementation thereof.

ARTICLE 10

Bonds

Fondul Proprietatea is authorized to issue bonds in accordance with the provisions of the law. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

ARTICLE 11

Rights and obligations arising from shares

- (1) Each share fully paid by the shareholders, according to the law, grants them the right to vote in the general meeting of the shareholders, according to the provisions of paragraph (2), the right to elect and to be elected in the management bodies, the right to take part in the profit distribution, according to the provisions of this constitutive act and the legal dispositions, respectively other rights provided by the constitutive act.
- (2) The shares issued by Fondul Proprietatea grant the right to vote, each share grants one voting right.
- (3) Holding one share implies the rightful adhesion to this constitutive act.
- (4) The rights and obligations follow the shares in case ownership thereof passes to another person.

CHAPTER IV

General meeting of the shareholders

ARTICLE 12

General meetings of the shareholders

- (1) The general meeting of the shareholders may be ordinary and extraordinary.
- (2) The ordinary general meeting of the shareholders has the following competencies, duties and functions:
 - a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Fund Manager and financial auditor;
 - b) to establish the distribution of the net profit and to establish the dividends;
 - c) to appoint the members of the Board of Nominees ("BoN") and to cancel their appointment;
 - d) to appoint the Fund Manager, on the basis of the outcome of the selection made subsequent to a tender for appointing the Fund Manager, and to cancel its appointment;
 - e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;
 - f) to set the level of the remuneration of the members of the Board of Nominees, the Fund Manager and of the financial auditor for the ongoing fiscal year;
 - g) to rule over the management of the Fund Manager and to evaluate his/her performances and to discharge him/her from its management,
 - h) to decide on the action in a court of law against the Fund Manager or, as the case may be, against the financial audit, for damages caused to Fondul Proprietatea;
 - i) to approve the strategies and the development policies of Fondul Proprietatea;
 - j) to establish the annual income and expenditure budget for the following financial year²;

² Article 12, paragraph (2) letter j) was amended by EGM Decision no. 2/24.04.2013.

- k) to decide upon the pledge, lease or the creation of the movable securities or mortgages on the assets of Fondul Proprietatea;
 - l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.
- (3) The extraordinary general meeting of the shareholders is entitled to decide on the following:
- a) set-up or closing of some secondary units: branches, agencies, representative offices or other such units with no legal personality;
 - b) share capital increase;
 - c) share capital decrease or re-completion thereof by issuing new shares;
 - d) conversion of shares from one category to another;
 - e) conversion of a category of bonds to another category or to shares;
 - f) issue new bonds;
 - g) approves the admission for trading and nominates the regulated market on which the shares of Fondul Proprietatea will be traded;
 - h) execution of any agreement / legal documents which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the assets whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
 - i) change of the management system of Fondul Proprietatea;
 - j) limitation or cancellation of the preference right of the shareholders;
 - k) approves the Investment Policy Statement;
 - l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general meeting of the shareholders, according to applicable law or to this Constitutive Act.

ARTICLE 13

Summoning the general meeting of the shareholders

- (1) The general meeting of the shareholders is called by the Fund Manager whenever required. Prior to the convocation of the general meeting of the shareholders, the Fund Manager shall communicate to the Board of Nominees the intention to call the general meeting and shall introduce on the list of matters for the meeting all matters requested by the Board of Nominees.
- (2) The ordinary general meeting of the shareholders meets at least once a year, within 4 months from the end of the financial year.
- (3) The date of the meeting may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.
- (4) The general meeting of the shareholders, either ordinary or extraordinary, shall be called whenever required, according to the legal provisions in force and with the dispositions of the constitutive act, by publication of the calling notice in the Official Gazette of Romania, Part IV, and a national daily newspaper or in a local newspaper largely read in the locality where the HQ of the company resides at least 30 days prior to the proposed date of meeting.
- (5) One or more shareholders, individually or jointly, representing at least 5% of the share capital of Fondul Proprietatea, may request the Fund Manager by a written address signed by the holder(s) to introduce in the agenda new matters, within 15 days of the publication of the calling notice.

- (6) The calling notice, any other matter added to the agenda at the request of the shareholders or of the Board of Nominees, the annual financial statements, the annual report of the Fund Manager, the report of the Board of Nominees as well as the proposal to distribute dividends are made available to the shareholders, at the headquarters of Fondul Proprietatea at the date of convocation of the general meeting, and are also published on the internet page, for free access to information by the shareholders. Upon request, copies of these documents shall be issued to the shareholders.
- (7) The calling notice includes the place, hour and date of the general meeting of the shareholders, as well as the agenda, expressly mentioning all matters that will be subject to debate. Upon calling the general meeting of the shareholders the provisions of art. 147-158 of Regulation No. 15/2004 regarding the authorisation and functioning of investment management firms, collective investment undertaking and depositories, approved by Order of the president of the National Securities Commission No. 67/2004, as further amended, shall apply.
- (8) In case the agenda includes proposals to amend the constitutive act, the notice shall include the full text of the proposals. In case the agenda includes the appointment of the members of the Board of Nominees, the notice shall mention that the list including information regarding the name, the residence and professional training of the persons proposed for the position of member of the Board of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.
- (9) The notice for the first general meeting of the shareholders must set the day and hour of the second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting can not take place due to non-attendance of the required quorum.
- (10) The general meeting of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.
- (11) The Board of Nominees may request to the Fund Manager the calling of the general meeting, and if the Fund Manager does not observe the written request of the Board of Nominees within 5 working days from receiving it, the Board of Nominees may call upon the general meeting of the shareholders by following the same procedures as set out in this Article.
- (12) The chairperson of Board of Nominees may request to the Fund Manager the calling of the general meeting according to article 16 paragraph (4) second sentence.
- (13) The Fund Manager immediately call the general meeting of the shareholders, upon written request of the shareholders, individually or jointly, representing at least 5% of the share capital, in case the request includes dispositions that fall under the responsibility of the general meeting of shareholders.
- (14) In the case provided by paragraph (13), the general meeting of the shareholders shall be called within at most 30 calendar days and shall meet within at most 60 calendar days as of the date when the Fund Manager received the request of the shareholders.
- (15) In the situation provided by paragraphs (13) and (14), in case the Fund Manager does not call the general meeting of shareholders, the shareholders who requested the calling of the general meeting may request the same to the Board of Nominees. Should the Board of Nominees is also not responding to their request in 10 working days from the receipt of the request, the court of law from the headquarters of Fondul Proprietatea, by summoning the Fund Manager, may authorize the calling of the general meeting by the shareholders which formulated the request

ARTICLE 14**Organization of the general meeting of the shareholders****I. Quorum and voting rights**

- (1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is required that the shareholders representing at least a fourth of the total shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with the majority of votes³.
- (2) In case the ordinary general meeting of the shareholders cannot operate due to lack of quorum under paragraph (1), the meeting that will meet upon a second convocation may deliberate on the items included in the agenda of the first meeting, irrespective of the met quorum, taking decision by majority of the expressed votes.
- (3) For the validity of the deliberations of the extraordinary general meeting of the shareholders the following are required:
 - a) upon the first convocation, the attendance of the shareholders representing at least a fourth of the shares having voting rights, and the decisions are taken with majority of votes held by the shareholders attending or being represented;
 - b) upon the second convocation, the general meeting of the shareholders may deliberate on the items included in the agenda of the first meeting in the presence of the shareholders representing at least one fifth of the total number of the shares having voting rights, taking decisions by majority of votes held by the shareholders attending or being represented.
- (4) The attendance of shareholders representing at least 50% of the total number of the voting rights, both at the first and the second convocation, is required for the validity of deliberations of the extraordinary general meeting of the shareholders to adopt a decision regarding:
 - (i) a share capital increase,
 - (ii) a share capital decrease except a share capital decrease as a result of a buy-back programme followed by the cancellation of the shares acquired or of the exemption of the shareholders that have not paid for the unpaid shares, or
 - (iii) the anticipated dissolution of Fondul Proprietatea, made under the conditions of the law.
- (5) For the validity of the deliberation of the extraordinary general meeting of shareholders regarding a share capital decrease as a result of the buy-back programme followed by the cancellation of the shares acquired or of the exemption of the shareholders that have not paid for the unpaid shares, the attendance of the shareholders representing:
 - (i) at least a fourth of the shares having voting rights upon the first convocation, and
 - (ii) at least one fifth of the total number of the shares having voting rights, upon the second convocation is required.
- (6) The decision to amend the main business object of Fondul Proprietatea, to decrease or increase the share capital, to change the legal form, to merge, de-merge or dissolve, is taken with a majority of at least two thirds of the voting rights related to the shares having voting rights of the shareholders attending or being represented.

³ Article 14, paragraph (1) was amended by EGM Decision no. 12/24.04.2013.

II. Procedure of the meetings

- (7) On the day and hour established in the convocation, the general meeting of the shareholders shall be opened by the permanent representative of the Fund Manager or, in its absence, by the one holding its place. A legal representative of the Fund Manager or a person appointed by the legal representative of the Fund Manager shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.
- (8) The general meeting shall elect, from amongst the attending shareholders, 1 up to 3 secretaries, who will check the attendance list of the shareholders, indicating the share capital represented by each of them, the minutes drawn up by the technical secretary to determine the number of the submitted shares and the fulfillment of the formalities requested by law and by the constitutive act for holding the general meeting of the shareholders.
- (9) A minute of the meeting, signed by the president and by Secretaries, shall determine the fulfillment of the calling formalities, the date and place of the general meeting of the shareholders, attending shareholders, the members of the Board of Nominees present, the number of shares, a summary of the debates, the decisions taken, and upon request of the shareholders, the statements made thereby in the meeting.
- (10) The documents referring to the convocation, the list of attending as well as, as the case may be, the powers of attorney of the representatives of the shareholders shall be attached to each minutes.
- (11) The permanent representative of the Fund Manager may appoint, from amongst the employees of Fund Manager, one or more technical secretaries, to fulfill their duties according to the legal provisions.
- (12) The decisions of the general meetings of the shareholders are drawn-up based on the minutes and is signed by the permanent representative of the Fund Manager or by a person appointed thereby. The minutes shall be recorded in the general meetings of the shareholders' register.
- (13) Considering the extremely large number of shareholders of Fondul Proprietatea the shareholders may participate in person, by proxy with a special power of attorney or may express their voting right by correspondence or by electronic voting; the procedures and forms for the proxy, correspondence and electronic voting shall be set by the Fund Manager, in accordance with the applicable legislation and are made available to the shareholders at least by the date of publishing of convening notice for general meeting of shareholders.
- (14) Considering the introduction of the voting right by correspondence, which right may be exercised and it is recommended to be exercised by any of the shareholders, the statutory quorum that needs to be met for the valid holding of any type of general meeting of the shareholders is calculated by including the votes deemed validly sent by correspondence.
- (15) Also in the case of the vote by correspondence, each shareholder is entitled to pronounce himself in writing, with respect to the issues included in the agenda, casting a vote "for", "against" or "abstained". The expressed votes that are not cancelled are considered.
- (16) All shareholders who, at the reference date, are registered in the shareholders' register, kept according to the law, have the right to participate to the general meetings of the shareholders.
- (17) In order to ensure the effective and real possibility of all shareholders to be informed on the contents of the documents and the proposals of the ones requiring the organization of the general meeting of the shareholders, by care of the Fund Manager, such will be available, at the headquarters of Fondul Proprietatea, as well as on the internet page of Fondul Proprietatea, at least 30 days prior to the date provided for holding the meeting.

In the case the calling of the general meeting is made by the Board of Nominees, the Fund Manager has the obligation to fulfill all the above-mentioned formalities at the request of the Board of Nominees. In case the communication with the shareholder is not realized in this way, for objective reasons, the Board of Nominees may announce in the calling notice a different address than the registered address of Fondul Proprietatea, where the above-mentioned documents will be made public on the website of Fondul Proprietatea, in accordance with the applicable legislation.

- (18) In the ads informing on the convocation of the general meeting of shareholders of Fondul Proprietatea it will be indicated, by the Fund Manager the reference date in relation to which the shareholders will be entitled to participate and vote. Also, the date by when the shareholders may send their votes, as well as the procedure for voting by correspondence, regarding any of the issues subject to approval shall also be set. If the calling of the general meeting is made at the request of the Board of Nominees the above mentioned duties shall be fulfilled by the Board of Nominees. The deadline by when votes by correspondence may be registered at least 5 working days subsequent to the date of publication of the informative material and is prior to the convocation date of the general meeting of the shareholder by at least 48 hours.
- (19) The votes of the shareholders will be sent electronically or by letter at the headquarters of Fondul Proprietatea, in a clear and precise form, containing the mention "for", "against" or "abstained" to each issue subject to approval.
- (20) The votes transmitted electronically shall be cancelled if they do not observe the procedure set by the Fund Manager drawn up according to the National Securities Commission regulations and such votes will not be taken into consideration in calculating the attending quorum.

III. Exercising the voting right in the general meeting of the shareholders

- (21) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.
- (22) The decisions of the general meetings of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.
- (23) Only the shareholders registered in the company shareholders' register at the reference date established by the Fund Manager or the Board of Nominees, as the case may be, when calling the general meeting of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.
- (24) Secret vote is compulsory for electing and revoking the Fund Manager, the members of the Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.
- (25) The procedures referring to the secret vote, where applicable will be approved by the Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.
- (26) The decisions of the general meeting of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.
- (27) The shareholders who do not have capacity to act, as well as the legal entities may be represented by their legal representatives who, in their turn, may grant power of attorney to other persons for that particular general meeting of the shareholders.

CHAPTER V

The Board of Nominees

ARTICLE 15

Organisation

- (1) The ordinary general meeting of the shareholders shall appoint the Board of Nominees, formed of 5 members, and shall establish their remuneration.
- (2) Any shareholder will have the right to make proposals on the members of the Board of Nominees. The members of the Board of Nominees may be shareholders of Fondul Proprietatea or other persons designated by the shareholders and they must have the proper experience and knowledge in order to be able to receive the Fund Manager reports and of the consultants and, based on the information received, judge the merits of the management of Fondul Proprietatea within the limits of the objectives and principles set by the investment policy as well as by the applicable laws and regulations. Also, the members of the Board of Nominees have to be qualified properly in order to decide (if there is need with the support of an independent consultant) if the transactions proposed by the Fund Manager needing the approval of the Board of Nominees are made to the advantage of the shareholders.
- (3) The mandate of the members of the Board of Nominees is of 3 years, period to be extended by right, by the first meeting of the General Meeting of the Shareholders.
- (4) The Board of Nominees elects from amongst its members a chairman of the Board.

ARTICLE 16

Functioning

- (1) The meetings of the Board of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Board of Nominees is made by the chairman, any of its members or upon the request of the Fund Manager. The Board of Nominees shall meet in at most 7 days as of the calling.
- (2) The Chairperson of the Board of Nominees or, during his absence, a member of the Board of Nominees appointed through vote by the other members to chair the meeting, ensures the proper development of the meetings. The meetings of the Board of Nominees shall be held at the headquarters of Fondul Proprietatea or at such other location as may be agreed among the members of the Board of Nominees⁴.
- (3) The Board of Nominees takes valid decisions provided the absolute majority of its members. The members of the Board of Nominees may be represented to the meetings of the Board of Nominees only by other members of the Board of Nominees on the basis of a special written empowerment, presented in its original form at the beginning of the meeting. One member of the Board of Nominees may represent only one absent member. The decisions of the Board of Nominees shall be taken with the absolute majority of the votes of its members and are signed by all the members which participated to the meeting. If some of the members of the Board of Nominees have been represented, the empowerment will be annexed to the minute of the meeting.
- (4) If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision, the chairperson of the Board of Nominees shall give notice for a second meeting of Board of Nominees, having the same agenda as the first, in order to discuss this agenda.

⁴ Article 16, paragraph (2) was amended by EGM Decision no. 5/24.04.2013.

If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision for three consecutive times, the chairperson of the Board of Nominees shall ask Fund Manager to convoke the general meeting of the shareholders in order to properly decide on the respective decisions; in case that Fund Manager does not convoke it, any of the members of the Board of nominees will be in his right to convoke the general meeting.

- (5) In case of vacancy of the seat of one or more members of the Board of Nominees, the general meeting of the shareholders shall immediately convoke for the appointment of new members. For the period in time by the decision of the general meeting, the other members of the Board of Nominees will nominate members ad interim to fulfil the vacant positions. The decision of the Board of Nominees on nominating members ad interim will be communicated to FM, the auditor and will be filed with the Trade Register.

ARTICLE 17

Attributions of the Board of Nominees

The Board of Nominees has the followings duties and functions:

- (1) Following the information received from the Fund Manager with regard to the summoning of the ordinary and/or extraordinary general meeting of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general meeting of shareholders;
- (2) Receives from the Fund Manager the information in connection with the answers to the written requests submitted before the date of the general meeting of the shareholders, by the shareholders on topics regarding Fondul Proprietatea's activity;
- (3) Receives from the Fund Manager the annual financial statements, the annual activity report presented by the Fund Manager and the financial auditors' report, before being made available to the shareholders and analyzes them, being able to formulate an opinion to be presented to both the Fund Manager and the general meeting;
- (4) Receives from the Fund Manager for analysis the annual report on the management and the business policy of Fondul Proprietatea and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (5) Receives from the Fund Manager for analysis the yearly income and expenditure budget and business plan before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (6) Receives from the Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (7) Receives from the Fund Manager for analysis and approves the framework for carrying out Fondul Proprietatea's operations, as well as any other Fondul Proprietatea's regulations issued by Fund manager according to legal provisions in force, capital market rules and regulations;
- (8) Receives from the Fund Manager for analysis the proposal to the ordinary general meeting of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the general meeting of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary meeting;

- (10) Receives the report of the internal auditor and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (11) Monitors the following, based on information and reports received from the Fund Manager:
- the list of all portfolio investments and percentage breakdown by each investment type;
 - a list of major transaction occurring in the Fondul Proprietatea portfolio for the period under review;
 - the total profit of the portfolio and comparison of profit with the appropriate benchmark;
 - comparison of return on the portfolio with the portfolio objective;
 - the extent of compliance with the investment policy statement, any variations and actions taken to correct variations;
 - the performance evaluation report.
- all the above with the purpose of drafting and presenting a report regarding the developed monitoring activity any time is required by the shareholders, but in any case at least once a year, to the general meeting of the shareholders;
- (12) Represents the general meeting of the shareholders in relation with the Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by this constitutive act as a direct communication between the general meeting and the Fund Manager;
- (13) Verifies the report of the Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Fund Manager, and verifies if the operations carried on by the Fund Manager are in compliance with the applicable law, the constitutive act and/or with any relevant decision of the general meeting of the shareholders;
- (14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general meeting of the shareholders;
- (15) Participates to the meetings of the general shareholders' meetings and presents in this meeting reports in all cases provided by this constitutive act or with regard to any issue it deems to be relevant for the shareholders;
- (16) Proposes to the general meeting of the shareholders the approval or rejection of any contract/document which may create binding obligations to Fondul Proprietatea (including without limitation buying, selling, exchanging, pledging of assets of Fondul Proprietatea) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables
- (17) Recommends to the General Meeting of the Shareholders the termination of the management contract for the case when the Board of Nominees is considered is to the benefit of the shareholders.
- (18) Recommends to the general meeting of the shareholders on any other issues the Board of Nominees is considered relevant to the shareholders.
- (19) Following of proposal of Fund Manager, recommends to the Extraordinary General Meeting of the Shareholders the appointment of the public offer intermediate, as well as on his remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.
- (20) Approves the delegation by the Fund Manager of certain activities. The delegation will be in force after the approval of NSC, where required by legislation in force.

- (21) Is responsible for monitoring the Fund Manager performance of the Investment Management Agreement.

