

Fondul Proprietatea SA

PREPARED IN ACCORDANCE WITH LAW NO 297/2004,
CNVM REGULATION NO 1/2006 AND FSA NORM NO 39/2015

(this is a translation from the official Romanian version)



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Company Information

The Company

- Fondul Proprietatea SA (“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 Register, under the number J40/21901/2005 and has the sole registration code 18253260.
- The Fund’s Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.
- The Sole Administrator of the Fund is Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML” or “Fund Manager”), effective since 29 September 2010, and the mandate was renewed for 2 years with effect from 30 September 2014.
- Considering the legal requirements to implement the Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFM Directive”) the shareholders of the Fund approved, on 29 October 2015, the change of the management structure and the termination of the current mandate of FTIML as Fund Manager and Sole Administrator, with the mutual consent of both parties, starting on 1 April 2016. Subsequent to the termination, the Fund appointed Franklin Templeton International Services S.À.R.L (“FTIS”) as its Sole Director and Fund Manager under the AIFM Directive and local implementation regulations, and executed a new Investment Management Agreement in order to reach AIFM Directive compliance (FTIS mandate will commence on 1 April 2016). As part of the new management structure, FTIS will delegate the role of investment manager and certain administrative functions to FTIML.
- Since 25 January 2011, the Fund’s shares have been listed on the Bucharest Stock Exchange (“BVB”). Since 29 April 2015, the Fund’s global depositary receipts (“GDRs”) have been listed on the Specialist Fund Market (“SFM”) of the London Stock Exchange (“LSE”).

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

NAV* and Share Price Developments	Notes	Year Ended		
		31 December 2015	31 December 2014	31 December 2013
Total Shareholders' Equity (RON million)	b	12,053.1	13,347.9	14,725.2
Total NAV (RON million)	i, j	12,087.8	13,236.7	15,013.7
NAV per Share (RON)	i, j	1.1564	1.2125	1.2436
NAV per Share change in the period (%)	a	-4.6%	-2.5%	+9.4%
NAV per Share Total Return (%)	a	-0.6%	+1.4%	+13.3%
Share Price as at the end of the period (RON)		0.8100	0.8960	0.8335
Share Price Low (RON)	c	0.7250	0.7590	0.5705
Share Price High (RON)	c	0.9270	0.9535	0.8605
Share Price change in the period (%)	a, h	-9.6%	+7.5%	+51.7%
Share Price Total Return (%)	a, h	-4.1%	+14.5%	+61.3%
Share Price discount to NAV as at the end of the period (%)		30.0%	26.1%	33.0%
Average Discount for the period (%)		28.9%	30.7%	41.3%
Total Share Turnover (RON million)		2,029.6	3,735.8	4,097.0
Average Daily Share Turnover (RON million)	d	8.1	14.9	16.4
GDR Price as at the end of the period (USD)	g	9.9000	n.a.	n.a.
GDR Price Low (USD)	e	9.4500	n.a.	n.a.
GDR Price High (USD)	e	11.5500	n.a.	n.a.
GDR Price change in the period (%)	g	-13.5%	n.a.	n.a.
GDR Price Total Return (%)	g	-4.1%	n.a.	n.a.
GDR Price discount to NAV as at the end of the period (%)		29.0%	n.a.	n.a.
Average GDR Price discount for the period (%)		29.2%	n.a.	n.a.
Total GDR Turnover (USD million)	f	266.9	n.a.	n.a.
Average Daily GDR Turnover (USD million)	f	1.5	n.a.	n.a.

Source: FTIML

* Net asset value

Notes:

- (a) Compared to the end of the previous period
- (b) Prepared on the basis of IFRS
- (c) Source: BVB - REGS market - Closing prices
- (d) Source: BVB
- (e) Source: London Stock Exchange - Closing prices
- (f) Source: London Stock Exchange
- (g) Compared to the date of GDR listing on LSE, i.e. 29 April 2015
- (h) The share price total return since launch was +70.9%, while the share price change was +24.7%
- (i) The difference in change (%) between total NAV and NAV per share is accounted for by the change in the number of treasury shares (treasury shares acquired through buy-backs, both of ordinary shares and GDRs, are excluded from the number of shares used in the computation of NAV per share) and in paid in capital during the period
- (j) Prepared on the basis of local rules issued by the capital market regulator