ARTICLE 18

The obligations of the members of the Board of Nominees

- (1) The members of the Board of Nominees have diligence and loyalty duties towards the shareholders of Fondul Proprietatea.
- (2) The members of the Board of Nominees are held liable towards the general meeting of the shareholders of Fondul Proprietatea, in accordance with the mandate rules. The decisions of the members of the Board of Nominees will be taken after due enquiries into the relevant circumstances existing at the specific moment at which such decisions have been taken.
- (3) The members of the Board of Nominees cannot disclose the confidential information and the commercial secrets of Fondul Proprietatea, to which those persons have access. Such obligation remains in force as well as after the termination of the mandate.
- (4) If a member of the Board of Nominees has, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, in a certain operation, that member must give notice of such situation to the other members and to the internal auditors and not take part in any deliberation regarding that operation.
- (5) The same obligation must be observed by the member of the Board of Nominees, who acknowledges that in a certain operation, his/her wife or husband, relative or related persons by the 4th grade inclusive are interested.
- (6) The prohibitions stipulated in paragraphs (4) and (5) regarding the participation, deliberation and voting of the members of the Board of Nominees, are not applicable if the vote refers to:
 - a) the offer of shares or obligations of Fondul Proprietatea for subscription, to a member of the Board of Nominees or to the persons mentioned in paragraph (5);
 - b) the granting by a member of the Board of Nominees or by the persons mentioned in paragraph (5) of a loan or establishing a guarantee in favour of Fondul Proprietatea.
- (7) The member of the Board of Nominees not observing the provisions of paragraphs (4) and (5) is held liable for the damages caused to Fondul Proprietatea.
- (8) It is forbidden the crediting by the Fondul Proprietatea of the members of the Board of Nominees, through operations such as:
 - a) granting loans;
 - b) granting financial facilities for or after the conclusion by Fondul Proprietatea with the members of delivery operations of goods, providing of services or performance of works;
 - c) direct or indirect guarantee, in whole or in part, of any loans granted to the member of the Board of Nominees, concomitant or after granting the loan;
 - d) direct or indirect guarantee, in whole or in part, of performance by the members of any other personal obligation of those towards third parties;
 - e) direct or indirect guarantee, in whole or in part, of any receivables having as object a loan granted by a third party to the members of the Board of Nominees or other personal service of those members.

- (9) The provisions of paragraph (8) are applicable and the operations in which the husband or wife, relatives or related persons by the 4th grade inclusive of the members of the Board of Nominees are interested; also, if the operation concerning a civil or a commercial company at which one of the persons above mentioned is director or holds, solely or together with one of the persons above mentioned, a quota of at least 20% of the value of the subscribed share capital.
- (10) The provisions of paragraph (8) are not applicable for the case when the operation is concluded by Fondul Proprietatea during its current business, and the clauses of the operations are not more favourable to the persons specified in paragraphs (8) and (9) than the ones usually practiced by Fondul Proprietatea towards third parties
- (11) The Board of Nominees shall promptly decide on all requests for approval from the Fund manager within a reasonable time frame to allow the Fund Manager to comply with it's own obligations.

CHAPTER VI

Provisions regarding the company's management

ARTICLE 19

Organisation

- (1) Fondul Proprietatea is managed by Franklin Templeton Investment Management Limited through its Romanian branch, with headquarter in Bucharest, 78-80 Buzesti street, floors 7-8, sector 1, fiscal registration no. 25851096, registration number at Trade Registry J40/8587/2009, legally represented by Grzegorz Maciej Konieczny, Polish citizen, [REDACTED]
[REDACTED]
[REDACTED] and by Adrian Cighi, Romanian citizen, with home address on Bucuresti [REDACTED]
[REDACTED]
[REDACTED] and by Oana - Valentina Truța, Romanian citizen, domiciled in Cluj-Napoca, [REDACTED]
[REDACTED]
[REDACTED], under Investment Management Agreement signed on 25 February 2010, which holds the position of sole director, as well as of asset management company referred to throughout this document as the Fund Manager.
- (2) The Fund Manager is elected by the general meeting of the shareholders, with the observance of the legal provisions and of this constitutive act.
- (3) The mandate of the Fund Manager is of 4 years and is renewed automatically, if there is no adverse decision of the general meeting of the shareholders, entitled to decide on the termination of the mandate even before its regular lifespan. The Fund Manager will call the Ordinary General Meeting of Shareholders with at least 3 months before of the termination of Investment Management Agreement having on the agenda the extension of the mandate or the appointing of a new Fund Manager. The Fund Manager will organize the Ordinary General Meeting of Shareholders before the termination of Investment Management Agreement.
- (4) The legal entity appointed as Fund Manager of Fondul Proprietatea must expressly accept such position, by executing the management agreement and must have in place professional liability insurance.
- (5) The Investment Management Agreement can be modified or replaced in accordance with article 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the Investment Management Agreement will be signed on behalf of Fondul Proprietatea by the chairman of the Board of Nominees or by a member of the Board of Nominees empowered by the chairman.

ARTICLE 20

Functioning

The Fund Manager shall appoint a natural person as its permanent representative. The Fund Manager can make changes of its permanent representatives (that are the legal representatives and managers of the Fund Manager), with the prior authorisation of NSC. All changes will be registered at Trade Register.

ARTICLE 21

Attributions of the Fund Manager

- (1) The management of Fondul Proprietatea is ensured by the Fund Manager, which fulfils the necessary and useful operations for the fulfilment of the company's business object, except of the operations reserved by the law for the general meeting of the shareholders and has all the obligations attributed to it by the applicable law.
- (2) The Fund Manager exercises its attributions under the control of the general meeting of the shareholders and the monitoring of the Board of Nominees.
- (3) In excess of the duties provided by the applicable law, the Fund Manager shall be liable to:
 - i) establish a reference date for shareholders entitled to vote within the general meeting, under the law, and draft the text of the announcement on the convocation of the general meeting, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;
 - ii) upon the written request of any shareholder submitted before the date of the general meeting of the shareholders, to give responses after obtaining the prior approval of the Board of Nominees, regarding the aspects concerning the business of Fondul Proprietatea;
 - iii) ensure that, if requested by any of the shareholders, a copy of or extract of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general meeting of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors,
 - iv) prepare the annual financial statements, draft the annual activity report, examine the financial auditors' report, present them to the Board of Nominees before submitting such documents to the general meeting of the shareholders and make proposals on the distribution of the profit to the general meeting of the shareholders, after obtaining the prior approval of the Board of Nominees;
 - v) manages the relationship with the Central Depository with regard to its shareholders register functions,
 - vi) prepare an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general meeting of the shareholders;
 - vii) proposes for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders, of the yearly income and expenditure budget and business plan;
 - viii) propose for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea; it is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio; it has to inform periodically the Board of Nominees on any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio

- ix) approve the outsourcing of certain activities, within the limits of the approved budget; respectively delegating the execution of certain activities,, with the prior endorsement of the NSC, where required by applicable legislation,
- x) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of the shareholders any agreement / document which may create binding obligations to Fondul Proprietatea,, including but not limited to the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- xi) to enter into any agreement / document which may create binding obligations to Fondul Proprietatea, (the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea) whose value does not exceed, either individually or cumulated, during a financial year, 20% of the non-current assets, less any receivables, without the approval of the ordinary or extraordinary general shareholders meeting;
- xii) propose to the ordinary general meeting of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approve the procedure of internal audit and the audit plan;
- xiii) decide the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- xiv) make available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);
- xv) inform at once the Board of Nominees of any litigation or infringement of legislation regarding Fund Manager, any operation which might be an infringement to the investment policy and about the plans/ correction measures for approaching these matters.
- xvi) ask for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Fund Manager, which cannot be resolved amiably.
- xvii) proposes to Board of Nominees the recommendation for the Extraordinary General Meeting of the Shareholders for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration , when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

ARTICLE 22

The obligations of the Fund Manager

- (1) The Fund Manager has a diligence and loyalty duty towards Fondul Proprietatea. Such duty is exercised taking into consideration the interest of the shareholders generally, and not of some of them.
- (2) The Fund Manager is held liable towards Fondul Proprietatea, according to the law. The decisions of the Fund Manager are taken after due enquiries regarding the relevant circumstances existing at the moment of which those decisions are taken.
- (3) The Fund Manager cannot disclose confidential information or commercial secrets of Fondul Proprietatea, to which it has access. Such obligation remains also after the termination of the mandate.
- (4) If the Fund Manager, respectively its permanent representative and its employees, have in a certain operation, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, the Fund Manager must give notice to the internal auditors and Board of Nominees of this issue and not take part in any deliberation concerning the specific situation.

- (5) The same obligation must be observed by the Fund Manager, respectively by its permanent representative and its employees if, in a certain operation, is being aware that an Affiliate of the Fund Manager or the wife or husband, relatives or related persons by the 4th grade inclusive of the representative and its employees, are interested.

ARTICLE 23

Representation of Fondul Proprietatea

- (1) In relations with third parties, Fondul Proprietatea is represented by the Fund Manager, respectively by its permanent representative.
- (2) The Fund Manager may delegate the representative powers, in accordance with the applicable law and CNVM regulations.

CHAPTER VII

The audit of Fondul Proprietatea

ARTICLE 24

The internal auditors and the financial audit

- (1) The financial statements of Fondul Proprietatea are subject to financial audit. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.
- (2) An internal audit department shall be organised within Fondul Proprietatea, having attributions of objective examinations of the company's aggregate business, for the purpose of providing an independent evaluation of the risk management, control and leading development of the company. Fund Manager can decide that internal audit work can be outsourced, in which case it will run on a contractual basis, according to article 3 of Decision of Romanian Chamber of Auditors no. 88/2007, with subsequent amendments.
- (3) The internal audit is independent of the management of Fondul Proprietatea, and the internal auditors shall objectively exercise this activity.
- (4) The internal audit shall evaluate and shall propose the improvement of the risk management, the control and internal rules within Fondul Proprietatea.
- (5) The internal auditors shall not be subject of any interference in determining the purpose of the internal audit and in exercising their activity.
- (6) The internal auditors shall have an impartial, correct attitude and shall avoid the conflicts of interest.
- (7) The internal audit shall transmit the plans of the internal audit activity and the necessary resources, inclusive the significant interim changes, to the Board of Nominees for information, as well as to Fund Manager for approval within the limits of its competencies.
- (8) The internal audit shall establish the policies and procedures for exercising the internal audit activity within Fondul Proprietatea, comprising amongst others, the analysis of the decisions taken by the company's management and the control of their compliance with the statutory requirements and/or with other documents approved by the general meeting of the shareholders.
- (9) The internal audit shall coordinate its activity with the financial auditor, in order to ensure the proper fulfilment of the audit objectives and to minimize any duplication of attributions.

- (10) The internal audit shall give quarterly reports to the Board of Nominees of Fondul Proprietatea and Fund Manager regarding the purpose of the internal audit activity, authority, responsibility and performance according to its plan. The reports shall include also the significant risks and aspects of the control and management, as well as other necessary problems or as requested by the Board of Nominees and the Fund Manager.
- (11) The internal audit shall verify if the management of Fondul Proprietatea has taken appropriate measures concerning the reported significant risks or if the Fund Manager has accepted the risk of not taking any measure and shall inform the Board of Nominees and the general meeting of the shareholders if the Fund Manager has accepted the reported significant risks.
- (12) The internal audit shall establish the procedures for monitoring the implementation of the measures taken by the management of Fondul Proprietatea.
- (13) The internal auditors shall notify the Board of Nominees and the Fund Managers with respect to any flaws in the management or breaches of the legal provisions or of the constitutive act, where such are identified by the internal auditors; the significant cases shall be notified to the general meeting of the shareholders.
- (14) The internal auditors shall take into consideration the complaints of the shareholders when drafting the reports addressed to the general meeting of the shareholders.
- (15) The attributions, duties and the functioning way of the internal auditors, as well as their rights and obligations are completed with the legal provisions in this area.

CHAPTER VIII

Business of Fondul Proprietatea

ARTICLE 25

Financing its own business

For the fulfilment of the business object and in accordance with the attributions established, Fondul Proprietatea uses the financial sources established pursuant to the law, banking credits and other financial sources. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

ARTICLE 26

Financial year

The financial year begins on 1st of January and terminates on 31st December of each year.

ARTICLE 27

Accounting evidence and annual financial statements

- (1) The accounting is kept in Romanian language and in national currency.
- (2) Fondul Proprietatea must draft the annual financial statements according to legal provisions in force.

ARTICLE 28

Calculation and distribution of the profit

- (1) The result of the financial year is determined at the end of the year and represents the final balance of the profit and loss account.

- (2) The profit of Fondul Proprietatea after the payment of the profit tax shall be distributed according to the decision of the general meeting of the shareholders and to the legal provisions in force.
- (3) Fondul Proprietatea creates legal reserves and other reserves, pursuant to the law.
- (4) The payment of dividends owed to the shareholders is made by Fondul Proprietatea, according to the law.
- (5) The dividends are distributed between the shareholders proportional with the number of held shares.
- (6) In case of loss of the net asset, the general meeting of the shareholders shall analyse the causes and decide properly, according to the law.

ARTICLE 29

Registries

Fondul Proprietatea shall maintain, by care of the Fund Manager and internal auditors, all registries provided by the law. The shareholders registry is kept by the Central Depository.

CHAPTER IX

Association, change of the legal form, dissolution and liquidation, litigation

ARTICLE 30

Association

- (1) Fondul Proprietatea may set-up, solely or together with other Romanian or foreign natural persons or legal entities, other companies or legal entities, according to the law and to this constitutive act.
- (2) The conditions for the participation of Fondul Proprietatea at the setting-up of new legal entities shall be regulated by the constitutive acts, which to be approved by the general meeting of the shareholders.

ARTICLE 31

Dissolution

- (1) The dissolution of Fondul Proprietatea shall take place in the following cases:
 - a) impossibility of performing the company's business object;
 - b) declaring the company's nullity;
 - c) by decision of the extraordinary general meeting of the shareholders, in accordance with article 14 paragraphs (4) and (5);
 - d) as consequence of losses, if the net asset value, determined as difference between the total asset and company's debts, represents less than half of the value of the subscribed share capital and if, not later than the termination of the financial year subsequent to the one during which the losses have been ascertained, the general meeting of the shareholders fails to decrease the share capital with an amount at least equal with the one of losses which could not be covered from reserves or to reconstitute the company's net asset up to the value at least equal with half of the subscribed share capital.
 - e) opening of the bankruptcy procedure;
 - f) the number of shareholders reduces under the legal minimum;

- g) other causes provided by the law or by this constitutive act.
- (2) The dissolution of Fondul Proprietatea cannot take place before the finalisation of the procedures for granting indemnities to the rightful persons.
- (3) The dissolution decision of Fondul Proprietatea must be registered with the commercial registry and published in the Official Gazette of Romania, Part IV.

ARTICLE 32

Liquidation

- (1) The dissolution of Fondul Proprietatea has as consequence the opening of the liquidation procedure.
- (2) The liquidation of Fondul Proprietatea and distribution of the patrimony are made in accordance with the law.

ARTICLE 33

Calculation method of the net asset

The calculation method of the net asset is made according to the legal provisions in force.

ARTICLE 34

Prudential rules concerning the investment policy

- (1) The investment policy is established by the Fund Manager, with the observance of the investment limitation provided by the legal provisions in force and of this Constitutive Act.
- (2) Fondul Proprietatea shall be subject to the investment restrictions provided under Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed as well as any other applicable law or regulation.
- (3) Subject to the terms of this Constitutive Act, of the IMA and the applicable law, all decisions in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of Fondul Proprietatea shall be at the sole discretion of the Fund Manager.
- (4) Prudential rules concerning the investment policy will be by approved by the shareholders through Investment Policy Statement.

ARTICLE 35

Conditions for the replacement of the depository

- (1) Fondul Proprietatea shall conclude a deposit agreement with a depository legal entity authorised and supervised by the National Securities Commission, which performs the deposit operations of securities, as well as any operations in connection with those. The activities to be developed by the depository and the conditions for its replacement shall be provided in the deposit agreement.
- (2) The deposit agreement shall include mandatorily clauses related to the replacement of the depository and rules for ensuring shareholders' protection in such situations.

ARTICLE 36

Identity, requirements regarding the qualification, professional experience and integrity of the management members

- (1) The Fund Manager, respectively its permanent representative shall cumulatively fulfil with the minimum requirements regarding the integrity, qualification and professional experience provided in the legislation and in other specific provisions; the identity of the Fund Manager is the one registered with the National Office of Trade Registry, based on the decision of the general meeting of the shareholders regarding its election.
- (2) Fund Manager means the investment management company, legal person established as a limited company which operates or will be established and operated on the authorization issued by the NSC, including investment management company, foreign entity, authorized by the competent authority of State of origin and which will establish a branch in Romania, the permit issued by the NSC, and NSC entered in the register this branch.

ARTICLE 37

Litigations

The litigations of any type shall be amiably resolved and if this is not possible, they shall be solved by the competent arbitral or judicial courts.

CHAPTER X

Final provisions

ARTICLE 38

Final provisions

The provisions of this constitutive act are completed by the provisions of Company Law No. 31/1990, republished, as further amended and completed, and other applicable legal provisions in force as well as by the provisions of the capital market legislation governing the issuers whose shares are admitted on trading.

Annex 5.2. Decision no. 2 / 25 April 2013 of the Extraordinary General Shareholders' Meeting of S.C. FONDUL PROPRIETATEA S.A.

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

Today, 25 April 2013, 10:00AM, the shareholders of S.C. Fondul Proprietatea S.A. ("the Fund") have met during the Shareholders' Extraordinary General Meeting ("EGM") of the Fund, at its first summoning, at Hotel JW Marriott – Constanta Ballroom located at 13 Septembrie Street no. 90, 5th District, Bucharest, the EGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, having its headquarters in Bucharest, 78-80 Buzesti Street, 7th and 8th floors, 1st District, Bucharest, registered with the Trade Register under no. J40/8587/2009, sole identification code 25851096 ("the Sole Administrator") and with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001.

Whereas:

- The notice of the EGM was published in the Official Gazette Part IV, number 1409 of 15 March 2013, in "România Liberă" newspaper on 15 March 2013, as well as on the Fund's website – www.fondulproprietatea.ro on 15 March 2013, and the supplemented notice published in the Official Gazette Part IV number 1775 on 3 April 2013, in "România Liberă" newspaper on 3 April 2013 and on the website of S.C. Fondul Proprietatea S.A. – www.fondulproprietatea.ro on 3 April 2013;
- The provisions of in force Articles of Association of the Fund ("Articles of Association"),
- The applicable legislation,

At the beginning of the meeting, the Chairman notes there are 151 shareholders present or represented, holding a number of 5,201,111,990 shares, representing 38.78% of the paid-up share capital, holding a number of 5,043,782,001 voting rights, representing 38.29% of the total voting rights. The quorum condition is fulfilled in accordance with Article 14 (3) letter (a) first paragraph of the Articles of Association and Article 115 (1) first paragraph of Companies' Law no. 31/1990 ("Law no. 31/1990"). Thus, the Chairman acknowledges that the EGM is statutory and legally established and it can adopt valid decisions regarding the items on its agenda.

In accordance with Article 129 of Law no. 31/1990, the Fund's shareholders appoint Mr. Daniel Gavrilă as EGM secretary and the Sole Administrator appoints Mrs. Loredana Văduva as EGM technical secretary.

Following the debates, the Fund's shareholders decide as follows:

I. The approval of the EGM agenda.

This item is adopted with 5,023,205,433 votes representing 95.40447% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 5,023,205,433 votes "for",
- 6,808,695 votes "against",
- 0 votes "abstain", and
- 77,823,507 votes were not casted.

157,329,989 votes were annulled.

II. The amendment of the Articles of Association, as follows:

Paragraph (2) point j) of Article 12 is modified and will have the following content:

“j) to establish the annual income and expenditure budget for the following financial year;”

The amendment of the Articles of Association shall enter into force from the day the decision is published in the Official Gazette Part IV, with the condition for CNVM to approve the amendments approved by the shareholders.

This item is adopted with 4,914,677,046 votes representing 93.74535% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,914,677,046 votes “for”,
- 15,083,902 votes “against”,
- 0 votes “abstain” and
- 155,491,486 votes were not casted.

157,329,989 votes were annulled.

III. The empowerment, with the authority to delegate, of Mrs. Oana-Valentina Truța, Romanian citizen, domiciled in Romania, identified with ID series KX, no. 361489, issued by Cluj-Napoca Town on 08.06.2004 and valid until 20.08.2014, Personal Identification Number 2800820260032, to sign on behalf of the shareholders the resolutions issued during the general meeting of 25 April 2013, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing these shareholders’ resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item is adopted with 4,947,978,151 votes representing 94.41120% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,947,978,151 votes “for”,
- 2,158,485 votes “against”,
- 6,795,527 votes “abstain” and
- 126,618,602 votes were not casted.

157,329,989 votes were annulled.

IV. The approval of 15 May 2013 as the registration date, in accordance with the provisions of Article 238, paragraph (1) of Law no. 297/2004.

This item is adopted with 4,965,534,300 votes representing 94.74618% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,965,534,300 votes “for”,
- 9,100,113 votes “against”,
- 2,907,202 votes “abstain” and
- 106,009,150 votes were not casted.

157,329,989 votes were annulled.

This decision is drafted and signed on behalf of the shareholders in 3 (three) original counterparts by:

Oana – Valentina Truța
Empowered through the Shareholders' Extraordinary General Meeting

Daniel Gavrilă
Meeting secretary

Loredana Văduva
Technical secretary

Annex 5.3. Decision no. 12 / 25 April 2013 of the Extraordinary General Shareholders' Meeting of S.C. FONDUL PROPRIETATEA S.A.

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

Today, 25 April 2013, 10:00AM, the shareholders of S.C. Fondul Proprietatea S.A. ("the Fund") have met during the Shareholders' Extraordinary General Meeting ("EGM") of the Fund, at its first summoning, at Hotel JW Marriott – Constanta Ballroom located at 13 Septembrie Street no. 90, 5th District, Bucharest, the EGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, having its headquarters in Bucharest, 78-80 Buzesti Street, 7th and 8th floors, 1st District, Bucharest, registered with the Trade Register under no. J40/8587/2009, sole identification code 25851096 ("the Sole Administrator") and with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001.

Whereas:

- The notice of the EGM was published in the Official Gazette Part IV, number 1409 of 15 March 2013, in "România Liberă" newspaper on 15 March 2013, as well as on the Fund's website – www.fondulproprietatea.ro on 15 March 2013, and the supplemented notice published in the Official Gazette Part IV number 1775 on 3 April 2013, in "România Liberă" newspaper on 3 April 2013 and on the website of S.C. Fondul Proprietatea S.A. – www.fondulproprietatea.ro on 3 April 2013;
- The provisions of in force Articles of Association of the Fund ("Articles of Association"),
- The applicable legislation,

At the beginning of the meeting, the Chairman notes there are 151 shareholders present or represented, holding a number of 5,201,111,990 shares, representing 38.78% of the paid-up share capital, holding a number of 5,043,782,001 voting rights, representing 38.29% of the total voting rights. The quorum condition is fulfilled in accordance with Article 14 (3) letter (a) first paragraph of the Articles of Association and Article 115 (1) first paragraph of Companies' Law no. 31/1990 ("Law no. 31/1990"). Thus, the Chairman acknowledges that the EGM is statutory and legally established and it can adopt valid decisions regarding the items on its agenda.

In accordance with Article 129 of Law no. 31/1990, the Fund's shareholders appoint Mr. Daniel Gavrilă as EGM secretary and the Sole Administrator appoints Mrs. Loredana Văduva as EGM technical secretary.

Following the debates, the Fund's shareholders decide as follows:

I The approval of the EGM agenda.

This item is adopted with 5,023,205,433 votes representing 95.40447% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 5,023,205,433 votes "for",
- 6,808,695 votes "against",
- 0 votes "abstain", and
- 77,823,507 votes were not casted.

157,329,989 votes were annulled.

II The amendment of the Articles of Association, as follows:

Article 14 (Organisation of the General Meeting of The Shareholders) point I (Quorum and voting rights) paragraph 1 is amended to read as follows:

“(1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is required that the shareholders representing at least a fourth of the total shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with the majority of votes.”

The amendment of the Articles of Association shall enter into force from the day the decision is published in the Official Gazette Part IV, with the condition for CNVM to approve the amendments approved by the shareholders.

This item is adopted with 4,653,497,120 votes representing 88.75953% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,653,497,120 votes “for”,
- 298,449,304 votes “against”,
- 27,046,826 votes “abstain” and
- 106,490,739 votes were not casted.

157,329,989 votes were annulled.

III The empowerment, with the authority to delegate, of Mrs. Oana-Valentina Truța, Romanian citizen, domiciled in Romania, identified with ID series KX, no. 361489, issued by Cluj-Napoca Town on 08.06.2004 and valid until 20.08.2014, Personal Identification Number 2800820260032, to sign on behalf of the shareholders the resolutions issued during the general meeting of 25 April 2013, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing these shareholders’ resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item is adopted with 4,947,978,151 votes representing 94.41120% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,947,978,151 votes “for”,
- 2,158,485 votes “against”,
- 6,795,527 votes “abstain” and
- 126,618,602 votes were not casted.

157,329,989 votes were annulled.

IV The approval of 15 May 2013 as the registration date, in accordance with the provisions of Article 238, paragraph (1) of Law no. 297/2004.

This item is adopted with 4,965,534,300 votes representing 94.74618% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,965,534,300 votes “for”,

- 9,100,113 votes “against”,
 - 2.907,202 votes “abstain” and
 - 106,009,150 votes were not casted.
- 157,329,989 votes were annulled.

This decision is drafted and signed on behalf of the shareholders in 3 (three) original counterparts by:

Oana – Valentina Truța

Empowered through the Shareholders’ Extraordinary General Meeting

Daniel Gavrilă

Meeting secretary

Loredana Văduva

Technical secretary

Annex 5.4. Decision no. 5 / 25 April 2013 of the Extraordinary General Shareholders' Meeting of S.C. FONDUL PROPRIETATEA S.A.

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

Today, 25 April 2013, 10:00AM, the shareholders of S.C. Fondul Proprietatea S.A. ("the Fund") have met during the Shareholders' Extraordinary General Meeting ("EGM") of the Fund, at its first summoning, at Hotel JW Marriott – Constanta Ballroom located at 13 Septembrie Street no. 90, 5th District, Bucharest, the EGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, having its headquarters in Bucharest, 78-80 Buzesti Street, 7th and 8th floors, 1st District, Bucharest, registered with the Trade Register under no. J40/8587/2009, sole identification code 25851096 ("the Sole Administrator") and with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001.

Whereas:

- The notice of the EGM was published in the Official Gazette Part IV, number 1409 of 15 March 2013, in "România Liberă" newspaper on 15 March 2013, as well as on the Fund's website – www.fondulproprietatea.ro on 15 March 2013, and the supplemented agenda published in the Official Gazette Part IV number 1775 on 3 April 2013, in "România Liberă" newspaper on 3 April 2013 and on the website of S.C. Fondul Proprietatea S.A. – www.fondulproprietatea.ro on 3 April 2013;
- The provisions of in force Articles of Association of the Fund ("Articles of Association"),
- The applicable legislation,

At the beginning of the meeting, the Chairman notes there are 151 shareholders present or represented, holding a number of 5,201,111,990 shares, representing 38.78% of the paid-up share capital, holding a number of 5,043,782,001 voting rights, representing 38.29% of the total voting rights. The quorum condition is fulfilled in accordance with Article 14 (3) letter (a) first paragraph of the Articles of Association and Article 115 (1) first paragraph of Companies' Law no. 31/1990 ("Law no. 31/1990"). Thus, the Chairman acknowledges that the EGM is statutory and legally established and it can adopt valid decisions regarding the items on its agenda.

In accordance with Article 129 of Law no. 31/1990, the Fund's shareholders appoint Mr. Daniel Gavrilă as EGM secretary and the Sole Administrator appoints Mrs. Loredana Văduva as EGM technical secretary.

Following the debates, the Fund's shareholders decide as follows:

I. The approval of the EGM agenda.

This item is adopted with 5,023,205,433 votes representing 95.40447% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 5,023,205,433 votes "for",
- 6,808,695 votes "against",
- 0 votes "abstain", and
- 77,823,507 votes were not casted.

157,329,989 votes were annulled.

II. The amendment of the Articles of Association, as follows:

Paragraph (2) of Article 16 is modified and will have the following content:

“(2) The Chairperson of the Board of Nominees or, during his/her absence, a member of the Board of Nominees appointed through vote by the other members to chair the meeting, shall ensure the proper development of the meetings. The meetings of the Board of Nominees shall be held at the headquarters of Fondul Proprietatea or at such other location as may be agreed among the members of the Board of Nominees.”

The amendment of the Articles of Association shall enter into force from the day the decision is published in the Official Gazette Part IV, with the condition for CNVM to approve the amendments approved by the shareholders.

This item is adopted with 4,897,738,612 votes representing 93.53949% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,897,738,612 votes “for”,
- 42,318,423 votes “against”,
- 1,885,549 votes “abstain” and
- 136,738,998 votes were not casted.

157,329,989 votes were annulled.

III. The empowerment, with the authority to delegate, of Mrs. Oana-Valentina Truța, Romanian citizen, domiciled in Romania, identified with ID series KX, no. 361489, issued by Cluj-Napoca Town on 08.06.2004 and valid until 20.08.2014, Personal Identification Number 2800820260032, to sign on behalf of the shareholders the resolutions issued during the general meeting of 25 April 2013, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing these shareholders’ resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item is adopted with 4,947,978,151 votes representing 94.41120% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,947,978,151 votes “for”,
- 2,158,485 votes “against”,
- 6,795,527 votes “abstain” and
- 126,618,602 votes were not casted.

157,329,989 votes were annulled.

IV. The approval of 15 May 2013 as the registration date, in accordance with the provisions of Article 238, paragraph (1) of Law no. 297/2004.

This item is adopted with 4,965,534,300 votes representing 94.74618% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Articles of Association corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,965,534,300 votes “for”,
- 9,100,113 votes “against”,
- 2.907,202 votes “abstain” and
- 106,009,150 votes were not casted.

157,329,989 votes were annulled.

This decision is drafted and signed on behalf of the shareholders in 3 (three) original counterparts by:

Oana – Valentina Truța

Empowered through the Shareholders’ Extraordinary General Meeting

Daniel Gavrilă

Meeting secretary

Loredana Văduva

Technical secretary

Anexa 6 Major contract concluded by Fondul Proprietatea during 2013

Anexa 6.1 Depositary Bank Agreement concluded by Fondul Proprietatea in 2013

DEPOSITORY AGREEMENT for S.C. FONDUL PROPRIETATEA S.A.

CONTENTS

Depository Agreement
Schedule 1: General Terms and Conditions of Electronic Communication
Schedule 2: Depository Guidelines
Schedule 3: Operating Mandate
Schedule 4: Remuneration of the Bank
Schedule 5: Working Procedure

DEPOSITORY AGREEMENT

No 123 concluded on 01.10.2013

This Depository Agreement (the “Agreement”) has been concluded on the above-mentioned date, by and between:

BRD-GROUPE SOCIETE GENERALE S.A., banking company registered and existing under the Romanian bank legislation, with the registered office in Bucuresti, B-dul Ion Mihalache nr.1-7, sector 1, tel. 021 200 83 72, fax 021 200 83 73, , registered with the Bucharest Trade Registry under no. J40/608/1991, with fiscal identification code RO361579 registered with the Credit Institutions Registry under no. RB - PJR - 40 - 007 /18.02.1999, registered with the Public Registry of FSA ("FSA" - The Financial Supervision Authority or, where applicable, its predecessor the CNVM) under no. PJR10DEPR/400007 legally represented by Claudia IONESCU, Director Securities Division and Bogdan PLOSCARU, Deputy Director Securities hereinafter referred to as the “**Bank**” or “**BRD**” on one hand

and

S.C. Fondul Proprietatea S.A., a closed-end investment company, existing under the provisions of the Law no. 297/ 2004 on the capital market, as further amended and completed, Law no. 247/2005 regarding the reform in the fields of property and justice, as well as some adjacent measures, as further amended and completed, corroborated with the provisions of the National Securities Commission (“CNVM”) Regulation no. 15/2004, on the authorization and activity of the investment management companies, of the collective investments and depositing bodies, Regulation no. 4/2010, as subsequently amended, on the registration with the CNVM and on the activity of the Commercial Company “Fondul Proprietatea” S.A. , as well as the trading of the shares issued by it, hereinafter collectively referred to as the Law and respectively Regulation, organized and existing in accordance with the Romanian laws, having the registered office in Bucharest, 78 - 80 Buzesti Street, 7th floor, District 1, Romania, registered at the Bucharest Commerce Registry Office under No. J40/21901/2005, Unique Identification Code 18253260, registered with the Public Registry of CNVM

under no PJR09SIIR/400006 (represented by Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, with the registered office in Bucharest, 78-80 Buzesti Street, 7-8th floors, 1st district, Romania, registered at the Bucharest Trade Registry under the registration no. J40/8587/2009, sole identification code: 25851096, registered in the CNVM's Public register under no. PJM05SSAM/400001, acting as Sole Administrator and Fund Manager of the Customer, which is legally represented by Oana Truța as Legal Representative, (this party hereinafter referred to as "The Customer" or "Fondul Proprietatea").

(hereinafter collectively referred to as "Parties").

PREAMBLE

WHEREAS, the Bank provides depository services, and the Customer intends to make use of these services,

THEREFORE, the Parties have agreed on the following provisions:

1. The Customer's Category

- 1.1. According to the information provided by the Customer, the Bank will treat the Customer as a Professional Client and the Customer is hereby notified of such status accordingly. The Customer should be aware that different rules and different levels of protection apply to it depending on its customer category.
- 1.2 Depending on the client's category, as determined above, the Customer may request at any time, in certain circumstances, to be treated according to a different client category. Further information on this can be provided on request. The Customer should note that, if it wishes to elect for a different status, additional terms and conditions may apply, or the Bank may decline to provide particular services to the Customer.
- 1.3 The Customer is responsible for keeping the Bank informed about any changes that could affect its customer categorisation.

2. The object of the Agreement

The object of this Agreement consists in the following services provided by the Bank:

2.1 Receiving, depositing the Assets and certifying net asset value

2.1.1. The Bank:

- (i) Shall physically safeguard all the Customer's assets (except for the monetary investments, the securities not admitted for trading, the real estate assets and accounting assets) or the documents attesting the custody of such assets, except for those assets and documents held by sub-depositaries to whom the depository has entrusted the depository activity or who have been appointed as such by the Customer or by the Financial Supervisory Authority (hereinafter referred to as "FSA"), according to the Law and the Regulation;
- (ii) Shall keep in custody the assets belonging to the Customer, separately from the Bank's assets or other customers' assets, and shall register it separately, thus as to be identifiable as the Customer's property;

- (iii) Shall settle the transactions with the financial instruments or participation interests of the Customer in and from the Customer's account, according to the Proper Instructions received from the Customer and in accordance with the applicable central depository's regulations;
- (iv) Shall collect the interests and other income related to the assets and deposited financial instruments and shall exercise the rights conferred by such assets and instruments, in accordance with the Proper Instructions received from the Customer. The bank shall assist the Customer in recovering the difference of tax on dividends withheld by the issuers (in case of investments abroad or in Romania (if applicable), according to the tax treaties in force;
- (v) Shall certify the existence and the value of the net assets, the unit value of the net assets, based on the documents issued by:
 - a) the Fund Manager, for the accounting assets;
 - b) land registry, for real estate assets;
 - c) issuing entities, through the Shareholders registry or Trade Register records for the securities not admitted for trading;
 - d) the bank where the investment has been placed, for the monetary placements, in accordance with the Proper Instructions received and with the Electronic Communication Conditions, and shall transmit it to the Customer and to FSA, within the terms, form, conditions and regular intervals established by the Law and in the FSA regulations issued for its application.

The certification of the assets value shall be done in compliance with the legal provisions in force and the periodicity indications communicated to the Bank by the Customer, as well as based on the Proper Instructions and according to the General Terms and Conditions of Electronic Communication, described in Schedule 1 to this agreement;
- (vi) Shall make the payment of the equivalent value of the financial instruments or participation interests purchased by the Customer, shall make the payment of all the financial duties, including the payment of interests, taxes, fees and other operational costs of the Customer, shall make payments for any other purposes, according to the Proper Instructions received from the Customer;
- (vii) Shall validate and certify the calculation of the Fund Manager management and administration fees;
- (viii) Shall provide proxy voting services (in Romania and abroad, where applicable and according to the conditions and legislation of the respective countries) upon the request and according to the Instructions of the Fund Manager. It is envisaged that the Customer will not require proxy voting services from the Bank in the majority of the cases for Romanian issuers.
- (ix) Shall carry out any other activities provided by the Law as part of its responsibility.

- 2.1.2 The Bank shall not transfer, pledge, or guarantee and, generally shall not dispose, in any other way, of the Customer's assets for covering or reimbursing any of the Bank's obligations or of third parties' obligations, except for the case in which the Customer instructed the Bank, in writing, with express Proper Instructions. The Parties acknowledge that FSA may issue special measures which may contradict these principles. The Customer's assets cannot be subject of enforcement

procedures initiated by the Bank's creditors, cannot be subject of seizure or garnishment of any kind, and are not part of the creditors' table in case of bankruptcy of the Bank. The Bank shall ensure that the registration of the Customer's assets is consistent with the above principle.

- 2.1.3. The Bank shall take all reasonable steps to ensure that the transfer of the Depositary Activity, as defined in article 52 of Government Ordinance no. 32/2012, will include the transfer in accordance with the applicable law from ING Bank N.V. Amsterdam, Bucharest Branch ("ING Bank") to BRD.
- 2.1.4. BRD will implement any and all necessary systems, including technical, electronic and informational systems, for the performance of the Depositary Activity.
- 2.1.5. The transfer of the Depositary Activity will include the transfer from ING Bank to BRD of the activity regarding proxy voting services.
- 2.1.6. BRD agrees that SWIFT instructions for time deposits on MT54 series format and free of payment SWIFT messages containing payment instructions on field 70E, will be accommodated for processing by the custodian and provisions for this will be added to the Service Level Agreement ("SLA") between the parties.
- 2.1.7. BRD have committed to addressing cancelled transactions as well as transactions that fall out of the straight through process in a timely manner. BRD has also agreed to be flexible on the format of the fax messages it will receive from Fondul Proprietatea

2.2. Transfer of assets

- 2.2.1. In order to release the Customer's assets, the Bank is entitled to request and to receive from the Customer any information and/or documents reasonably deemed as necessary for assessing the compliance of the operation with the legal provisions, the articles of incorporation and internal rules and regulations of the Customer.
- 2.2.2. The Bank shall execute payments from the Customer's Cash Account only upon receiving Proper Instructions and only after assessing the operation as compliant to the legal provisions, Customer's articles of incorporation and regulations of the Customer.
- 2.2.3. The Bank shall transfer financial instruments from the Securities Account of the Customer only upon receipt of Proper Instructions, after the assessment of the operation as compliant with legal provisions, the provisions of the articles of incorporation of the Customer, and upon the receipt of the equivalent value of such financial instruments, where applicable.

3. Reference Terms and Regulations

The depository services to be provided and the manner in which they shall be provided are set out in this Agreement and in the Bank's Standard Terms and

Conditions for Electronic Communication (Schedule no. 1) and in the guidelines contained in Schedule no. 2 (hereinafter referred to as the "Guidelines"), which form part of this Agreement. From time to time the Parties may amend, replace or add to the Guidelines by agreement in writing. However, in the event of a conflict, the terms and conditions of this Agreement shall supersede the terms and conditions of the Guidelines.

4. Instructions and Communications

Any instructions and communications given by the Customer to the Bank pursuant to this Agreement must be Proper Instructions, which mean instructions that the Bank believes in good faith to have been given in accordance with the Guidelines in all respects (including, without limitation, regarding the authority of the Customers' representative and the formalities of the communication). The Bank shall only carry out such Proper Instructions, including any standard payment instructions, if they are given in accordance with the operating mandate attached to this Agreement in Schedule 3, as amended by the Customer from time to time and upon notice to the Bank.

5. Accounts

For the exclusive purpose of providing depository services under this Agreement, the Bank shall open accounts ("Accounts") in the name of the Customer, upon the Customer's instruction and as agreed from time to time, which shall include at least the following:

- (i) a Securities Account, for all non-cash assets, other than the monetary investments, real estate assets, securities not accepted for trading, and accounting assets, (hereinafter referred to as "Investments") and indicated by the Customer to be deposited by the Bank, under this Agreement; and
- (ii) one or more Cash accounts, for cash and any currency received for the account of the Customer, held by the Bank in the name and on behalf of the Customer.

6. Settlement

- 6.1. The provisions of the present Agreement referring to the settlement and payment for the investments received in or transferred out of the cash account of the Customer and delivery of investments held in the securities account of the Customer shall be governed and, respectively, done in accordance with the relevant procedures provided under Romanian law.
- 6.2. Obligations of the Bank
 - 6.2.1. The Bank shall perform settlement, clearing and depository operations through authorized systems, according with applicable legislation, regulation, and market practice.
 - 6.2.2. The Customer acknowledges that if the Customer fails to supply information, documents or funds reasonably required by the Bank, then the Bank may be unable to settle transactions until such documents, information or funds are supplied.
 - 6.2.3. Additionally, for any transaction which has not been entered into with or through the Bank, such obligation is conditioned upon the Bank's receipt of Proper Instructions in due time, which are in accordance with the Guidelines from the other party with whom the Customer has entered into that transaction. Delivery or payment by the other party to such transaction shall be at the Customer's risk.
 - 6.2.4. The Bank's obligation to account to the Customer for any investments or for the sale proceeds shall be conditioned upon the Bank's receipt of the relevant documents or the sale proceeds from the counterparty to the transaction. The Bank will use all reasonable efforts expected in such circumstances to pursue the relevant documents or sale proceeds.
- 6.3. If the Customer does not provide the necessary information, documents or funds in the time for settlement, in the cut off times as described in the SLA, the Bank may reverse any such entry and/or may not perform the settlement, at its sole discretion. In case a transaction fails, the bank will use reasonable efforts to arrange return of any assets previously transferred in relation to the respective transaction, only where possible according to legislation in force.
- 6.4. The Bank shall inform the Customer about its refusal to execute a settlement, along with the related explanation as soon as reasonably practicable and no later than the end of the business day on which the bank reached this decision.
- 6.5. The Settlement System

6.5.1. If not stated otherwise in the Guidelines, the Bank shall operate a settlement system through which the Cash Account of the Customer is debited with the purchase cost of the Investment, in the usual settlement days of the relevant market, or is credited with the sale proceeds upon receipt of the net funds from the final settlement of the transaction.