Share Capital Information	31 December 2015*	31 December 2014	31 December 2013
Issued Share Capital (RON)	10,074,080,745.90	11,815,279,886.85	13,778,392,208
Paid Share Capital (RON)	9,746,649,630.90	11,469,658,154.35	13,413,137,586
Number of Shares in Issue	11,193,423,051	12,437,136,723	13,778,392,208
Number of Paid Shares	10,829,610,701	12,073,324,373	13,413,137,586
Nominal Value per Share (RON)	0.90	0.95	1

* The following changes in the Fund's share capital took place in 2015:

- In January 2015 the FSA endorsed (through Endorsement no. 25/ 27 January 2015) the decrease of the subscribed share capital from RON 11,815,279,886.85 to RON 11,575,064,733.65, following the cancellation of 252,858,056 treasury shares acquired by the Fund in the third buy-back programme.
- In May 2015, the FSA endorsed (through Endorsement no. 169/ 20 May 2015) the decrease of the subscribed share capital of the Fund, through the decrease of the nominal value of the Fund's shares with RON 0.05 (from RON 0.95 to RON 0.90 per share). Therefore, starting 21 May 2015, the new value of the Fund's subscribed share capital decreased from RON 11,575,064,733.65 to RON 10,965,850,800.30.
- In August 2015, the FSA endorsed (through Endorsement no. 278/ 12 August 2015) the decrease of the Fund's subscribed share capital from RON 10,965,850,800.30 to RON 10,074,080,745.90, following the cancellation of 990,855,616 treasury shares acquired by the Fund during the fourth buy-back programme.

Share Information

Primary Listing	Bucharest Stock Exchange
Since	25 January 2011
Secondary Listing	SFM of LSE
Since	29 April 2015
Bucharest Stock Exchange Symbol	FP
London Stock Exchange Symbol	FP.
Bloomberg ticker on BVB	FP RO
Bloomberg ticker on LSE	FP/ LI
Reuters	FP.BX
ISIN	ROFPTAACNOR5
Financial Supervisory Authority Register No	PJR09SIIR/400006/18.08.2010
CIVM Registration No	AC-4199-2/ 26.08.2015

Shareholder Structure¹ (as at 31 December 2015)

Shareholder Categories	% of subscribed share capital	% of paid-in share capital	% of voting rights ²
The Bank of New York Mellon (depository bank for global depository receipts) ³	32.98%	34.09%	34.95%
Foreign institutional shareholders	23.74%	24.54%	25.42%
Romanian private individuals	20.51%	21.20%	21.96%
Romanian institutional shareholders	12.59%	13.01%	13.48%
Foreign private individuals	3.87%	4.00%	4.15%
Ministry of Public Finance ⁴	0.22%	0.04%	0.04%
Treasury shares ⁵	3.02%	3.12%	-
Unpaid shares ⁶	3.07%	-	-

There were 8,335 shareholders as at 31 December 2015.

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¹ Source: Central Depository

² The unpaid shares of the Romanian State, represented by the Ministry of Public Finance, and the treasury shares held by Fondul Proprietatea were not taken into consideration at the calculation of the total number of voting rights

³ Out of which Fondul Proprietatea held 771,494 Global Depository Receipts (38,574,700 shares equivalent)

⁴ The percentage represents the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 3.29%, including the unpaid shares

⁵ 110,022,014 treasury shares acquired by the Fund in the sixth buy-back programme and 227,572,250 treasury shares acquired in the fifth buy-back program