- 6.6. For those situations in which the Guidelines indicate that the settlement system outlined under Clause 6.5 shall not operate, or in which the Bank decides not to operate such a system because (i) it has not received or credited to its order the necessary documents or funds in time for settlement in accordance with the Guidelines or (ii) it has not received Proper Instructions which are timely in accordance with the Guidelines or (iii) the Bank considers it to be impossible to operate such a system, the Customer's Cash Account will be debited with the purchase cost of the Investment as of the actual date of settlement and credited with the sale proceeds as of the date of receipt of cleared funds. The Customer's Securities Account will similarly be credited or debited as of the date of actual settlement. For any other reasons/situations the Bank and the Customer will discuss the possibility of the settlement before the actual initiation of the transaction.

Related to the foreign market settlements, due to cash cut off times applied on international payments, the Bank will process the cash transfers in the settlement date mentioned in the client instruction. In case of failed settlements, at the closing of the stock exchanges/CSD's the Bank will leave the funds in the records of the sub-custodian, waiting for the next settlement cycle and not wire the funds in the Customers account.

Upon receipt of settlement confirmation or the Customer instruction to cancel the settlement instruction, the Bank will wire the funds in the Customer account with the nearest value date, taking into account the cut off times.

Where cash is left by the Bank on account with a sub-custodian, if the sub-custodian pays to the Bank interest for the period of holding by the sub-custodian pending the settlement, this interest shall be paid to the Customer.

7. Holding Investment and Sub-custodians activity

- 7.1 In accordance with the provisions of the present Agreement and of the Romanian applicable legislation, the Bank shall hold in the Securities Account of the Customer all the investments made by the Customer in the name of the Customer.
- 7.2 The Bank may transfer the assets and/or custody activities in connection with the Customer's Investments to one or more authorized third parties (named hereinafter „Sub-custodian” which may include branches, offices, subsidiaries or affiliates) in accordance with the agreed terms, the Customer's constitutive act/s and according to FSA regulations and the legislation in force. The Bank shall be liable for all the acts and omissions of such Sub-custodians as if they were its own.

8. Recording of Investments

- 8.1. In its books and records, the Bank shall identify the Customer's investments as belonging the Customer.
- 8.2 The Bank shall segregate the Customer's investments from any other securities belonging to the Bank or to other customers of the Bank, including those held by the Sub-custodians appointed according to the aforementioned terms in the name of the Customer. The Bank will separate and segregate the Investments, in such a way so as to be clear that the respective Investments belong to the Customer.

9. Delivery of Investment and cash

Upon termination of this Agreement, and as mentioned in the Proper Instructions, the Bank shall release and deliver either cash or investments to which this Agreement relates to, in accordance with the provisions of the present Agreement.

10. Proxies and Corporate actions

- 10.1 BRD will act primarily as a proxy at general meetings for the listed companies from the Customer's portfolio, providing proxy voting services (in Romania and abroad, where applicable and according to the conditions and legislation of the respective countries) upon the request and according to the Instructions received from the Customer.
- 10.2 At the express request of the Customer the Bank will act as a proxy at general meetings for the unlisted companies from the Customer's portfolio. In such case the Customer will instruct the Bank about the upcoming meeting and all information related to it.
- 10.3 The Instructions received from the Customer will be provided in a standardized format agreed with the Bank 5 Business Days prior to the date of the General Shareholders Meeting. In cases of points on the agenda of the general meetings where the standardized format can not be used (eg: allocation of cumulative votes etc) the Customer and the Bank will make sure the Instructions are properly understood and submitted.
- 10.4 The Customer acknowledges that in case Proper Instructions are provided with less number of days in advance, the Bank will act only on a best effort basis. The Customer acknowledges and accepts the fact that the duty mentioned above is to be assessed based on the Bank having exercised the reasonable efforts in question and not assessed solely on the results.
- 10.5 The Bank will provide to the Customer the full contact details of at least 2 representatives of the Bank that will work closely with the Customer to make sure the votes are cast during general meetings. The Customer will provide to the Bank the full contact details of the designated persons that are entitled to liaise with the Bank on Proxy Voting topics.
- 10.6 The Customer will promptly inform the Bank about the fact that the Bank will provide Proxy Services for a particular general meeting of shareholders in reasonable time for the Bank to prepare and gather the needed information, to provide the Proxy Service. The Bank will inform the Customer about voting procedures and if the case may be about any particular situation with the respective issuer that must be taken into account. The Customer will reconcile the information received from the Bank with its own data and inform if there are any discrepancies between the two sources.

The Customer acknowledges and accepts the fact that the duty mentioned above is to be assessed based on the Bank having exercised the reasonable efforts in question and not assessed solely on the results.
- 10.7 When informed about the fact that the Bank will provide Proxy Voting services, the Bank will liaise with the issuer, the Stock Exchange and the Market regulator (if the case will be) to make sure that all procedures for casting the votes are known to the Bank and to the Customer and that the Customer is able to cast a vote in the general meeting. Unless requested by the Customer, it is up to the Bank to decide how the votes will be cast: electronically, through correspondence, through representation etc. The Bank will inform the Customer of any changes in the procedures and regulations of the general meetings ahead of the general meetings. It is the responsibility of the Bank, for the companies where the Customer has asked the Bank to provide Proxy

- Services, to make sure procedures for casting the vote are known and shared with the Customer.
- 10.8 The Bank will check if the Customer has provided proper instructions and after having checked, will immediately inform the Customer that the instructions provided could not be pursued and the reason for it. If the Customer does not resubmit the proper instructions in due time, the Bank will take no action.
 - 10.9 If the Bank is not able to cast the vote during the general meeting, the Bank will immediately inform the Customer and the reason for it.
 - 10.10 It is envisaged that the Customer will not require proxy voting services from BRD in the majority of the cases.
 - 10.11 Regarding participation in voluntary Corporate actions the customer will instruct via fax signed by two authorized signatories, prior to the stated instruction deadline.
 - 10.12 Regarding proxy voting, the Customer will instruct the Bank via fax signed by the authorized signatories, or custody website (when available) or email from the email addresses that will be provided by the Customer to the Bank.
 - 10.13 In all cases, the Bank will confirm that they have received the Instructions from the Customer via fax or e-mail, depending on the complexity of the instruction. The Customer shall provide Proper Instructions to the Bank prior to the corporate actions instruction deadlines. The Customer acknowledges that in case Proper Instructions are provided with less number of days in advance, the Bank will act only on a best effort basis.
 - 10.14 BRD does not request specific documentation for rendering such services. Still specific documents required by the issuer for such representation (meeting, event and/or issuer specific) might be required for presentation. It is the responsibility of BRD to inform the Customer of the need for such documents.
 - 10.5 The Customer will instruct the Bank via fax signed by the empowered individuals expressly authorized in this respect. The List shall be issued, modified and / or completed by the Fund Manager.

11. Reports presented by the Bank

The Bank shall supply to the Customer the periodic reports established by the applicable legislation in force with such form, content and frequency as the Customer may reasonably request from time to time and agreed by the Bank.

Immediately after the receipt of such reports, the Customer will notify the Bank with respect to any comments or discrepancies regarding these reports.

12. Further provisions

The Bank will be allowed to:

- 12.1. cover from the Cash Account, in case no opposite Proper Instructions were received, the current administrative expenses (including, but not limited to interest, fees, taxes, operational expenses, stamp duty and other similar taxes) as necessary, with respect to the purchase, sale, exchange, substitution, transfer, redemption or any other transactions that relate to investments of the Customer or for any other purpose in compliance with the provisions of the present Agreement. In this respect, the Bank shall present to the Customer justifying documents for such payments, provided that such documents are in the Bank's possession or can be obtained by the Bank exercising due diligence;

- 12.2. transmit to any of its subsidiaries, branches, agencies, offices any information regarding the Customer or the present Agreement on a need-to-know basis where required for the performance of this Agreement and provided it is in accordance with the legal provisions, the Guidelines, the regulations and the requests of the competent authorities.

13. Statements and Commitments of the Customer and of the Bank

- 13.1. Each of the Parties respectively warrants that it has the right and the capacity, including all the approvals, licenses, permits and generally, all the necessary authorizations to conclude, to undertake all the obligations and apply all the provisions of the present Agreement.
- 13.2. Each of the Parties respectively warrants that the present Agreement was legally signed by its legal representatives or the authorised representatives or its trustees with a special Power of Attorney ("PoA") and that the obligations of the Customer/Bank respectively mentioned in the present Agreement are legal commitments, valid and binding on the Customer/Bank respectively.
- 13.3. The Customer warrants that all investments delivered by or on behalf of the Customer or to the order of the Bank are delivered free, clear, and unencumbered by any rights, claims, or interests of any third person except the rights to such investments of those on whose behalf the Customer ultimately acts and except as otherwise agreed upon with the Bank.
- 13.4. Except insofar as the same may result from the default, negligence, breach of Agreement, fraud or bad faith on the part of the Bank, the Customer agrees to indemnify the Bank and hold it harmless against any claim, expense (including the legal expenses and accountants' fees of it or any third party claimant), loss or damage arising in connection with its exercise of the powers conferred in this Agreement including, without limitation, any action or omission undertaken in compliance with any Proper Instructions received by the Bank.
- 13.5. The Customer/The Bank each respectively represents and warrants that the execution, delivery and performance of this agreement does not violate any provisions of (i) its organisational and foundation documents or (ii) any contract or instrument to which it is a party or by which it or any of its assets are bound or affected.
- 13.6. The Customer/The Bank represents and warrants that it is not engaged in nor, to the best of its knowledge, threatened by litigation, arbitration or administrative proceedings, the reasonably anticipated outcome of which might materially and adversely affect the observance or performance of its obligations under this Agreement save as disclosed to the other party or in public reports to the Bucharest Stock Exchange.
- 13.7. Based on the legal provisions in force, the Bank informs the Customer that:
- 13.7.1 The Central Depository has the right to interrupt/limit/deny, temporarily or definitively, the Bank's and/or Customer's access to its systems based on a written notice, including the reasons of such measure, considering the incidental applicable laws, notice that must be sent to the Bank at least 24 hours in advance, when possible:
- 13.7.1.1 according to the Central Depository's own policy regarding the allotment and efficient management of systems resources;
- 13.7.1.2 for the service/ upgrade/ test/ audit or remedy of any malfunctions of the systems;

13.7.1.3 for the enforcement of any legal provisions, of administrative acts, court orders, decisions of the Board of Directors of the Central Depository or organisms competent for imposing such actions.

13.7.2 In this case:

13.7.2.1. The Central Depository is not liable for the prejudices suffered by the Bank and/or by the Customer due to any abusive actions of the Bank.

13.7.2.2 The Bank fully holds the Central Depository harmless for the way the systems of the Central Depository works and for any prejudice of the patrimonial right or personal rights of the Bank and/or the Customer, except for the prejudices caused intentionally or from the gross negligence of the Central Depository.

13.7.3 In the case of a major change of the Central Depository's systems, its shall inform the Bank on the new conditions, by means of a written notice sent 30 days prior to the effective estimated date. The Bank based on written notification shall notify such new amendments to the Customer.

13.7.4 The use of the Central Depository systems can be negatively influenced, interrupted or delayed due to causes beyond the reasonable control of the Central Depository including, but not limited to errors, malfunctions, delays, by action or non-action, or omission of these systems or of third parties and/or their systems.

13.7.5 The Central Depository is not liable for any loss, expense, prejudice or cost suffered, supported or paid by the Bank and /or by the Customer due to a negative influence, interruption or delay of the kind mentioned above.

13.7.6 For the avoidance of doubt, the Customer accepts no liability to the Central Depository or to the Bank for any payments by the Bank of the kind described in this clause 13.7.

13.8 The Bank informs the Customer that the transactions forming the object of this agreement shall be cancelled (i.e. annulled) – with effect of dissolution - de jure, without any further notice, prior or subsequent notice, without the intervention of the court and without the compliance of other formalities (commissoria lex of IVth degree), in case of payment failure by the Clearing Participant (as such term is defined in Chapter 1 Art. 1, of the Central Depository Code), when the Bank as participant to the settlement, clearing and registry system and the Customer have complied with their payment obligations towards the Clearing Participant deriving from that transaction and this Agreement.

13.9 The Bank undertakes to notify the Customer immediately in the event of: (i) any warranties or representation given by the Bank in this Agreement ceasing to be true and accurate; (ii) the Bank having breached this Agreement; (iii) the Bank becoming aware that it is the subject of any sanction or investigation which may lead to a sanction by a governmental or regulatory authority relating to the type of services performed according to this Agreement; or (iv) any other circumstances which are reasonably likely to have an adverse effect on the Bank's ability to perform its services and the quality of those services under this Agreement.

14. Bank's Liability and Indemnity

- 14.1. The Bank shall not be liable towards the Customer for its actions or inactions in relation to the obligations resulted from the present Agreement, as long as they respect the legal provisions, and, in addition, the Bank shall not bear any prejudice or expense resulting from such action or inaction, except in the case where these are due to the Bank's negligence, fraud, breach of Agreement, bad faith or wilful default.
- 14.2. Notwithstanding the provisions of Clause 14.1, the Bank shall not be liable for the incompleteness or illegality of any investment made by third parties on behalf of the Customer's account and received by the Bank from them or in case the investment is no longer valid or is fraudulent, either by reason of invalidity, forgery, falsity, incompleteness or otherwise except in so far as such situation results from the negligence, wilful default, bad faith, breach of Agreement or fraud on the part of the Bank.
- 14.3. Under no circumstances will the Bank be liable to the Customer or any third party for any indirect consequential or special damages, including loss of profits or business opportunity, arising in connection with this Agreement.
- 14.4. Save as set out in this Agreement and applicable law, the Bank expressly disclaims all obligations to the Customer.
- 14.5. Except insofar as the same may result from the default, negligence, breach of Agreement, fraud or bad faith on the part of the Customer, the Bank agrees to indemnify the Customer and hold it harmless against any claim, expense (including the legal expenses and accountants' fees of it or any third party claimant), loss or damage arising from the performance of the Bank's services and obligations under this Agreement.

15. Remuneration of the Bank

The Bank's remuneration for services rendered and its cost that is incurred under this Agreement shall be as specified in Schedule 4 that is part of this Agreement.

The Bank shall be entitled to charge to the Customer Account remuneration amounts due and payable to the Bank by the Customer only with the Customers' express authorisation.

16. Penalties

If, in the absence of bona fide dispute between the Parties relating to that particular fee amount, the Customer does not pay (or authorise the Bank to debit the Customer Account in the amount of) the commissions due to the Bank within 10 Business Days from receipt of the invoice by the Customer (such invoice to include all the details supporting the computation of each category of fees), the Bank shall be entitled to charge penalty fees of 0.01% of the commission due for each day of delay from and including the 11th Business Day.

17. Duration and Termination of the Agreement

- 17.1. Subject to clause 17.1.2, the parties' rights and obligations under this Agreement shall become effective on 21 November 2013 or on the date of FSA issuing the final approval of the Agreement if this is after 21 November 2013 and shall run for a period of three years from that date. Subject to clause 17.1.2, if the Customer decides the termination of the Agreement it shall give at least 90 calendar days' prior written notice to the Bank.
 - 17.1.2 The obligations of BRD under clauses 2.1.3 – 2.1.7 of this Agreement are effective beginning with the date when this Agreement is signed. The Customer reserves the right to notify the Bank on the fact that the depository agreement would not enter into force in case that Clauses 2.1.3 – 2.1.7 are not respected in the time agreed between the parties; this notification would have immediate effect.

- 17.2 The Bank may terminate this Agreement only after giving the Customer a prior written notice of at least 90 calendar days. The Customer may terminate this Agreement after giving the Bank a prior written notice of at least 90 calendar days. The term begins on the date when FSA is notified of the notice of agreement termination. The decision of termination of the agreement is published in the FSA Bulletin at the expense of the Party terminating the agreement. Within 90 calendar days of the above, the Customer is obliged to conclude a new depository agreement with a third party depository. If during the 90 calendar days the assets and financial instruments held by the Bank on behalf of the Customer to the new depository are not transferred, for whatever reasons, the Bank is obliged to notify FSA on this, and FSA will restrict customer accounts until the date of the transfer. The Bank undertakes to provide all reasonable co-operation and to supply all information reasonably required to support the handover of the Customer's assets and other arrangements governed by this Agreement to any new depository, subject to compliance with applicable law and regulation.

17.3 The Agreement shall cease in the following situations:

- a) by the agreement of the parties;
- b) in case the FSA, or National Bank of Romania ("NBR"), or competent authorities of the State where the Customer is legally registered withdraws notice / operating authorization of either party required to perform their obligations hereunder;
- c) if NBR initiates any surveillance or special administration procedures of the Bank or the Bank has started the bankruptcy proceedings;

All terms on which the parties agreed to have effect after termination of this Agreement will remain valid after such termination date.

- 17.4 The Customer has the right to withdraw all or part of the funds free of any encumbrances, except for those encumbrances specifically agreed with the Bank, and without paying compensation without such action constituting a termination of the Agreement in the absence of a notice or other event under this clause 17.

18. Consequences of Termination

Upon this Agreement's termination,

- 18.1 After the termination date of this Agreement but not more than 2 (two) business days from the date of concluding the transfer of assets from the Bank to the new depository bank under the above, the Bank shall report promptly to the Customer and FSA all its investments and cash held on behalf of Customer, details on transfer of assets, the certified net asset value and unitary net asset value. However, the Bank will be authorized to hold such investments and cash, as needed, for completion of transactions already initiated and to pay any outstanding obligations of the Customer to the Bank.

19. Force Majeure

The parties shall not be held liable and shall not be considered as failing to comply with their obligations for any delay or failure to comply with a total or partial obligation, generated or determined by circumstances independent of its will including, without limiting to: interruption, delay or power failure (partial or complete) or of the computer-based communication services (devices or programs) provided that, where the systems are internal to the Party claiming force majeure, that person must have in place adequate prevention and business recovery processes; actions of military or civil authorities; sabotage; war or governmental measures; popular riots or civil unrest; strikes or other industrial lock-outs; state of national emergency; epidemics; floods, earthquakes, fire, or other acts of God; orders, rules, or regulations of the Government, court orders, or orders of regulatory authorities except those relating to misconduct or breach of law or regulation by the relevant Party; difficulties or energetic crises or natural resources; inability to obtain or timely obtain the materials,

equipment, or transportation means, as well as any other cases of force majeure, qualified as such according to the doctrine or case-law.

The party claiming the force majeure must notify in writing the other party in 48 (forty-eight) hours' time from the force majeure event occurrence and to prove the intervention of this event with supporting documents issued by the Chamber of Commerce and Industry of Romania, that is the regional Chamber of Commerce and Industry (of the county or of the City of Bucharest), depending on the place of force majeure event.

20. Applicable Law and Prevailing Version

This Agreement shall be governed and interpreted according to the Romanian law. The Parties agree that any action or legal proceedings deriving from or related to this agreement shall be settled by the competent courts. In the event of any conflict in interpretation of the Romanian and English versions of this Agreement, the Romanian language version shall prevail.

21. Assignment

Any rights or obligations undertaken by the Parties through this Agreement shall not be assigned or transferred by either of the parties of this Agreement, without the written consent of the other party and without the legal provisions relating to sub-depositaries. Upon the Bank's request, the Customer shall sign any documents or acts or proxies, etc., reasonably required for carrying out the above-mentioned actions.

22. Notifications

Except as otherwise specified, any notice shall be sent in Romanian and/or English as agreed by the parties, in written, or by fax or e-mail expressly agreed upon by the parties that can also send a hard copy, and shall be sent to the Bank to the address: Metav A2, floor 1, 67-77 Biharia Street, postal code 013981, sector 1, Bucharest, and for the Customer, to the address mentioned in the preamble (or as notified in writing to the Bank). Any notice related to this Agreement shall be deemed as made and received upon the actual receipt of the same, under the mention that the notices sent by fax or other electronic means of communication expressly agreed by the parties shall be counter-sent by the transmission of the original by courier or by registered mail, with confirmation of receipt, without the validity of the initial notice to be affected by this second transmission.

23. Miscellaneous

- 23.1 This Agreement supersedes any other depository agreement, undertaking, and generally, any prior understandings by the parties regarding such transactions.
- 23.2 Any amendments or completions brought to this Agreement shall be valid only if agreed in writing and shall be signed by the legal / authorized representatives or proxies empowered by special power of attorney of each Party and with The Financial Supervisory Authority's prior approval, according with the legal provisions in force. The Parties may from time to time supplement or amend the terms of this Agreement with additional documents governing working procedures between the Parties provided such documents are in writing and signed by the afore-mentioned persons.
- 23.3 Schedules no. 1-5 form an integral part of this Agreement.
- 23.4 The Customer declares that it understands the terms of this Agreement and undertakes the risks deriving from the transactions with financial instruments.

24. Confidentiality and Record Keeping

- 24.1. The Parties shall treat as confidential all information relating to the Portfolio and to the Agreement.
- 24.2. The foregoing shall not extend to any portion of information:

- (i) which the Bank needs to disclose to its affiliates, to any of its employees, and to any sub-custodian or sub-depository appointed in accordance with this Agreement, to any market counterparty or to any broker (in accordance with market practice) in relation to transactions undertaken for the Customer;
- (ii) which is already in the receiving party's lawful possession at the time of disclosure, as established by relevant documentary evidence;
- (iii) which is or later becomes, through no fault of the receiving party, generally available to the public;
- (iv) which was obtained from a third party (other than the Customer's directors, employees and agents) with no breach of confidentiality;
- (v) which is necessary to be disclosed to comply with applicable laws, rules and regulations of any relevant governmental, supranational or regulatory bodies, tribunals or tax administrations.

24.3 For the avoidance of doubt, this clause 24 shall continue in effect after termination of the Agreement for an unlimited period.

24.4 The Bank shall keep records of all Proper Instructions received, all material communications between the Parties and all operations in respect of the Customer's accounts with the Bank during the performance of this Agreement for a period of at least 5 years from the date of the record being made. Upon the Customer giving reasonable prior written notice, the Bank shall provide all reasonable access requested by the Customer to such records in respect of the Customer, its agents, and any governmental or regulatory authority to which the Customer is subject.

IN THE WITNESS THEREOF, the Parties have signed this Agreement on 01.10.2013 in 3 (three) original copies, one for each party and one for FSA.

S.C. FONDUL PROPRIETATEA S.A.

By: Oana Truța

Title: Legal Representative of Franklin Templeton Investment Management Ltd. UK Bucharest Branch in its capacity of Sole Administrator of S.C. Fondul Proprietatea S.A.

BRD Groupe Societe Generale

By

Claudia IONESCU

Signature:

Title: Director Securities Division

Bogdan PLOSCARU

Signature:

Title: Deputy Director Securities Division

SCHEDULE 1 TERMS AND CONDITIONS FOR ELECTRONIC COMMUNICATIONS

The following are the Terms and Conditions of BRD ("the Bank") under which parties for acting in accordance with any notice, demand or other communication that may from time to time be, or purport to be given by the medium of facsimile message or other electronic communications.

1. In these Terms and Conditions, the terms have the following meanings :

“Account” means any account of the Customer with the Bank.

“Authorized Official” means any person whom the Customer has by notice in writing to the Bank (in a form according with the Depository Guidelines) designated as a person authorized to represent it and give instructions and other Communications to the Bank on behalf of the Customer.

“Communication” means any communication received by the Bank by e-mail, SWIFT, facsimile [or other electronic means approved by the Bank for this purpose] that has been given by the Customer or an Authorized Official on behalf of the Customer.

“Customer” means the customer of the Bank in relation to whose account with the Bank, from time to time, the Bank accepts instructions.

2. The Customer expressly agrees that the Bank may register and archive Communications, instructions and confirmations sent by telephone to ensure that the essential terms of the transaction and the instructions in connection with these transactions are registered properly. These records are the property of the Bank and shall be accepted by the Customer as evidence of communications, instructions and confirmations sent, and can be reasonably used by the Bank provided that the Bank shall also treat them as confidential information in accordance with clause 24 of the Agreement.
3. The Customer expressly agrees to the use of e-mail as a means of communication. However, the parties of the specificities of the electronic signature shall transmit no Communications through e-mail before reciprocal notification.
4. The Bank shall be entitled to give effect to each and every Communication which it believes in good faith to be issued by the Customer and signed by its legal or authorised representatives or by their empowered representatives through special power of attorney, and references in these Terms and Conditions shall be construed accordingly and the Customer shall assume full responsibility therefore and all such transfers and other actions or omissions as may be affected by the Bank in accordance with such Communications except insofar as any consequences result from negligence, fraud, breach of the Agreement, bad faith or wilful default on the part of the Bank. The Customer shall indemnify the Bank and keep it indemnified from all claims, losses, costs and expenses suffered or incurred by it as a result of giving effect to any such communication. Notwithstanding the above, the Bank may refuse to give effect to any Communication if it reasonably believes the Communication not to be genuine and the Bank shall have no liability to the Customer or any other person in respect of any consequence of such refusal except insofar as any consequences result from negligence, fraud, breach of the Agreement, bad faith or wilful default on the part of the Bank. The Bank may, but shall not be obliged to verify any Communication received by it by phone call to the Customer or its Authorised Official at the phone number designated by the Customer for this purpose by notice in writing to the Bank (notification sent in accordance to the Depository Guidelines) and the Bank shall be entitled to treat any such verification as valid where the person responding to such call is or purports to be the Customer or an Authorised Official and the Bank has no reasonable grounds to believe otherwise.
5. The Bank will not be responsible for any inaccuracy interruption or any delays in transmission or any loss suffered by the Customer or any other person by reason of any failure of equipment (provided that the Bank must have in place adequate backup and recovery procedures to be expected of a high quality global custodian) or any industrial action or any other circumstances not within the Bank's reasonable control, including the force majeure situations notified by the affected party to the other and proven with justified documentation, according with the provisions in the Agreement.
6. These Terms and Conditions are in addition to any other terms and conditions applicable to the Customer and the Bank but in event of any conflict between these Terms and Conditions and any such other terms and conditions, these Terms and Conditions shall prevail in respect of funds transfers made based on any Communication.

SCHEDULE 2 DEPOSITORY GUIDELINES

1. Proper Instructions; Form of Instructions

In order for instructions to be accepted by the Bank as Proper Instructions, they must take only such of the forms set out below as the Customer may have indicated on the Operating Mandate attached to the Depository Agreement or may from time to time by notice instruct the Bank to accept. The following requirements must in respect of each such form be complied with:

1.1 Instructions in writing, other than instructions sent via facsimile

Any written instructions, others than the instructions sent via facsimile, must be signed, or purport to be signed, by such number of legal representatives / authorised signatories as the Customer may by notice to the Bank instruct and whose names have been notified by the Customer to the Bank from time to time (and not by further notice withdrawn) as being those of persons who have been duly authorised by the Customer to give such instructions and whose certified copy signatures have been delivered to the Bank as a specimen. The written instructions must be stamped and presented to the Bank in original.

1.2 Instructions sent by FAX

Any fax must contain copy signatures or signatures purporting to be copy signatures of the relevant number of the persons above mentioned in Clause 1.1 and in addition must be in accordance with the procedure agreed between the Bank and the Customer. All fax messages must be received on headed notepaper and stamped.

2. Acceptance of Instructions

Any instructions which comply or, in the absence of negligence, fraud, breach of Agreement, bad faith or wilful default on the part of the Bank, appear or purport to comply with the above requirements of section 1 shall be deemed to be given in accordance with these Guidelines and the Bank may act on them without further regard to whether any signature or purported signature is genuine or whether the author or issuer's authority had been withdrawn without notice to the Bank.

3. Content of Instructions

Nevertheless, although instructions shall be given in accordance with Section 1 of these Guidelines, and the Bank may be able to accept them as Proper Instructions, the Bank is under no obligation to do so or to act on them if they do not contain information which the Bank reasonably requires in order to enable it to fulfil its obligations in accordance with the Depository Agreement provided that, if the Bank intends to refuse to act on an instruction, it shall immediately notify the Customer of this fact and explain its reasoning, in order to allow the Customer the opportunity to correct any misunderstanding or supply any missing information.

4. Where to send Instructions

Instructions should be sent to:

Metav A2, floor 1, 67-77 Biharia Street, postal code 013981, Bucharest, sector 1, Romania

Fax: +4021.200.83.73

Phone +4021.200.83.92

SWIFT:

cash instructions: BRDEROBUXXX

securities instructions: BRDEROBUTIT

5. Settlement Advice

Advice confirming all settlements processed by the Bank on the Customer's account will be provided unless notification in writing is received by the Bank to the contrary.

SCHEDULE 3 CUSTOMER DEPOSITORY ACCOUNT OPERATING MANDATE

NAME OF CUSTOMER:

S.C. FONDUL PROPRIETATEA S.A.

ADDRESS: Str. Buzesti nr. 78 – 80, etaj 7, sector 1, Municipiul Bucuresti

CONTACT PERSON: Mihaela MOLEAVIN

TELEPHONE: 021 200 96 00

FAX: 021 200 96 31

FULL NAME AND ADDRESS OF THE BANK AND THE ACCOUNT NUMBER TO BE CREDITED IN CASE OF INCOME RECEIPTS AND/OR CAPITAL

BRD-GROUPE SOCIETE GENERALE S.A.

ADDRESS: Bucuresti, B-dul Ion Mihalache nr.1-7, sector 1

CONTACT PERSON: Claudia IONESCU

RON ACCOUNT NUMBER: RO17BRDE450SV16106574500

US DOLLAR ACCOUNT NUMBER: RO94BRDE450SV16762694500

EURO ACCOUNT NUMBER: RO55BRDE450SV16762504500

PORTFOLIO ACCOUNT NUMBER: NIN 18253260 /Safekeeping

STANDARD SETTLEMENT INSTRUCTIONS:

Written notification of authorized signatories to send instruction shall be periodically supplied to the Bank by official letter signed by the legal representative of the Customer.

Written notification must be promptly sent to the Bank whenever any of the Signatories are changed and a specimen signature of any new signatory must forthwith be supplied to the Bank.

The list of representatives of BRD authorized to sign and send to the Customer documents related to the depository activity shall be periodically supplied by the Bank, by official letter signed by the Bank's representatives.

FOR AND ON BEHALF:

S.C. FONDUL PROPRIETATEA S.A.

Name: Oana Truța

Signature:

Position: Legal Representative of Franklin Templeton Investment Management Ltd. UK Bucharest
Branch in its capacity of Sole Administrator of S.C. Fondul Proprietatea S.A.

BRD Groupe Societe Generale

By

Claudia IONESCU

Signature:

Title: Director Securities Division

Bogdan PLOSCARU

Signature:

Title: Deputy Director Securities Division

DATE: 01.10.2013

SCHEDULE 5 WORKING PROCEDURE Regarding the depository activity of the assets owned by S.C. Fondul Proprietatea S.A

BRD (the “Bank”) provides depository services to SC Fondul Proprietatea SA (hereinafter referred to as “the Customer”) according to the legislation in place and the agreement concluded between Bank and the Customer.

On a monthly basis, Bank will provide to the Customer the following depository activities: safekeeping of Customer’s assets, calculation and certification of NAV for the previous month based on documentation sent by the Customer in original and/ or via fax. Besides, the Bank performs the validation and certification of investment management and administration fees due to the Fund Manager, with the frequency of invoicing of these fees, agreed upon between Fondul Proprietatea and the Fund Manager in the Investment Management Agreement.

A. THE SAFEKEEPING OF THE CUSTOMER’S ASSETS

During the execution of the depository agreement, the Bank will respect the property right of the Customer over its assets and will comply with the law regarding the safekeeping of the assets.

In order to provide to the Customer the safekeeping of assets and also for a correct net assets value calculation, Bank will accept the relevant documents from the Customer in accordance with the type of investment for each asset as follows:

- In case of deposit accounts with other banks, copies of bank statements of current accounts used for the creation of the deposit;
- - In case of current accounts opened with other credit institutions than the Bank, copies of statements of accounts regarding the balances valid for the date of NAV calculation;
- In case of money market instruments traded on a regulated market, copies of REPO contracts, copies of the trading orders/ trade confirmations for the Government Securities traded;
- In case of securities traded on Romanian regulated markets, copies of trade confirmations and settlement instructions (please see Appendix 1 to the present Procedure); in case of securities not traded / unlisted, the purchase or sale agreement, official statements issued by the Trade Registry or copy of Shareholders’ registry of that company, according to the legislation in place;
- In case of financial instruments traded on foreign markets denominated in RON and other currencies, settlement instructions including all details of the trade and also the details of the counterparty (no. of account opened with Euroclear/ Clear stream/ local market) (please see Appendix 2 to the present Procedure);
- In case of derivatives, the list of trades executed;
- In case of the financial instruments in a materialised format, the instruments shall be kept in the Bank’s custody in a Register on behalf of the Customer.
- In case of payment orders the Client will use the templates agreed as Appendix 3 to the present Procedure, while for security trade orders the Client will use the templates agreed as Appendix 4 to the present Procedure.
- Any other relevant documentation in accordance with the legislation in place i.e. monthly trial balance.

Note: The Customer will provide to Bank the NAV calculation and all documents for an accurate certification of NAV accompanied by a cover that details all these supporting documents involved in the process. If, during a month, there are no movements on accounts opened with other banks, and the bank where that account is opened does not issue a bank statement for it, on the cover there will be stated the list with such accounts.

B. NET ASSETS VALUE (NAV) CALCULATION AND CERTIFICATION

The Net Asset Value (NAV) calculation is performed monthly for the last calendar day of the previous month. Bank will certify monthly the NAV computed by the Customer based on the FSA/CNVM regulations in place.

C. PROXY VOTING

BRD will act as a proxy at general meetings for companies from the Company's portfolio, providing proxy voting services (in Romania and abroad, where applicable and according to the conditions and legislation of the respective countries) upon the request and according to the Instructions received from the Customer. If the Customer has not provided proper instructions, the Bank will take no action.

BRD does not request specific documentation for rendering such services. Still specific documents required by the issuer for such representation (meeting and/or issuer specific) might be presented.

It is envisaged that the Customer will not require proxy voting services from BRD in the majority of the cases.

D. VALIDATION AND CERTIFICATION OF THE MANAGEMENT AND ADMINISTRATION FEES

The Bank will validate and certify the Fund Manager's management and administration fees when due by the Customer, according to the provision of Investment management agreement concluded between the Customer and the Fund Manager, within 5 business days since the Bank will receive the invoice issued by the Fund Manager.

E. REPORTS

BANK will send to the Customer the following reports:

Daily, until the beginning of next business day:

- settled transactions of the current day
- statement of holdings under Bank's custody as at the end of the day;
- current account bank statements via MT950 daily, regardless of movement in the account and on paper (signed by Bank's representative and stamped) at Bank's premises on a monthly basis;
- confirmations of the deposits with the Bank.

Corporate actions reports, for listed companies existing in Fund's portfolio in Romania and abroad, via email and standardised SWIFT corporate actions.

Monthly, in the 1st business day of the following month, the bank statements for all current accounts and confirmations for all deposits, including overnight deposits (if available), via swift (MT950) and paper format (in original, signed by Bank's representative and stamped).

Monthly, in the first 15th calendar days:

- invoice for the depository services provided on the previous month, together with all computation details for each category of fee.

Also monthly, by latest the 15th day of each month, the Bank shall certify and sign (following the Bank authorised signatures list provided to FSA) the Annex 5 from the CNVM Regulation no 4/2010 as subsequently amended by CNVM Regulation 11/2012, together with the Detailed statement of investments (prepared in accordance with Annex 4 from the CNVM Regulation no 4/2010, as subsequently amended by CNVM Regulation 11/2012) prepared by the Customer for the last calendar day of the previous month.

Quarterly, within 45 days after the end of the quarter, the Bank shall certify the Statement of Assets and Obligations, including the Detailed statement of investments (prepared in accordance with Annex 4 from the CNVM Regulation no 4/2010, as subsequently amended by CNVM Regulation 11/2012) for the last calendar day of the quarter.

The Bank, as depository bank, will certify and sign any other document at Customer or FSA specific request.

F. COMMUNICATION

The Customer will provide to Bank any information or documents requested by the depository bank, in order to certify the Net Assets Value.

Also Bank will inform the Customer about any act or fact considered to be relevant by the depository bank.

All documents mentioned in the procedure have to be send to Bank by the Customer via email, swift, or fax or paper based, barring the signature of the Customer's representatives (except for documents sent by swift).

Appendix 1: Template of a settlement instruction shall be sent by the Customer to the Bank in case of transactions with securities traded on Romanian regulated markets

TO: [...]

Tel: [...]

Fax: [...]

SETTLEMENTS INSTRUCTION FOR SHARES

We instruct you to settle the trade with the following details:

1. Customer:
2. Trade date:
3. Settlement date:
4. Transaction type:
5. ISIN code:
6. Issuer name:
7. Number of financial instruments:
8. Price:
9. Settlement amount:
10. Currency:

11. Broker: broker's name, address, BIC code.

Institution name:.....

Institution representative:.....

Signature:.....

Appendix 2: Template of a settlement instruction shall be sent by the Customer to the Bank in case of transactions with foreign financial instruments settled via Euroclear/ Clearstream

TO: [...]

Tel: [...]

Fax: [...]

SETTLEMENTS INSTRUCTION FOR EUROBONDS

We instruct you to settle the trade with the following details:

1. Customer:
2. Trade date:
3. Settlement date:
4. Transaction type:
5. ISIN code:
6. Issuer name:
7. Number of financial instruments:
8. Price:
9. Settlement amount:
10. Currency
11. Foreign broker: swift and EUROCLEAR/ CLEARSTREAM account.

Institution name:.....

Institution representative:.....

Signature:.....

Appendix 3: Template of a payment order that shall be sent by the Customer to the Bank

FACSIMILE

TO: [...]

FROM: [...]

FAX NO: [...]

DATE: [...]

PAGES: 1 [including header]

Payment Order - Fondul Proprietatea

Payment amount(figures): [...]

Payment amount(letters): [...]

Currency: [...]

Payment date / Value Date: [...]

Ordering Party: Fondul Proprietatea

IBAN: [...]

Account with: [...]

Beneficiary: [...]

Beneficiary IBAN: [...]

BIC: [...]

Transfer details: [...]

Authorised Signatures: [...]

Appendix 4: Template of a security trades order that shall be sent by the Customer to the Bank

FACSIMILE

COMPANY: [...]

FROM: [...]

FAX NO: [...]

DATE: [...]

PAGES: 2 [including header]

This message is sent in confidence for the addressee only. It may contain legally privileged information. The contents are not to be disclosed to anyone other than the addressee. Unauthorised recipients must preserve this confidentiality and should advise the sender immediately of any error in transmission.

Message: Security trades to be processed

Please take this fax as a request to process the attached trade. This is a replacement to the SWIFT messaging that will be put in place in the coming months.

Regards

[...]

14695s1325.0 ADD Trans#: 13912284 Equity Exec bjc
 Client: Fondul Proprietatea , SM: [...]
 , BASE\$: [...]

PRINTED : [...]

ECR: [...]

BCE: [...]

Fondul Proprietatea Fund (CNVM REG)

Acct At Custodian --> [...]

Trade # -----> [...]

BUY

ISIN CUSIP/SEDOL/ -----> [...]

Reuters -----> [...]

Security Name ----> [...]

Trade Date -----> [...]

Settlement Date --> [...]

of Shares -----> [...]

Price -----> [...]

Currency -----> RON --Romania Leu-new

Principal -----> [...]

Commission -----> [...]

Net -----> [...]

Broker -----> [...]

TBY -----> [...]

Bkr Reason Code --> [...]

Clearing Bkr BIC -> [...]

Settlement Instructions (PSET: DECNROBUXXX):

Beneficiary Broker BIC --> [...]