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

Administrator's Letter to Shareholders

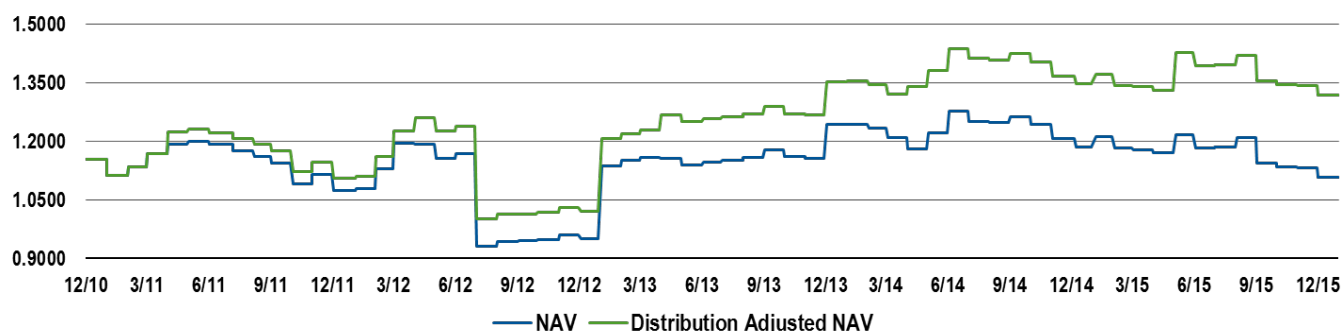
Dear Shareholders,

Although 2015 was a significantly more volatile year for the financial markets as compared to 2014, the cumulative performance for the Fund was relatively stable, as our focus remained unwavering on protecting and creating shareholder value through our active management approach, close supervision of the portfolio companies, and a constant focus on value-enhancing corporate actions.

In 2015, the Fund's NAV per share total return reflected a slight decrease of 0.6%, while the Fund's share price total return reflected a decrease of 4.1%, despite the fact that the largest listed holdings of the Fund, OMV Petrom SA and Romgaz SA, decreased by 28.9%, respectively 23.1%. The overall performance since the Fund's listing on the BVB remains very strong, with NAV being up 23.8% and the Fund's share price up by 70.9%. The discount of the Fund's share price to the NAV ranged between a high of 40.1% and a record low of 20.8%, and ended the year at 29.96%, up from 26.1% at the end of 2014.

In 2015, we had another important milestone for the Fund: the listing on the Specialist Fund Market of the London Stock Exchange through Global Depositary Receipts. As at 31 December 2015, the Fund was the fifth largest closed-end fund listed on the LSE, based on its net asset value. The primary purpose of the Fund's listing on the LSE was to facilitate easier investor access to the Fund's shares and to attract additional demand for the shares from new investors, as the Fund is ideally placed to offer investors exposure to a diversified range of Romanian listed and unlisted equity securities, that should benefit from Romania's steady growth perspectives and strong economic fundamentals.

On the London Stock Exchange, the GDR total return for the 8 months of trading reflected a decrease of 4.1%. The GDR value varied between USD 9.45 and USD 11.55 per 1 GDR. The discount varied between 21.7% and 39.5%, and ended the year at 28.98%.



Source: FTIML, based on NAV reports submitted to FSA

In 2015, the Bucharest Stock Exchange underperformed the largest markets in Central Europe except Poland, in both local currency and EUR terms, as shown in the table below.

% change in 2015	in local currency	in EUR
BUX (Hungary)	43.81%	44.56%
ATX (Austria)	10.97%	10.97%
PX (Czech Republic)	1.02%	3.65%
BET-XT (Romania)	0.34%	-0.63%
WIG20 (Poland)	-19.72%	-19.23%

Source: Bloomberg

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

Coverage of 2015 Accounting Losses

On 28 December 2015, the FSA published the Norm no. 39/2015 approving IFRS as the statutory accounting basis (official accounting regulations) for the annual financial statements for the year ended 31 December 2015, although, during 2015 Romanian accounting regulations (CNVM Regulation no 4/2011, as subsequently amended) were the official accounting regulations.

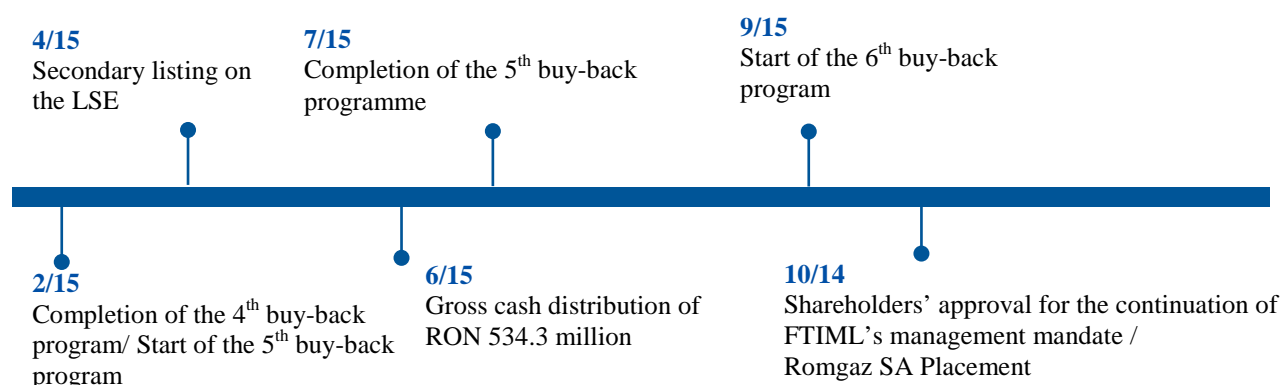
Under IFRS, Fondul Proprietatea incurred an accounting loss of RON 565.1 million. The main factor behind the accounting loss in 2015 was the unrealised negative net change in fair value related to equity investments classified at fair value through profit or loss, principally related to OMV Petrom SA, as a result of the negative evolution of the share price of this company in 2015.

The current and retained accounting losses are expected to be covered from the accounting profits of future financial years.

Although due to this situation there will be no distributable profits according to the Fund's 2015 statutory annual financial statements (prepared under IFRS), the Fund Manager remains committed to ensuring annual cash distributions to the Fund's shareholders. The Fund Manager has already recommended, and the shareholders have approved (on 27 January 2016), 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 to the shareholders registered as such at the Registration Date (i.e. 6 June 2016), proportionally with their participation to the paid-up share capital of the Fund (the Ex-date is 3 June 2016). The payments to shareholders for this cash distribution are expected to start on 27 June 2016 (the Payment Date). Based on our current understanding of Romanian tax law, no Romanian tax will arise for the Fund or its shareholders on this distribution. The decrease of share capital is subject to the endorsement of the change of the Constitutive Act from the FSA.

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

Key Events and Activities in 2015



Some of the key objectives achieved in 2015 are:

- Secondary listing through GDRs on the Specialist Fund Market of the London Stock Exchange;
- Continued efforts to promote the Fund and raise its visibility, as well as the visibility of the Romanian capital market, the local companies (listed or proposed for IPOs), and of Romania in general, in the key financial centres in the USA, Europe, and the Middle East;
- Record high participation from foreign institutional investors and analysts at the Romania Investor Days in London and New York, and Fondul Proprietatea Analyst and Investor Days in Bucharest;
- Placement of 16.0 million shares held in Romgaz SA (4.2% of the total shares issued by the company), via an accelerated bookbuilding process on the Bucharest Stock Exchange and London Stock Exchange;
- Gross distribution of RON 534.3 million to shareholders through the reduction of the nominal value of the Fund's shares from RON 0.95 per share to RON 0.90 per share;
- Completion of the fourth buy-back programme for 990.9 million shares. The total value of the programme excluding transaction costs was RON 1,046.1 million and the average share price was RON 1.0558 per share;
- Completion of the fifth buy-back programme for 227.6 million shares. The total value of the programme excluding transaction costs was RON 193.5 million and the average share price was RON 0.8501 per share;
- Start of the sixth buy-back programme for 891.8 million shares, equivalent to 8.2% of the Fund's paid-in share capital as at 31 December 2015;
- Key shareholders' approvals:
 - The return of capital to shareholders, as proposed by the Fund Manager;

- Continuation of the mandate of FTIML as Fund Manager and Sole Administrator of Fondul Proprietatea;
- Approval of the seventh buy-back programme to repurchase a maximum number of 10% of the issued share capital at the relevant time, starting with the date when the share capital decrease regarding the cancellation of the shares repurchased within the fifth buy-back programme is effective;
- The approval of AIFM Directive implementation plan, including (i) the amended Constitutive Act of the Fund, (ii) the termination of the mandate of FTIML as Fund Manager and Sole Director, (iii) the appointment of FTIS as Fund Manager and Sole Director and (iv) the new Investment Management Agreement, all with effective date 1 April 2016;
- Changes in the Investment Policy Statement.