Comments: PLEASE TRANSFER SHARES TO SECTION 1 OF CENTRAL DEPOSITORY

**ADDENDUM TO THE
DEPOSITORY AGREEMENT
for
S.C. FONDUL PROPRIETATEA S.A.**

**ADDENDUM
No 1 concluded on 28.10.2013**

This Addendum to the Depository Agreement no. FP 94/BRD 123/01.10.2013 (the “Depository Agreement”) has been concluded on the above-mentioned date, by and between:

BRD-GROUPE SOCIETE GENERALE S.A., banking company registered and existing under the Romanian bank legislation, with the registered office in Bucuresti, B-dul Ion Mihalache nr.1-7, sector 1, tel. 021 200 83 72, fax 021 200 83 73, , registered with the Bucharest Trade Registry under no. J40/608/1991, with fiscal identification code RO361579 registered with the Credit Institutions Registry under no. RB - PJR - 40 - 007 /18.02.1999, registered with the Public Registry of FSA (“FSA” - The Financial Supervision Authority or, where applicable, its predecessor the CNVM) under no. PJR10DEPR/400007 legally represented by Claudiu Alexandru CERCEL-DUCA, Deputy General Director and Claudia IONESCU, Director Securities Division , hereinafter referred to as the “Bank” or “BRD” on one hand

and

S.C. Fondul Proprietatea S.A., a closed-end investment company, existing under the provisions of the Law no. 297/ 2004 on the capital market, as further amended and completed, Law no. 247/2005 regarding the reform in the fields of property and justice, as well as some adjacent measures, as further amended and completed, corroborated with the provisions of the National Securities Commission (“CNVM”) Regulation no. 15/2004, on the authorization and activity of the investment management companies, of the collective investments and depositing bodies, Regulation no. 4/2010, as subsequently amended, on the registration with the CNVM and on the activity of the Commercial Company “Fondul Proprietatea” S.A. , as well as the trading of the shares issued by it, hereinafter collectively referred to as the Law and respectively Regulation, organized and existing in accordance with the Romanian laws, having the registered office in Bucharest, 78 - 80 Buzesti Street, 7th floor, District 1, Romania, registered at the Bucharest Commerce Registry Office under No. J40/21901/2005, Unique Identification Code 18253260, registered with the Public Registry of CNVM under no PJR09SIIR/400006 (represented by Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, with the registered office in Bucharest, 78-80 Buzesti Street, 7-8th floors, 1st district, Romania, registered at the Bucharest Trade Registry under the registration no. J40/8587/2009, sole identification code: 25851096, registered in the CNVM’s Public register under no. PJM05SSAM/400001, acting as Sole Administrator and Fund Manager of the Customer, which is legally represented by Oana Truța as Legal Representative, (this party hereinafter referred to as “The Customer” or “Fondul Proprietatea”).

(hereinafter referred to individually as the “Party” and collectively as the “Parties”).

Whereas:

- the Parties have executed the Depository Agreement registered under no. FP 94/BRD 123/01.10.2013,

- The Parties envisage to change the commencement date of the Depository Agreement,

Therefore, the Parties have agreed on amending Article 17.1 Duration and Termination of the Agreement, as follows:

1. Art. 17.1 Duration and Termination of the Agreement shall be amended and shall read as follows:

“17.1. Subject to clause 17.1.2, the parties’ rights and obligations under this Agreement shall become effective on 27 November 2013 or on the date of FSA issuing the final approval of the Agreement if this is after 27 November 2013 and shall run for a period of three years from that date. Subject to clause 17.1.2, if the Customer decides the termination of the Agreement it shall give at least 90 calendar days’ prior written notice to the Bank.

The transfer of the Client’s assets to BRD will start within maximum two business days calculated since FSA endorses the depositary agreement.”

2. All other provisions of the Depository Agreement remain unchanged.

The Parties have signed this Addendum on the day mentioned above, in 3 (three) original counterparts, one for each Party and one for Financial Supervisory Authority.

S.C. FONDUL PROPRIETATEA S.A.

By: Oana Truța

Title: Legal Representative of Franklin Templeton Investment Management Ltd. UK Bucharest Branch in its capacity of Sole Administrator of S.C. Fondul Proprietatea S.A.

BRD

By:

Claudiu Alexandru CERCEL-DUCA

Signature:

Title: Deputy General Director

Claudia IONESCU

Signature:

Title: Director Securities Division

Annex 6.2 Tender Offer Document

TENDER OFFER DOCUMENT

Issuer:

SC Fondul Proprietatea SA

Price of _____ lei (RON)/share

during _____ - _____

Bidder:

SC Fondul Proprietatea SA

**FONDUL
PROPRIETATEA**

Intermediaries

BANCA COMERCIALA ROMANA S.A.

WOOD & COMPANY FINANCIAL SERVICES a.s



THIS OFFER IS ADDRESSED ONLY TO SHAREHOLDERS OF FONDUL PROPRIETATEA, IN
ACCORDANCE WITH REGULATIONS IN FORCE
APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY ("FSA") BY DECISION
_____ DATED _____

THE AUTHORIZATION ENDORSEMENT ON THE OFFER DOCUMENT SHALL NOT BE
CONSTRUED AS A GUARANTEE NOR REPRESENTS OTHER FORM OF APPRECIATION BY
THE FSA WITH RESPECT TO THE OPPORTUNITY, ADVANTAGES OR DISADVANTAGES,
PROFIT OR RISKS THAT MAY BE IMPLIED BY THE TRANSACTIONS TO BE CARRIED
OUT IN CONNECTION WITH THE TENDER SUBJECT TO THE AUTHORIZATION
DECISION; THE AUTHORIZATION DECISION CERTIFIES ONLY THE COMPLIANCE OF
THE OFFER DOCUMENT WITH THE LEGAL REQUIREMENTS AND THE NORMS
ADOPTED FOR THE APPLICATION THEREOF.

NOTE

NOT FOR DISTRIBUTION TO ANY PERSON RESIDENT OR LOCATED IN A RESTRICTED JURISDICTION.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or what action you should take, you should consult a person authorised under the Capital Markets Law no. 297/2004, as amended, or if you are resident outside Romania, a person authorised by the appropriate regulator in your jurisdiction, who specialises in advising on the acquisition of shares and other securities before taking any action. The whole of the text of this document should be read.

The main purpose of this document is to provide general information in order to assist Shareholders to form an opinion regarding the Issuer's situation.

This Offer Document has not been prepared with the intent to be the sole basis for assessing the Issuer and making the decision to sell. Also, this Offer Document must not be interpreted as Intermediaries or the Issuer's recommendation to sell. Each Shareholder must independently assess the Issuer and the proposed Offer. Each Shareholder is advised to consult with its own legal, financial, tax or other advisors, and with its accountants or other consultants with respect to legal, tax, business and financial issues or with any issue dealing with the decision to sell its shares, the Issuer and the Intermediaries declining any liability with respect to such issues.

This document constitutes the English version of the Offer Document approved by the FSA by Decision no. _____ dated _____. This translation of the Offer Document from Romanian to English language is not an official translation and is made available for information purposes only, prepared solely for the convenience of the non-Romanian speaking shareholders of SC Fondul Proprietatea SA and potential investors and is not a substitute for the original Romanian version of the Offer Document. This translation is not required by any law or regulation and hence has not been reviewed or approved by the FSA. The accuracy or completeness of this translation is not guaranteed. In the event of any inconsistencies between this English translation and the Romanian version, the Romanian version shall prevail.

Restricted Jurisdictions

*The availability of the Offer to persons who are not resident in Romania may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves about and observe any applicable legal or regulatory requirements of their relevant jurisdiction. Unless otherwise permitted by applicable law and regulation, the Offer is not being and will not be, made, directly or indirectly, in or, into, and will not be capable of acceptance from or within any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure for the Bidder if information or documentation concerning the Offer is sent or made available to the Shareholders in that jurisdiction (the „**Restricted Jurisdiction**”).*

Accordingly, copies of this document, the Subscription Form and any other accompanying document are not being, and must not be, directly or indirectly mailed or otherwise forwarded, distributed or sent in, into or from Restricted Jurisdiction. Persons receiving this document, the Subscription Form (including custodians, nominees and trustees) should observe these restrictions and must not mail or otherwise distribute or send them in, into or from any such jurisdictions as doing so may be a breach of applicable law and regulation in that jurisdiction and may invalidate any purported acceptance of the Offer. Any person (including custodians, nominees and trustees) who would, or otherwise intends to, or may have a legal or contractual obligation to, forward this document, the Subscription Form and/or any related document to any jurisdiction outside Romania, should inform themselves or, and observe any applicable legal or regulatory requirements of any relevant jurisdiction and seek appropriate advice.

The Issuer's activity, financial condition, financial results obtained and the information included in the Offer Document may subsequently change. Fondul Proprietatea both in its quality as Bidder and as Issuer and the Intermediaries undertakes no obligation to update or revise the information contained in this Offer Document.

Publication

A copy of this document is and will be available free of charge:

- a) at BANCA COMERCIALA ROMANA registered office, respectively Bucharest, Bd. Regina Elisabeta no. 5, 3rd District, telephone 037.226.4854/4855, fax 021.302.59.93 and at the Bidder's registered office, respectively 78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania , telephone 0212009600, starting with the date of publishing the Offer Notice, and
- b) the internet and intranet pages of Bucharest Stock Exchange (www.bvb.ro), Bancii Comerciale Romane website (www.bcr.ro), Wood&Company Financial Services website (www.wood.cz), as well as the Issuer's website (www.fondulproprietatea.ro), subject to certain restrictions relating to persons resident in the Restricted Jurisdictions.

The tender offer (hereinafter called **“Public Offer”** or **“Offer”**) is initiated by S.C. Fondul Proprietatea S.A., a company established and operating according to the Romanian law, with the registered office in 78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania, registered at the Trade Registry J40/21901/2005 (hereinafter called **“Bidder”**), through **Banca Comerciala Romana S.A., (“Banca Comerciala Romana”)** with the registered office in Bucharest, Bd. Regina Elisabeta no. 5, 3rd District, Postal code 030016, registered at the Trade Registry under no. J40/90/1991, unique registration code 361757, registered in the Bank Registry under no. RB-PJR-40-008/18.02.1999, in CNVM Registry under no. PJR01INCR/400007/26.05.2006 and at the Register of personal data operators under no. 3776/2006, having CNVM Certificate no. 152/22.05.2007 and **WOOD & Company Financial Services a.s., („Wood”)** with its registered seat in Prague, Palladium, Nam. Republiky 1079/1a, 110 00 Prague 1, Id. No. 26503808/ 1 February 2002, entered into the Commercial Register with the Municipal Court in Prague, Section B, File 7484, an investment firm authorized by the Czech National Bank with decision no Sp/2008/2145/571, registered in the CNVM Registry under no. PJM01FISMCZE0021 (hereinafter called **“Intermediaries”**), and targets the acquisition of a number of 600,000,000 shares of S.C. Fondul Proprietatea S.A. (hereinafter called **“Issuer”**) fully paid that are not owned by the Bidder, according to the provisions specified below. This tender offer document (hereinafter called **“Offer Document”**) was approved by the Financial Supervisory Authority (hereinafter called **“FSA”**) by decision _____/_____.

1. ISSUER IDENTIFICATION

The target company under the Public Offer is SC Fondul Proprietatea SA, identified according to the following data:

• Legal form:	Joint stock company, registered and operating under the Romanian law
• Registered office:	78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania
• CUI:	18253260
• Registration number at the Trade Registry:	J40/21901/2005
• Main object of activity:	NACE code 6430 - financial investments
• Share capital:	13,778,392,208 RON , divided into a number of 13,778,392,208 ordinary registered shares, , issued in a dematerialized form, each share having a nominal value of 1 RON and giving equal rights. The paid-up share capital is RON 13,413,137,586 (CIVM Registration No: AC-3632-5/03.09.2012).

Synthetic structure of Issuer’s shareholders as at 24 September 2013 was the following:

Shareholder’s name	No. of shares	Participation (%)
MANCHESTER SECURITIES CORP.	2,186,327,698	15.867799%
FONDUL PROPRIETATEA SA¹	559,363,501	4.059715%
OTHER SHAREHOLDERS	11,032,701,009	80.072486%
TOTAL	13,778,392,208	100%

Source: Registry excerpt dated 24 September 2013 provided by the Central Depository

¹ At the registration date of the Tender Document with the FSA, namely 25 September 2013, Fondul Proprietatea held 562,335,501 shares, representing 4.0812% of the Issuer’s share capital, as described in Section 4 below. At 24 September 2013 Fondul Proprietatea held 559,363,501 shares, representing 4,059715% of the Issuer’s share capital, the difference in shares being settled afterwards, namely on 25 September 2013.

The Issuer is traded on Bucharest Stock Exchange system, BVB section, at 1st category, FP symbol and ISIN ROFPTAACNOR5 code, as of 25.01.2011.

The following chart represents the evolution of the share price of FP, expressed in RON, during the last 12 months prior to the launch of the Public Offer:



Source: BVB site

The closing price of Issuer's share in the last day of transaction before the submission of this Offer Document at FSA was of 0.7230 RON/share, price established on 24 September 2013.

2. BIDDER'S IDENTIFICATION

A. Information on Bidder

The Bidder is the company SC Fondul Proprietatea SA , identified with the following data:

• Legal form:	Joint stock company, registered and operating under the Romanian law
• Registered office:	78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania
• Registration number at the Trade Registry:	J40/21901/2005
• Object of activity:	NACE code 6430
• Share capital:	13,778,392,208 RON , divided into a number of 13,778,392,208 ordinary registered shares, issued in a dematerialized form, each share having a nominal value of 1 RON and giving equal rights.

Synthetic structure of Bidder's shareholders on 24 September 2013 is the following:

Shareholder's name	No. of shares	Participation (%)
MANCHESTER SECURITIES CORP.	2,186,327,698	15.867799%
FONDUL PROPRIETATEA SA²	559,363,501	4.059715%
OTHER SHAREHOLDERS	11,032,701,009	80.072486%
TOTAL	13,778,392,208	100%

Source: Registry excerpt dated 24 September 2013 provided by the Central Depository

B. Bidder's Presentation

- S.C. 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 is registered with the CNVM as other collective investment undertaking under number PJR09SIIR/400006/18.08.2010.
- The Fund's investment objective is long-term 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.

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

Contact Details

Address: 78-80 Buzesti Street (7th floor), District 1,
Postal Code 011017, Bucharest, Romania.
Web: www.fondulproprietatea.ro
E-mail: investor.relations@fondulproprietatea.ro
Telephone: +40 21 200 9600
Fax: +40 21 200 9631/32

² At the registration date of the Tender Document with the FSA, namely 25 September 2013, Fondul Proprietatea held 562,335,501 shares, representing 4.0812% of the Issuer's share capital, as described in Section 4. At 24 September 2013 Fondul Proprietatea held 559,363,501 shares, representing 4.059715% of the Issuer's share capital, the difference in shares being settled afterwards, namely on 25 September 2013.

3. IDENTIFICATION OF PERSONS ACTING IN CONCERT WITH THE BIDDER

The Bidder is not aware of the existence of other persons acting in concert with him regarding the Issuer.

4. NUMBER OF THE ISSUER'S SHARES HELD BY THE BIDDER

The Bidder holds directly a number of 562,335,501 shares, representing 4.0812% of the Issuer's share capital as at 25 September 2013, in accordance with the statement of account type G no. 119705806 issued by the Central Depository for 25 September 2013.

5. NUMBER AND CLASS OF SHARES SUBJECT TO THE PUBLIC OFFER

The Bidder intends to acquire through this Public Offer a number of up to 600,000,000 fully paid shares of the outstanding shares issued by the Issuer which are not in its property representing 4.3546% of the share capital of the Issuer (the "Offered Shares"). As a result, the Public Offer is open to all natural and legal persons holding, during the Offer Period, shares issued by the Issuer (the "Shareholders").

The acquisition by the Bidder of shares under this Public Offer is part of the buy-back program approved by resolution of the extraordinary general shareholders' meeting of the Bidder no. 4/2012 dated 25 April 2012 published with the Official Gazette of Romania Part IV no. 1894 dated 10.04.2013 for the purpose of the decrease of the share capital.

After the finalization of the Public Offer, the Bidder intends to cancel the acquired shares and decrease its share capital with the corresponding book value of the cancelled shares.

6. PURCHASE PRICE UNDER THE PUBLIC OFFER AND ITS RATIONALE

Price per share offered by the Bidder within the Public Offer is of _____ lei (RON)/share (hereinafter called „Offer Price”).

Shareholders who shall validly accept the Offer in accordance with the terms of this Offer Document shall receive the Offer Price per share, less (i) the cost of capital gains tax (in case the tax must be withheld by the authorized intermediary in accordance with the applicable law) as well as (ii) the payment and transaction fees. Certain costs will be detailed in the Subscription Form; shareholders should verify total costs with their intermediary.

The Method of determining the Price

The Offer Price was established according to Law no. 297/2004 regarding the capital markets, as amended and the Regulation of the National Securities Commission no. 1/2006 regarding the issuers and the operations with securities, as amended ("Regulation no. 1/2006"). According to the provisions of art. 57, paragraph 1 of Regulation no. 1/2006, the price in a tender offer should be at least equal with the highest of:

- a) the highest price paid by the Bidder during 12 months prior to the submission date to FSA of the offer documentation – this price is of 0.7190 RON/share.
- b) the weighted average price, for the last 12 months prior to the date of submission to FSA of the offer documentation. According to BVB data, this price is of 0.6118 RON/share for the period 25 September 2012 – 24 September 2013.

Considering the mentioned above, the Offer Price is of _____ RON/share.

Value of Public Offer

The total value of the Public Offer (hereinafter called "Offer Value") will be equal to the number of shares acquired by the Bidder multiplied with the Offer Price. The maximum value of the Public Offer amount to _____ lei (RON).

According to the regulations in force, the Offer Price may be increased during the Public Offer by the Bidder according to the procedure described in Section Amendment of the Public Offer of this Offer Document. In this situation, the Shareholders who have accepted the Public Offer by signing and submitting the Subscription Form before the amendment of the Offer Price will receive the increased price.

7. PUBLIC OFFER PERIOD

This Public Offer is valid for a period of 15 (fifteen) working days and will be opened after at least three (3) working days from the date of the tender announcement was published in two (2) national newspapers. Offer period is between _____ and _____ (hereinafter called "Offer Period"). The validity period of the Public Offer may be extended by the Bidder according to the procedure described in Section Amendment of the Public Offer of this Offer Document. Throughout its duration, the Public Offer is irrevocable. On expiry of the Offer Period, the Public Offer becomes obsolete.

8. AMENDMENT OF THE PUBLIC OFFER

In accordance with Law no. 297/2004 regarding the capital market and Regulation of the Romanian National Securities Commission no. 1/2006, in case of occurrence of any new event or the change of the initial information presented in the Offer Document, that can affect the investment decision during the Offer Period, there may be an amendment of the Offer.

The Bidder may change the terms and conditions of the Offer, with the observance of the following conditions:

- a) obtaining the FSA approval for amending the Offer Document;
- b) the amendment of the Offer terms does not lead to less favorable conditions for those to whom it is addressed;
- c) the amendment is the subject of an announcement to be brought to the attention of investors in the same terms as the Offer Document.

Any request to change the Offer Document will be subject to FSA for approval at least one (1) day prior to the closing of the Public Offer.

The amendment to the Public Offer is valid only if it is approved by FSA. FSA may approve the changes according to the legislation in force on securities tender offers or may refuse their approval. If changes regarding the pricing are approved or any other elements of the Offer Document, except for those regarding the closing date of the Offer, the FSA has the right to extend the Offer Period in order to have at least two (2) working days between the date of publication of the announcement of amendment and the closing date of the Offer. The amendment will be brought to the attention of the investors and is valid from the date of its publication in accordance with Article 175 of Capital Market Law no. 297/2004, as subsequently amended.

9. METHOD AND PLACES OF SUBSCRIPTION, PROGRAM WITH PUBLIC

The Public Offer will be run using exclusively the systems of the Bucharest Stock Exchange.

The Offer Document shall be freely available:

- a. at Banca Comerciala Romana' registered office, respectively Bucharest, Bd. Regina Elisabeta no. 5, 3rd District, telephone 037.226.4854/4855, fax 021.302.59.93 and at the Bidder's registered office, respectively 78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania , telephone 0212009600, starting with the date of publishing the Offer Notice, on paper and
- b. the internet and intranet pages of Bucharest Stock Exchange (www.bvb.ro), the Intermediaries' websites, Banca Comerciala Romana (www.bcr.ro), and Wood&Company Financial Services (www.wood.cz), as well as the Issuer's website (www.fondulproprietatea.ro).