Five Year Anniversary of Listing on the Bucharest Stock Exchange

On 25 January 2011 the Fund was listed on the BVB. After five years, the Fund continues to be the most actively traded company on the BVB:

- 2.4 billion shares were traded on the BVB last year, equivalent to 22.5% of the Fund's paid share capital as at 31 December 2015. In Q4 2015, 623.0 million shares were traded on the BVB, compared to 599.9 million in Q3, 576.2 million in Q2, and 638.0 million shares in Q1;
- The value of trading in Fondul Proprietatea shares exceeded RON 2.0 billion (EUR 448.6 million) in 2015. The total trading value since the listing exceeds RON 18.2 billion (EUR 4.0 billion);
- In the fifth year since its listing, the Fund continued to be the most liquid stock on the BVB, with an average daily trading volume of 9.7 million shares, i.e. 20.12% of the total daily equities turnover on the BVB;
- The Fund continued to attract demand from foreign institutional investors. Since the listing, the Fund has attracted over EUR 1.5 billion in direct portfolio investments from foreign institutional investors.

Listing on the London Stock Exchange

On 29 April 2015 the Fund was listed on the Specialist Fund Market of the London Stock Exchange, through Global Depositary Receipts:

- 1 GDR represents 50 ordinary shares of Fondul Proprietatea;
- The GDR facility is limited at 1/3 of the issued share capital of the Fund. As at 31 December 2015, 98.9% of the GDR facility was filled;
- 25.7 million GDRs were traded in 2015, representing 11.9% of the Fund's paid-in share capital as at 31 December 2015. 9.0 million GDRs were traded in Q4, compared to 8.1 million in Q3, and 8.5 million in Q2.
- The value of the GDR trading was USD 262.4 million/ RON 1,089.4 million.
- As at 31 December 2015, Fondul Proprietatea was the fifth largest closed-end fund listed on LSE, based on its NAV.

Performance Objectives

First Reporting period

For the first reporting period, that ended as at 30 June 2015, according to the Fund's Investment Policy Statement, there were two performance objectives that the Fund Manager had to achieve. The NAV objective referred to a higher adjusted NAV⁷ per share as at 30 June 2015, compared to the NAV per share as at 30 September 2013, of RON 1.1610 per share, while the discount objective was to have a discount between the closing price of the Fund's shares and the latest reported NAV per share equal to or lower than 15%, in at least 2/3 of the trading days in the period 1 October 2014 – 30 June 2015.

NAV Objective

As at 30 June 2015, the adjusted NAV per share was 11.56% higher than the 30 September 2013 NAV per share of RON 1.1610.

⁷ The adjusted NAV for a given date is calculated as the sum of: (1) the reported NAV as at the end of the reporting period, (2) any returns to shareholders, following reductions of the share capital (return of nominal value) implemented after 30 September 2013 and (3) any distribution fees and any transaction costs relating to non-dividend distributions, including buy-backs, executed after 30 September 2013. The adjusted NAV per share is equal to the adjusted NAV divided by the total number of the Fund's paid shares, less treasury shares, on the last day of the reporting period.

NAV Objective	Amount RON	Details
Total NAV as at 30 June 2015	12,645,915,882	
2014 Return of capital to shareholders	601,325,852	2014 Return of capital (Liability to shareholders was recorded in June 2014 when the share capital decrease was approved and recorded; payment started in July 2014)
Costs related to the 2014 return of capital until 30 June 2015	47,617	Fee charged by the distribution bank for the 2014 return of capital
2015 Return of capital to shareholders	534,322,868	2015 Return of capital (Liability to shareholders was recorded in May 2015 when the share capital decrease was approved and recorded; payment started in June 2015)
Costs related to the 2015 return of capital until 30 June 2015	18,031	Fees charged by Central Depository and Paying Agent for the payments performed in June 2015
Costs related to buy-backs after 30 September 2013 , until 30 June 2015	27,037,687	Fees related to: second buy-back programme after 30 September 2013 (including FSA and BVB fees for the tender offer), third buy-back programme, fourth buy-back programme (including FSA and BVB fees for the tender offer) and fifth buy-back programme (before 30 June 2015)
Distribution fees	12,564,983	FTIML distribution fees for non-dividend distributions to shareholders in the period from 20 March 2015 to 30 June 2015
Total Adjusted NAV as at 30 June 2015	13,821,232,920	
Number of Fund's paid shares, less treasury shares held as at 30 June 2015	10,670,555,366	
Adjusted NAV per share as at 30 June 2015	1.2952	
NAV per share as at 30 September 2013	1.1610	
Difference	0.1342	
%	11.56%	

Source: FTIML

Discount Objective

In the period 1 October 2014 – 30 June 2015, the discount was greater than 15%, for both shares and GDRs. Although the discount to NAV has not yet narrowed below 15%, the Fund Manager continued to work towards achieving and exceeding this objective.

However, during the reporting period 1 October 2014 – 30 June 2015, the Fund Manager had to face several major challenges, which had an adverse impact on the trading discount to NAV, among which:

- The delay of the listing on the London Stock Exchange, caused by the fact that the regulation regarding the secondary listing via depositary interests was not enacted during 2014. The listing on London Stock Exchange was completed only at the end of April 2015, through Global Depositary Receipts;
- The delay related to Hidroelectrica SA exiting insolvency and being listed on the BVB;
- Negotiations to sell certain unlisted stakes that have taken longer than expected;
- A number of macro factors impacting the Fund and its portfolio companies, including the delay in the gas price liberalisation for households, the decrease in oil and electricity prices, the reduction of the regulated rate of return for the electricity distribution companies, and the negative impact on the regional market sentiment due to the events in Ukraine and Greece;

A detailed report of the Fund Manager regarding the performance in the first reporting period is available on the Fund's website, on the 29 October 2015 General Shareholders Meeting ("GSM") Documentation page, in the Investor Relations section.

Discount Evolution

Discount at the Beginning of the reporting period – 1 October 2014	Discount at the End of the reporting period – 30 June 2015	Minimum Discount (on 27 April 2015)	Maximum Discount (on 30 June 2015)	Average Discount for the Reporting Period
23.46%	32.92%	20.81%	32.92%	26.22%

Source: FTIML

Second reporting period

For the second reporting period, between 1 July 2015 and 30 June 2016, the same two performance objectives apply: higher adjusted NAV⁸ per share as at 30 June 2016, compared to the NAV per share as at 30 June 2015, i.e. higher than RON 1.1851 per share. The discount objective implies the discount between the closing price of the Fund's shares and the latest reported NAV per share to be equal to or lower than 15%, in at least 2/3 of the trading days in the period 1 July 2015 – 30 June 2016.

NAV Objective

As at 31 December 2015, the adjusted NAV per share was 2.4% lower than the 30 June 2015 NAV per share of RON 1.1851.

During the first six months of the reporting period, the Fund's NAV has been negatively impacted by the decrease in the value of the listed holdings in the portfolio, primarily OMV Petrom SA and Romgaz SA.

NAV Objective	Amount RON	Details
Total NAV as at 31 December 2015	12,087,846,128	
Costs related to the 2015 return of capital after 30 June 2015 , until 31 December 2015	3,213	Fees charged by Central Depository and Paying Agent for the payments performed after 30 June 2015
Costs related to buy-backs after 30 June 2015 , until 31 December 2015	188,682	Fees related to fifth buy-back programme after 30 June 2015 and sixth buy-back programme up to 31 December 2015
Distribution fees	2,386,949	FTIML distribution fees for distributions to shareholders (buy-backs) after 30 June 2015, up to 31 December 2015
Total Adjusted NAV as at 31 December 2015	12,090,424,973	
Number of Fund's paid shares, less treasury shares and GDRs held as at 31 December 2015	10,452,388,827	
Adjusted NAV per share as at 31 December 2015	1.1567	
NAV per share as at 30 June 2015	1.1851	
Difference	(0.0284)	
%	(2.4%)	

Source: FTIML

Discount Objective

In the period 1 July – 31 December 2015, the discount was greater than 15%, for both shares and GDRs.