Professional clients as defined article 2 of Law 297/2004, as amended:

These shareholders may accept the Offer by completing and signing before the expiry of the Offer Period, 2 (two) copies of the subscription form in the form to be made available to interested Shareholders by authorized intermediaries (hereinafter called "Subscription Form"), attached as Annex 1 to this Offer Document and by delivering all documents required according to this Offer Document, at one of the following locations:

- At the headquarters of Banca Comerciala Romana S.A., Bd. Regina Elisabeta, no.5, 3rd District, Bucharest, telephone 021.408.55.94, working program Monday to Friday between 10:00 – 17:00 Eastern European Time (GMT+2);
- At the headquarters of Wood & Company Financial Services a.s., Prague, Palladium, Nam. Republiky 1079/1a, 110 00 Prague 1, working program Monday to Friday between 9:00 – 17:00 Central European Time (GMT+1); and
- At the registered office of other intermediaries authorized by the FSA, who sign and submit to the Intermediaries the letter of engagement to abide by the terms of the Offer (hereinafter called "Letter of Engagement"), attached as Annex 2 to this Offer Document and whose access in the offering was set up by the BSE, working program Monday to Friday between 10:00 – 17:00 Eastern European Time (GMT+2)

Other clients that are not treated as professional clients:

These shareholders may subscribe in the Offer in accordance with the terms of this Offer Document by completing and signing before the expiry of the Offer Period, 2 (two) copies of the Subscription Form and by delivering all documents required according to this Offer Document, at one of the following locations:

- At the headquarters of Banca Comerciala Romana S.A., Bd. Regina Elisabeta, no.5, 3rd District, Bucharest, telephone 021.408.55.94, working program Monday up to Friday between 10:00 – 17:00 Eastern European Time (GMT+2); and
- At the registered office of other intermediaries authorized by the FSA, who sign and submit to the Intermediaries the Letter of Engagement and whose access in the offering was set up by the BSE, working program Monday to Friday between 10:00 – 17:00 Eastern European Time (GMT+2).

In the last day of the Offer Period, Subscription Forms may be received only between 10:00 and 12:00 Eastern European Time (GMT+2).

The execution of the Subscription Form in accordance with this Offer Document represents the unconditional acceptance of the terms and conditions of the Public Offer and of the Offer Document in its entirety, the relevant Shareholder confirming that it has received, read, accepted and agreed with the terms and conditions of this Offer Document and that it has subscribed in compliance therewith. After the expiry of the Offer Period, the subscriptions will remain irrevocable until completion of the operations set forth in this Offer Document.

In case the Shareholder has concluded a valid brokerage contract with one of the intermediaries who will take the sale order in accordance with the terms and conditions of this Offer Document, the order will be sent as a standard trading order, in accordance with the relevant brokerage agreement, while the Subscription Form will be filled in by the relevant intermediary, without the Shareholder being required to submit additional documentation for identification.

In case the Shareholder has not concluded a valid brokerage contract with an intermediary who will take the sale order in accordance with the terms and conditions of this Offer Document, the Subscription Form will have attached along with (i) any other documents requested by the intermediary for the purpose of carrying out its duty to comply with the "know your client" rules, based on applicable regulation and on internal norms and procedures for client identification and (ii) the statement of account ascertaining the quality of Shareholder and the number of shares held (in original), the following documents in original:

A. Shareholders natural persons (resident or nonresident):

- a valid identity document (identity card or passport) – original and copy
- in case the subscription is made by a representative (i) special empowerment given to the representative authenticated by a notary public (in original), legalization/Apostille, as appropriate, explicitly stating the mandate offered to the representative to sell the Issuer's shares held by the Shareholder under the Public Offer at the Offer Price, and (ii) a valid identification document of the representative (identity card or passport) - original and copy;
- in case the Shareholders request the payment of the corresponding Offer Price in accordance with this Offer Document in a bank account - the name and identification data of the bank, the account number (IBAN) in which the Shareholder wishes to receive the corresponding Offer price in accordance with this Offer Document and the statement of the bank account opened in the name of the Shareholder issued by the bank where he has opened the account and indicating the name of the Shareholder and the bank account identification details (in original);
- The "Acquisition Statement" in the form of annex 1 of the Norm for determining, withholding and remittance of the capital gains tax arising from transfer of securities obtained by individuals approved by Order of the Ministry of Economy and Finance no. 3483/2008, as amended (the form shall be made available free of charge, together with the Subscription Form in accordance with this Offer Document) for Shareholders whose shares are not held in any intermediary's account. In order to transfer shares to BCR from another intermediary's account, a Shareholder shall provide the portfolio statement in original form issued by the intermediary, according to annex 2 of the Norm for determining, withholding and remittance of the capital gain tax due by natural persons resulting from the transfer of securities.

B. Shareholders legal persons (resident or nonresident):

- registration certificate issued by the Trade Registry or by any equivalent institution according to the applicable law, registration number and fiscal code (copy) legalized/apostilled as the case may be ;
- proof of the legal representatives of the person making the subscription (i.e.. certificate of current standing, in original, issued by the Trade Registry or by an equivalent institution issued no more than ten (10) working days prior to commencement of the Offer Period) (original and copy) legalized/apostilled as the case may be;
- special empowerment (in original) of the person making the subscription, if this is not the legal representative of the Shareholder (if appropriate, legalized/apostilled) explicitly stating the mandate offered to the representative to sell the Issuer's shares held by the Shareholder under the Public Offer at the Offer Price ;

- a valid identity document (identity card, passport, etc..) of the legal representative or the person empowered to make the subscription on behalf of the Shareholders - original and copy;
- for the Shareholders that request the payment of the corresponding Offer Price in accordance with this Offer Document in the bank account - the name and identification data of the bank, account number (IBAN) in which the Shareholder wishes to receive the corresponding Offer price in accordance with this Offer Document and statement of bank account opened in the name of the Shareholder issued by the bank where it has opened the bank account and indicating the name of the Shareholder and the bank account identification details (in original).

Documents in a different language than the Romanian, submitted by a Shareholder legal person or an entity without legal personality shall be accompanied by a notarised translation thereof in the Romanian language.

If the (i) shares are restricted in any way from the register kept by the Central Depository, (ii) the Subscription Forms contain factual or legal errors, (iii) the shares are subject to any options or other rights in favor of a third party or (iv) shares are not held in the account by the Shareholder having completed and executed the Subscription Form, the relevant Subscription Forms shall be deemed null and void and shall not be validated by the relevant intermediaries.

The Intermediaries and the intermediaries whose access in the Public Offer is authorized by the Intermediaries shall check the validity of the Subscription Forms and related documentation and validate them in accordance with the terms and conditions of this Offer Document.

A copy of the Subscription Form completed and signed by the Shareholder and validated by the relevant intermediaries will be issued to the relevant Shareholder and the second copy will remain at the registered office of the intermediary authorized by FSA.

The Intermediaries and the intermediaries whose access in the Public Offer is authorized by the Intermediaries must inform the Shareholders in connection with the conditions of the implementation of the Public Offer and are exclusively liable for the implementation of the Public Offer and the observance of this Offer Document and the FSA regulations, including without limitation for the completion of the settlement of the trades carried out pursuant to the orders collected, validated and registered in the BVB systems related to the Offer and corresponding payments to the beneficiaries.

10. ALLOCATION METHOD OF SHARES

The Bidder intends to acquire through this Public Offer a number of 600,000,000 fully paid shares of the outstanding shares which are not in its property, representing 4.3546% of the share capital of the Issuer.

In case the total number of shares available to be sold by Shareholders accepting the Public Offer in accordance with this Offer Document exceeds the number of Offered Shares, the allocation of shares will be done on a pro-rata basis. For the avoidance of doubt, in such a case, any Shareholder accepting the Public Offer will sell a number of shares equal with the number of shares for which a Subscription Form was completed by the Shareholder and validated by the relevant intermediaries in accordance with this Offer Document multiplied with the ratio between the total number of Offered Shares and total number of shares for which Subscription Forms were completed by the Shareholders and validated by the relevant intermediaries.

11. THE PAYMENT METHOD OF SHARES

The value of the sold shares will be paid in accordance with the terms of this Offer Document by the Intermediaries/ intermediaries authorized by FSA that are participants to the Public Offer in accordance with this Offer Document directly to the selling Shareholders who have subscribed via the Intermediaries or to other intermediaries that have signed and submitted to the Intermediaries the Letter of Engagement, within a maximum of 3 (three) working days from the trade settlement date. No payments will be made before the expiry of the Offer Period.

For the purposes of this Offer Document, the trades will take place no later than three (3) working days from the expiry of the Offer Period and will consist in the automatic recording in the electronic system of the BVB of two (2) types of orders: a set of sell orders in the account of the seller(s) that subscribed under the Public Offer and a purchase order in the Bidder's account. The intermediaries authorized by the FSA whose access in the Public Offer was authorized by the Intermediaries and set up by the BSE will have to abide by the terms of the Public Offer by signing the Letter of Engagement.

The Bidder shall not be liable for the payment of any capital gains tax, any transaction fees and charges or other charges and commissions payable by the Issuer's Shareholders who have sold shares within the Public Offer. Each Shareholder will receive payment for the sold shares in accordance with this Offer Document either by postal mandate with acknowledgement of receipt or by bank transfer in the account specified by the Shareholder in the Subscription Form, while any related costs are to be borne by the Shareholders who have accepted the Public Offer.

12. THE SOURCE AND SIZE OF THE BIDDERS' FUNDS FOR THE PAYMENT OF SHARES

The Bidder shall finance the Offer using funds already available. Thus, to fully cover the total value of the Offer, the Bidder shall use its own resources readily available from the distributable profit or the available reserves of the Bidder according to the latest approved financial statements other than the legal reserves.

The Bidder has guaranteed the payment of the Offer Price via a bank deposit (in the amount of 30% of the Offer), according to the regulations in force.

13. FINANCIAL INFORMATION OF THE BIDDER/ISSUER, ACCORDING TO THE LATEST APPROVED FINANCIAL STATEMENTS

Million RON	2010	2011	2012
Total assets	12,223	11,219	11,896
Revenues from current activity	577	618	872
Gross profit	467	546	567
Net profit	456	544	567

Note: prepared in accordance with Romanian accounting regulations (CNVM Regulation no. 4/2011)

14. OTHER INFORMATION CONSIDERED TO BE RELEVANT BY THE BIDDER

The Bidder and the Intermediaries state on oath that the information contained in the Offer Document is true and no omission was made that is likely to affect significantly the content of the Offer Document.

In accordance with Article 182 of Law 297/2004 regarding the Capital Market Law, 297/2004, as amended, the Bidder and the Intermediaries are jointly liable for the preparation of this Document Offer and for compliance with the legal provisions regarding the truthfulness, accuracy and exactness of the information in the Offer Document and in the Offer Announcement, as the case may be. Initiation and completion of this Public Offer are governed by Law no. 297/2004 regarding the capital market and Regulation no. 1/2006 on issuers and the securities approved by the Romanian National Securities

Commission by Order no. 23/09.03.2006 and Regulation no. 31/2006 completing certain regulations of the Romanian National Securities Commission to implement certain provisions of European directives, approved by Order 106/14.12.2006 of the Romanian National Securities Commission.

The legal relationship between the Bidder and the Shareholders who have subscribed under the Public Offer, will be governed by the Romanian law. Any dispute arising under or in connection with this relationship will be resolved by the Romanian competent courts, according to the rules of jurisdiction laid down by the Romanian law.

Date: September 2013

BIDDER

SC Fondul Proprietatea SA

Grzegorz Maciej Konieczny

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

INTERMEDIARIES

BANCA COMERCIALA ROMANA S.A.

Mr. Matei Filipidescu

Executive Director, Corporate Finance &
Investment Banking Department

Mr. Valerian Ionescu

Supervisor Regulated Market Office, Directorate of
Financial Markets

WOOD & Company Financial Services a.s

Mr. Vladimir Jaros

Chief Operating Officer

**ADDENDUM NO. 1
TO THE TENDER OFFER DOCUMENT**

Issuer:

SC Fondul Proprietatea SA

**Price of 1 lei (RON)/share
during 15.10.2013-14.11.2013**

Bidder:

SC Fondul Proprietatea SA



Intermediaries

BANCA COMERCIALA ROMANA S.A.

WOOD & COMPANY FINANCIAL SERVICES a.s



DATE OF THE ADDENDUM: 11 OCTOBER 2013

Whereas since the date of submission for approval to the Financial Supervisory Authority of the offer document regarding the tender offer initiated by S.C. Fondul Proprietatea S.A. (hereinafter called "Offer Document") and up to 11 October 2013, the Offeror decided to extend the offer period until 14 November 2013 and to detail certain rules regarding the allocation of the shares subscribed in the Offer, the Offeror submitted to the approval of the Financial Services Authority this Addendum in accordance with the applicable legislation in order to amend the corresponding provisions on the cover page, Section 7 "Public Offer Period" and Section 10 "Allocation Method of Shares" of the Offer Document. This Addendum does not purport to constitute an update to all information included in the Offer Document and shall not be interpreted in the sense that up to the date of the execution of this addendum no other amendments have occurred to the information included in the Offer Document.

The Offer Document is amended as follows:

1. On the cover page of the Offer Document, the reference to the Offer Period shall read as follows:
 "during 15 October 2013 and 14 November 2013" instead as "during 15 October 2013 and 4 November 2013".
2. In Section 7 "Public Offer Period" the first two phrases are amended and will have the following content:
 "This Public Offer is valid for a period of 23 (twenty-three) working days and will be opened after at least three (3) working days from the date of the tender announcement was published in two (2) national newspapers. Offer period is between 15.10.2013 and 14.11.2013 (hereinafter called "Offer Period")."
3. The content of Section 10 "Allocation Method of Shares" shall be amended and shall read as follows:
 „The Bidder intends to acquire through this Public Offer a number of 600,000,000 fully paid shares of the outstanding shares which are not in its property, representing 4.3546% of the share capital of the Issuer.
 In case the total number of shares available to be sold by Shareholders accepting the Public Offer in accordance with this Offer Document exceeds the number of Offered Shares, the allocation of shares will be done on a pro-rata basis. For the avoidance of doubt, in such a case, any Shareholder accepting the Public Offer will sell a number of shares equal with the number of shares for which a Subscription Form was completed by the Shareholder and validated by the relevant intermediaries in accordance with this Offer Document multiplied with the ratio between the total number of Offered Shares and total number of shares for which Subscription Forms were completed by the Shareholders and validated by the relevant intermediaries. Any fractions of shares resulting from such pro rata allocation shall be rounded down to the nearest whole number of shares. For the avoidance of doubt, a Shareholder owning more than 600,000,000 outstanding fully paid shares is entitled to tender a higher number of shares and such number will be considered in the total number of shares tendered when assessing the pro rata allocation, but the maximum number of shares that will be acquired under this Public Offer is 600,000,000. Subscriptions are not allowed for fractional shares.”

This Addendum has been approved by the Financial Services Authority by decision A/503/17.10.2013.

BIDDER

SC Fondul Proprietatea SA

Adrian Cighi

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

INTERMEDIARIES

BANCA COMERCIALA ROMANA S.A.

Mr. Matei Filipidescu

Executive Director, Corporate Finance &
Investment Banking Department

Mr. Valerian Ionescu

Supervisor Regulated Market Office, Directorate of
Financial Markets

WOOD & Company Financial Services a.s

Mr. Vladimir Jaros

Chief Executive Officer

Annex 7

Investment Policy Statement of Fondul Proprietatea SA

I. PURPOSE OF THE INVESTMENT POLICY STATEMENT

This investment policy statement (hereinafter referred to as the “Investment Policy Statement” or “IPS”) sets the prudential rules concerning the investment policy of Fondul Proprietatea S.A. (hereinafter referred to as “Fondul Proprietatea” or “FP”), presents the investment goals and objectives and the decision-making process for selecting investments in accordance with the investment objectives.

The investment policy shall be reviewed when needed by the Fund Manager and the Board of Nominees, in accordance with the provisions of FP’s Constitutive Act.

The IPS is set forth within the legal framework established by Title VII of Law 247/2005, and in accordance with FP’s Constitutive Act, the Extraordinary General Shareholders’ Assembly is responsible for approval of the IPS.

II. ROLES, RESPONSIBILITIES AND PROCEDURES

- A. Fund Manager. The Fund Manager is appointed by the General Shareholders Meeting and performs its activity based on an Investment Management Agreement (hereinafter referred to as the “IMA”). The Fund Manager has the power to make all decisions concerning the investments to be made by Fondul Proprietatea, in accordance with the restrictions provided in the constitutive act of Fondul Proprietatea, the IMA and applicable laws and regulations.
- B. Board of Nominees. The Board of Nominees monitors the activity of the Fund Manager and represents the shareholders in relation to the Fund Manager. The exact roles and responsibilities of the Board of Nominees are detailed in the constitutive act of Fondul Proprietatea.
- C. General Shareholders Meeting. The General Shareholders Meeting is the supreme corporate body of Fondul Proprietatea. Certain transactions performed by Fondul Proprietatea require the prior approval of the General Shareholders Meeting, in accordance with the Constitutive Act.

III. INVESTMENT OBJECTIVES

The FP’s investment objective is capital appreciation via investments mainly in Romanian equities and equity-linked securities.

In the absence of portfolio investment opportunities offering better returns for shareholders, the Fund Manager will use all or a significant part of the proceeds from dividends and disposal of portfolio companies to implement measures aimed at maximizing cash returns to shareholders and/or reducing the discount between the NAV/share and market price/share. Discount management techniques may include (but are not limited to):

- recommendation of buy-back programs of the Fund’s shares to shareholders for approval, subject to compliance with the Constitutive Act and all applicable legislation.
- reduction of nominal value of shares, accompanied by cash distribution to shareholders
- execution of buy-back programs via (i) trading on the regular market on which the Fund’s shares are listed and (ii) public tender offers, in each case subject to available liquidity, compliance with the Constitutive Act and all applicable legislation, and receipt of all necessary regulatory approvals.
- increasing investor demand for the shares, with the aim of increasing the market price, by:
 - Maintaining a transparent dividend policy,
 - Increasing the share of listed companies in the portfolio and their transparency,

- Building good communication through active investor relations work
- Supporting initiatives to make the Romanian capital market more attractive for investors

In order to achieve the Fund objectives the Fund Manager should pay attention to:

- clarity of the Fund Manager's investment strategy and how it contributes to achieving the main investment objectives;
- active engagement with the portfolio companies in order to increase their value ,
- constructive communication and interaction with the Board of Nominees.

Risk management

The Fund Manager is responsible for proper balancing of risk and expected returns.

The Fund Manager should implement appropriate tools and processes in order to monitor operational and investment risks and to respond to developments in a timely fashion.

IV. INVESTMENT LIMITS

The investment policy will observe the prudential limits of investments provided for by the applicable laws and regulations in force and the Constitutive Act of FP.

Under normal market conditions, the Fund should have at least 80% of its net assets invested in Romanian equity and equity-linked securities.

Investments limits, include but are not limited to the following:

- up to 10% of its assets invested in listed shares or money market instruments issued by one single issuer, except of the government bonds
- up to 20% of its assets invested in unlisted securities or money market instruments except of the government bonds and other cases permitted by law*
- up to 10% of assets invested in bank deposits with one single bank
- up to 10% of assets invested in financial instruments issued by entities belonging to the same group of companies
- up to 10% of assets invested in UCITS units or other collective investment scheme units
- exposure to the counterparty risk in a transaction with derivatives traded out of the regulated markets may not exceed 10% of assets, irrespective of the counterparty of the transaction, while the global exposure of derivatives may not exceed 15% of the total allocation of net assets
- not less than 20% of assets investments in listed securities and newly issued securities

** Shares received from Romanian State on the basis of Law No. 247/2005 are exempted from the general rules on allocation. Where the Fund acquires further securities in the same issuer as securities received from Romanian State, the general rules on allocation shall apply to the newly acquired securities only. For the calculation of the ownership limit for securities not admitted to trade, shall be excluded from the value of assets not admitted to trade the value of securities not admitted to trade owed from the Romanian State on the basis of Law No. 247/2005. Therefore, any part of the current Fondul Proprietatea Portfolio (as it has been set up, on securities not admitted to trade owed from the Romanian State on the basis of Law No. 247/2005 and including the modifications made by GEO No. 81/2007) shall be exempted from the general rules on allocation. However, any new acquisition made by the Fund shall observe the general rules on allocation.*

All investment restrictions are available on Fondul Proprietatea website, Investment Policy Statement Section.

V. ADDITIONAL GUIDELINES

Subject to applicable legal provisions in force and the FP Constitutive Act, all decisions regarding sector and security selection, portfolio construction, timing of buy or sell transactions and choice of venue and structure of transaction are delegated to the Fund Manager.

Subject to the applicable legal provisions and the FP's Constitutive Act, the Fund Manager on behalf of the Fund, may buy, sell, exchange, exercise all rights, has a good and valid title to sell and transfer any rights and to enter into conditional contractual liabilities. This includes, without limitation, the power to enter into derivatives and to negotiate and execute loan agreements, repurchase agreements and/ or securities lending agreements, in accordance with the legal applicable provisions in force and the FP Constitutive Act.

Transactions which involve a broker acting as a "principal", where the broker is also the investment manager (or an affiliate of such investment manager) who makes the transaction (or an affiliate of such investment manager) are not permitted.

Transactions should be executed at the lowest possible cost (including commissions, efficiency of execution and the impact of the market) and best execution should be provided at all times.

Cash allocation

Cash allocation is made by the Fund Manager, based on market conditions. It should be aimed at reducing risks to the Portfolio

Valuation

Valuation of assets shall be made in accordance with the regulations in force issued by the Financial Supervisory Authority and in accordance with the internal regulations of Fondul Proprietatea.

VI. LIMITATIONS OF DISCRETIONARY MANAGEMENT

The Fund Manager assumes the management over the entire Portfolio, subject to the IPS.

The Fund Manager is subject to limitations set out by the Constitutive Act of Fondul Proprietatea and the existing applicable legal provisions in force.

VII. LIQUIDITY

The Fund Manager shall maintain adequate liquidity in order to at least meet the following requirements:

- cover the operating and tax expenses of the FP;
- cover the capital expenditure requirements for the FP on-going activities;
- ensure appropriate funds for dividend payments and share buy-backs (where the case).

VIII. TIME HORIZON

The duration of Fondul Proprietatea is not limited in time.

IX. TAX CONSIDERATIONS

The FP is established as a commercial undertaking and is subject to corporate tax in accordance with the Romanian Fiscal Code. The Fund Manager shall take into consideration the tax impact of various operations over the FP net profitability.

Another important consideration to be given is to different taxation of capital gains and dividends.

X. CONSTRAINTS

The FP shall not invest in any other type of asset class, except those specifically mentioned in the applicable legislation and the Constitutive Act. The use of derivatives is permitted subject to the limitations contained in applicable legislation in force. Short selling of securities is prohibited.

Borrowing is allowed only in accordance with the FSA regulations applicable to other undertakings for collective investment and FP's Constitutive Act.

XI. POLICY REVIEW

The IPS shall be reviewed on regular basis by the Fund manager and Board of Nominees in order to ensure that it remains consistent with overall objectives of FP.

Any changes to the investment policy proposed by the Fund Manager and/or the Board of Nominees shall be approved by the General Shareholders Meeting, with observance of investment limits provided in the applicable legislation in force.

Grzegorz Maciej Konieczny

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

Annex 8

Documents of Resignation / Revocation for the Members of the Board of Nominees of Fondul Proprietatea during 2013

Resignation Mr. Cristina Buşu

To: Fondul Proprietatea SA

Bucharest, 78 - 80 Buzesti Street, 7th floor, 1st district, Romania

The undersigned Cristian Buşu, Romanian citizen, domiciled in 6 Paltinului Street, Agigea, Constanţa, identified with ID card series KT no. 703105, personal identification number 1790224131251, as member of the Board of Nominees of SC Fondul Proprietatea SA, I hereby inform you of my renunciation to the mandate of member of the Board of Nominees.

In accordance with Article 6.A. letter (c), final paragraph, of the Mandate Agreement executed with Fondul Proprietatea under no . 30/17 April 2012, the renunciation shall become effective as of the renunciation is communicated to Fondul Proprietatea.

Sincerely,

Cristian Buşu

19 April 2013

**Decision no. 4 / 25 April 2013 of the Shareholders' Ordinary General Meeting of
S.C. FONDUL PROPRIETATEA S.A.**

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

Today, 25 April 2013, 11:00am, the shareholders of S.C. Fondul Proprietatea S.A. ("the Fund") have met during the Shareholders' Ordinary General Meeting ("OGM") of the Fund, at its first summoning, at Hotel JW Marriott – Constanta Ballroom located at 13 Septembrie Street no. 90, 5th District, Bucharest, the OGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, having its headquarters in Bucharest, 78-80 Buzesti Street, 7th and 8th floors, 1st District, Bucharest, registered with the Trade Register under no. J40/8587/2009, sole identification code 25851096 ("the Sole Administrator") and with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001.

Whereas:

- The notice of the OGM was published in the Official Gazette Part IV, number 1409 of 15 March 2013, in "România Liberă" newspaper on 15 March 2013, as well as on the Fund's website – www.fondulproprietatea.ro on 15 March 2013, and the supplemented notice of the OGM published in the Official Gazette Part IV number 1775 on 3 April 2013, in "România Liberă" newspaper on 3 April 2013 and on the website of S.C. Fondul Proprietatea S.A. – www.fondulproprietatea.ro on 3 April 2013,
- The provisions of in force Articles of Association of the Fund ("Articles of Association"),
- The applicable legislation,

At the beginning of the meeting, the Chairman notes there are 190 shareholders present or represented, holding a number of 5,240,644,356 shares, representing 39.07% of the paid-up share capital, holding a number of 5,083,314,367 voting rights, representing 38.59% of the total voting rights. The quorum condition is fulfilled in accordance with Article 14 (1), first paragraph of the Articles of Association and Article 112 (1), first paragraph of Companies' Law no. 31/1990 ("Law no. 31/1990"). Thus, the Chairman acknowledges that the OGM is statutory and legally established and it can adopt valid decisions regarding the items on its agenda.

In accordance with Article 129 of Law no. 31/1990, the Fund's shareholders appoint Mr. Daniel Gavrilă as OGM secretary and the Sole Administrator appoints Mrs. Loredana Văduva as OGM technical secretary.

Following the debates, the Fund's shareholders decide as follows:

I. The approval of the OGM agenda.

This item is adopted with 4,914,756,280 votes representing 99.68180% of the total validly casted votes, in accordance with Article 14 (1), second paragraph of the Articles of Association and Article 112 (1), second paragraph of Law no. 31/1990. The casted votes have been recorded as follows: 4,914,756,280 votes "for" and 15,688,342 votes "against". Also, there have been recorded 951,900 "abstains" and 157,329,989 votes have been annulled.

- II. The election of Mr. Mark Henry Gitenstein, American citizen, domiciled in Washington D.C. United States of America, identified with passport no. 472398190, issued by the States Department of United States of America, as member of Board of Nominees, following the vacancy of a position of member of the Board of Nominees. The mandate of the new member shall produce effects starting with 30 September 2013.

This item is adopted with 4,892,635,670 votes representing 99.08980% of the total validly casted votes, in accordance with Article 14 (1), second paragraph of the Articles of Association and Article 112 (1), second paragraph of Law no. 31/1990. The casted votes have been recorded as follows: 4,892,635,670 votes “for” and 44,941,642 votes “against”. Also, there have been recorded 28.528 “abstains” and 157,329,989 votes have been annulled.

- III. The empowerment, with the authority to delegate, of Mrs. Oana-Valentina Truța, Romanian citizen, domiciled in Romania, identified with ID series KX, no. 361489, issued by Municipiul Cluj-Napoca on 08.06.2004 and valid until 20.08.2014, Personal Identification Number 2800820260032, to sign on behalf of the shareholders the resolutions issued during the general meeting of 25 April 2013, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing these shareholders’ resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item is adopted with 4,911,940,323 votes representing 100% of the total validly casted votes, in accordance with Article 14 (1), second paragraph of the Articles of Association and Article 112 (1), second paragraph of Law no. 31/1990. The casted votes have been recorded as follows: 4,911,940,323 votes “for” and 0 votes “against”. Also, there have been recorded 584,736 “abstains” and 157,329,989 votes have been annulled.

- IV. The approval of 15 May 2013, as the registration date, in accordance with the provisions of Article 238, paragraph (1) of Law no. 297/2004.

This item is adopted with 4,895,405,302 votes representing 100% of the total validly casted votes, in accordance with Article 14 (1), second paragraph of the Articles of Association and Article 112 (1), second paragraph of Law no. 31/1990. The casted votes have been recorded as follows: 4,895,405,302 votes “for” and 0 votes “against”. Also, there have been recorded 28,600 “abstains” and 157,329,989 votes have been annulled.

This decision is drafted and signed on behalf of the shareholders in 3 (three) original counterparts by:

Oana – Valentina Truța

Empowered through the Shareholders’ Ordinary General Meeting

Daniel Gavrilă

Meeting secretary

Loredana Văduva

Technical secretary

**Decision no. 5 / 25 April 2013 of the Shareholders' Ordinary General Meeting of
S.C. FONDUL PROPRIETATEA S.A.**

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

Today, 25 April 2013, 11:00am, the shareholders of S.C. Fondul Proprietatea S.A. ("the Fund") have met during the Shareholders' Ordinary General Meeting ("OGM") of the Fund, at its first summoning, at Hotel JW Marriott – Constanta Ballroom located at 13 Septembrie Street no. 90, 5th District, Bucharest, the OGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, having its headquarters in Bucharest, 78-80 Buzesti Street, 7th and 8th floors, 1st District, Bucharest, registered with the Trade Register under no. J40/8587/2009, sole identification code 25851096 ("the Sole Administrator") and with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001.

Whereas:

- The notice of the OGM was published in the Official Gazette Part IV, number 1409 of 15 March 2013, in "România Liberă" newspaper on 15 March 2013, as well as on the Fund's website – www.fondulproprietatea.ro on 15 March 2013, and the supplemented notice of the OGM published in the Official Gazette Part IV number 1775 on 3 April 2013, in "România Liberă" newspaper on 3 April 2013 and on the website of S.C. Fondul Proprietatea S.A. – www.fondulproprietatea.ro on 3 April 2013
- The provisions of in force Articles of Association of the Fund ("Articles of Association"),
- The applicable legislation,

At the beginning of the meeting, the Chairman notes there are 190 shareholders present or represented, holding a number of 5,240,644,356 shares, representing 39.07% of the paid-up share capital, holding a number of 5,083,314,367 voting rights, representing 38.59% of the total voting rights. The quorum condition is fulfilled in accordance with Article 14 (1), first paragraph of the Articles of Association and Article 112 (1), first paragraph of Companies' Law no. 31/1990 ("Law no. 31/1990"). Thus, the Chairman acknowledges that the OGM is statutory and legally established and it can adopt valid decisions regarding the items on its agenda.

In accordance with Article 129 of Law no. 31/1990, the Fund's shareholders appoint Mr. Daniel Gavrila as OGM secretary and the Sole Administrator appoints Mrs. Loredana Văduva as OGM technical secretary.

Following the debates, the Fund's shareholders decide as follows:

I. The approval of the OGM agenda.

This item is adopted with 4,914,756,280 votes representing 99.68180% of the total validly casted votes, in accordance with Article 14 (1), second paragraph of the Articles of Association and Article 112 (1), second paragraph of Law no. 31/1990. The casted votes have been recorded as follows: 4,914,756,280 votes "for" and 15,688,342 votes "against". Also, there have been recorded 951,900 "abstains" and 157,329,989 votes have been annulled.

- II. The election of Mr. Sorin-Mihai Mîndrutescu , Romanian citizen, domiciled in 80 Av. Vasile Traian street, ap. 4, Sector 1, Bucharest, identified with ID series RT, no. 411186, issued by SPCEP SA office no. 4 on 24.05.2006 and valid until 28.07.2016, Personal Identification Number 1690728034984, as member of Board of Nominees, following the expiring of his mandate on 29 September 2013. The new mandate is of 3 years and shall produce effects starting with 30 September 2013.

This item is adopted with 4.689.902.084 votes representing 99.57551% of the total validly casted votes, in accordance with Article 14 (1), second paragraph of the Articles of Association and Article 112 (1), second paragraph of Law no. 31/1990. The casted votes have been recorded as follows: 4.689.902.084 votes “for” and 19.992.636 votes “against”. Also, there have been recorded 210.973.018 “abstains” and 157.329.989 votes have been annulled.

- III. The empowerment, with the authority to delegate, of Mrs. Oana-Valentina Truța, Romanian citizen, domiciled in Romania, identified with ID series KX, no. 361489, issued by Municipiul Cluj-Napoca on 08.06.2004 and valid until 20.08.2014, Personal Identification Number 2800820260032, to sign on behalf of the shareholders the resolutions issued during the general meeting of 25 April 2013, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing these shareholders’ resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item is adopted with 4,911,940,323 votes representing 100% of the total validly casted votes, in accordance with Article 14 (1), second paragraph of the Articles of Association and Article 112 (1), second paragraph of Law no. 31/1990. The casted votes have been recorded as follows: 4,911,940,323 votes “for” and 0 votes “against”. Also, there have been recorded 584,736 “abstains” and 157,329,989 votes have been annulled.

- IV. The approval of 15 May 2013, as the registration date, in accordance with the provisions of Article 238, paragraph (1) of Law no. 297/2004.

This item is adopted with 4,895,405,302 votes representing 100% of the total validly casted votes, in accordance with Article 14 (1), second paragraph of the Articles of Association and Article 112 (1), second paragraph of Law no. 31/1990. The casted votes have been recorded as follows: 4,895,405,302 votes “for” and 0 votes “against”. Also, there have been recorded 28,600 “abstains” and 157,329,989 votes have been annulled.

This decision is drafted and signed on behalf of the shareholders in 3 (three) original counterparts by:

Oana – Valentina Truța

Empowered through the Shareholders’ Ordinary General Meeting

Daniel Gavrilă

Meeting secretary

Loredana Văduva

Technical secretary

Annex 9

Corporate Governance statement “Comply or Explain” for year 2013 According to BVB Corporate Governance Code

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
P19		Is the issuer managed under a dualist system?		X	Until 28 September 2010, Fondul Proprietatea S.A. was administered in a two-tier system, and after this date, an untypical unitary administration system was introduced, as regulated by Law no. 247/2005, as amended and supplemented. However, even is ruled after a one-tier system, the existence of the Board of Nominees that has the main duty to follow the execution of the Investment Management Agreement creates a similar framework as for a two tier system.
P1	R1	Has the issued drawn up the By-laws/Corporate Governance Regulations to describe the main aspects of the corporate governance?	X		The Fund has clear and transparent corporate governance guidelines that were concluded in 2011. In 2012, according with SAI Decision no. 31/21 December 2012, those were completed by adopting the Fund's Corporate Governance Statute.
		The By-laws/Corporate Governance Regulations are posted on the company website, indicating the date of the last update?	X		The Constitutive Act of the Fund, the Investment Management Agreement, the Investment Policy Statement and the corporate governance guidelines are published on the webpage of the Fund. The Corporate Governance Statute will be published on the Fund's webpage.
	R2	In The By-laws/Corporate Governance Regulations are there defined the corporate governance structures, positions, components and responsibilities of the Board of Directors (BD) and of the executive management?	X		The Constitutive Act and the corporate governance guidelines define the corporate governance structures, positions, components and responsibilities of the Board of Nominees and of the Sole Administrator.
	R3	Does the issuer's Annual report provide for a chapter on corporate governance where they describe all the relevant events related to the corporate governance, recorded during the previous financial exercise?	X		The 2013 Annual report contains a detailed chapter on corporate governance in which all the relevant events related to the corporate governance recorded during the previous financial exercise are described.
		Does the issuer circulate on the company website the information related to the following aspects of their corporate governance policy: a) a description of their corporate governance structures?	X		

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
		b) the updated articles of incorporation?	X		
		c) the operation bylaws/essential aspects for each specialty?	X		
		d) the "Comply or explain" Statement?	X		
		e) the list of the BD members mentioning which members are independent and/or nonexecutive, of the members of the executive management and those of the specialty commissions/committees?	X		
		f) a brief description of the CV for each BD member of the executive management?	X		
P2		Does the issuer abide by the rights of the financial instrument holders, providing them with the equal treatment and submitting to the approval any modification of the rights in the special meetings of these holders?	X		
P3	R4	Does the issuer publish in a spate part of the website the details of the General Meetings of Shareholders (GMS): a) GMS summons?	X		
		b) materials/documents corresponding to the agenda as well as any information on the agenda?	X		
		c) special power of attorney forms?	X		
	R6	Has the drawn and proposed to GMS the procedures for the efficient and proper development of the GMS agenda without any damage to the right of any shareholder to express their free opinion on the debated topics?	X		
	R8	Does the issuer publish in a spate part of the website the details of the shareholders' rights as well as the regulations for the attendance at GMS?	X		
		Does the issuer provide the information in due time (immediately after the GMS) of all the shareholders through the separate section on their website: a) on the decisions made within GMS?	X		
		b) on the detailed result of the vote?	X		

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
		Do the issuers circulate through the special section of the website, that is easily identifiable and accessible: a) current/communicated reports?	X		
		b) the financial schedule, the annual reports, the quarter and semester reports?	X		
	R9	Is there within the issuer's company a special department / person dedicated to the relation with the investors?	X		
P4, P5	R10	Does the BD meet at least once a trimester for the monitoring and the activity of the issuer?	X		
	R12	Does the issuer have a set of rules referring to the reporting conduct and obligations of the transactions of the shares or other financial instruments issued by the company ("company assets") made on their name by the directors and other persons?	X		
		If a BD member or a member of the executive management or any other person made on their interest a transaction with the company deeds, then, the transaction is circulated through the company website, according to the corresponding Regulations?	X		During 2013, there were no such transactions.
P6		Does the structure of the Board of Directors of the Issuer provide a balance between the executive and nonexecutive members (and especially independent nonexecutive directors) so that no person or group of persons may dominate the BD decision-making process of BD?	X		
P7		Does the structure of the Board of Directors provide a sufficient number of independent members?	X		
P8	R15	During their activity, does BD have the support of consultative commissions / committees for the examination of specific topics, chosen by BD for their counselling on these themes?	X		
		Do the consultative commissions/committees forward activity reports to the BD on their specific themes?	X		
	R16	For the assessment of the independence of their nonexecutive members, does the Board of Directors use the assessment criteria listed in the Recommendation 16?	X		

Principle/ Recommendation		Question	YES	NO	If NOT, please EXPLAIN
	R17	Do the BD members permanently improve their knowledge through training / formation in corporate governance?	X		
P9		Does the selection of the BD members have a procedure based on transparency (objective criteria regarding the personal/professional qualification etc.)?	X		
P10		Is there an Appointment Committee within the company?	X		Yes, and the name of the Committee is the Nominalization and Remuneration Committee.
P11	R21	Does the Board of Directors analyze t least once a year the need to register a remuneration/remuneration policy committee for the directors and members of the executive management?	X		
		Has the remuneration policy been approved by the GMS?	X		
	R22	Is there a Remuneration Committee made exclusively of nonexecutive directors?	X		The Nominalization and Remuneration Committee has three non-executive members.
	R24	Is the company remuneration policy of the company provided in the Bylaws/ Corporate Governance Regulations?	X		
P12, P13	R25	Does the issuer circulate, in the English language, the information representing the subject of the reporting requirements: a) periodic information (providing information periodically)?	X		
		b) continuous information (providing information periodically)?	X		
		Does the Issuer provide and circulate the financial report according to IFRS?	X		
	R26	Does the issuer promote, at least once a year, meetings with the financial analysts, brokers, rating agents and other market specialists with the view to presenting the financial elements relevant to the investment decision?	X		
	R27	Is there an Audit Committee within the company?	X		
	R28	Does the BD of the Audit Committee, as the case may be, examine on regular basis, the efficiency of the financial report, the internal control and the control of the risk management system passed by the company?	X		

Principle/ Recommendation	Question	YES	NO	If NOT, please EXPLAIN
R29	Is the Audit Committee made of nonexecutive directors and is there a sufficient number of independent directors?	X		The Audit Committee has two members and both are independent
R30	Does the Audit committee meet at least twice a year; are these meetings dedicated to drawing up and circulating the quarter and annual results to the shareholders?	X		
R32	Does the Audit Committee recommend to BD the selection, appointment, re-appointment and replacement of the financial auditor, as well as the terms and conditions of their remuneration?	X		
P14	Has the BD passed a procedure with the view to identifying and settling adequately the conflicts of interests?	X		
P15	R33 Do the directors inform BD on the conflicts of interests as they occur and do they refrain from the debates and the vote on those matters, according to the legal provisions?	X		
P16	R34/ R35 Has the BD passed the specific procedures in order to provide their procedure accuracy (identification criteria of the significant transactions, relevant for transparency, objectivity, non-concurrence, etc.) for defining the transactions?	X		
P17	R36 Has BD passed a procedure of the internal circuit and the disclosure to third parties of the documents and information referring to the issued, with emphasis on the information that can influence the price of the assets issued by them?	X		
P18	R37/ R38 Does the issuer have activities regarding Social Responsibility and Company Environment?	X		

< GAIN FROM OUR PERSPECTIVE >



FRANKLIN TEMPLETON
INVESTMENTS

**Franklin Templeton Investment
Management Limited Bucharest
Branch**

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**FONDUL
PROPRIETATEA**

S.C. Fondul Proprietatea S.A

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