We will continue our efforts to reduce the discount to NAV as we firmly believe that the Fund's shares should be trading at a significantly lower discount than the current levels, given the quality of the underlying portfolio assets, our track record in working with the portfolio companies to improve efficiency and profitability, the attractive cash distribution yield of around 6%, the ongoing buy-back programmes, and our transparency, disclosure, and proactive investor relations efforts.

The significant depreciation of oil prices, increased volatility in the emerging and frontier markets, as well as the delays in the IPOs of the state owned companies in the Fund's portfolio, prolonged insolvency of Hidroelectrica SA, and failed negotiations with Electrica SA have been the main obstacles in our efforts to further reduce the Fund's discount to NAV.

Discount Evolution

Discount at the Beginning of the reporting period – 1 July 2015	Discount at 31 December 2015	Minimum Discount (on 4 November 2015)	Maximum Discount (on 24 August 2015)	Average Discount for the period 1 July – 31 December 2015
32.54%	29.96%	25.85%	40.11%	30.90%

Source: FTIML

⁸ The adjusted NAV for a given date is calculated as the sum of: (1) the reported NAV as at the end of the reporting period, (2) any returns to shareholders, following reductions of the share capital (return of nominal value) implemented after 30 June 2015, and (3) any distribution fee and any transaction costs relating to non-dividend distributions including buy-backs of shares and/ or GDRs executed after 30 June 2015. The adjusted NAV per share is equal to the adjusted NAV divided by the total number of the Fund's paid shares, less treasury shares (FP ordinary shares bought back) and less equivalent in FP ordinary shares of FP GDRs acquired and not yet converted into FP ordinary shares, on the last day of the reporting period.

Investor Relations Update

Throughout the year, we continued our efforts to increase the visibility and the profile of the Fund, as well as of the local capital market, and of Romania, to a broader international institutional investors base, through participation in 24 global and regional emerging and frontier market conferences in New York, London, Dubai, Zurs, Zagreb, Vienna, Warsaw, Prague, Stegersbach and Bucharest, where we met with over 125 international and local institutional investors and analysts interested in finding out more details about the Fund and its equity story, and to receive updates on the Fund, the corporate actions, and the underlying holdings.

During the year, we also organised 15 road-shows in the most important financial centres in Europe (London), the United States (New York, Dallas, Boston, Los Angeles and San Francisco), Canada (Toronto and Montreal) and the Middle-East (Dubai). During the road-shows, we participated in individual and group meetings with representatives from over 300 international institutional investment firms, both current shareholders and potential investors of the Fund.

Furthermore, we continued to organise our regular events dedicated to local and foreign institutional investors and analysts, who had the opportunity to receive a detailed overview of the Romanian economy and local capital market, and to meet with the top management of the largest Romanian companies, already listed or that are planning to list on the stock exchange.

Therefore, on 5 March, in collaboration with the Bucharest Stock Exchange and WOOD & Company, we organised the second edition of the “Romania Investor Day in London” event. 88 representatives from 61 investment firms, with assets under management of over EUR 900 billion, and 50 representatives from 16 Romanian corporates (both listed and unlisted) participated in the event. The event featured presentations and speeches from the Ambassador of Romania to the United Kingdom, representatives of the European Bank of Reconstruction and Development, the Treasury Director from the Ministry of Public Finance, the State Secretary of the Ministry of Economy, Commerce and Tourism, the President of the FSA, the CEO and the President of the Bucharest Stock Exchange and the Fund Manager of Fondul Proprietatea. During the second part of the day, over 100 meetings were held between the investors and the management teams of the participating companies.

On 30 and 31 March, we held the second edition of the “Romania Investor Days in New York” event, organised in partnership with the Bucharest Stock Exchange, Swiss Capital and Auerbach Grayson. On the first day of the event, a plenary session featured presentations and speeches from the Romanian Ambassador in the United States of America, the Presidential Advisor and Head of the Presidential Chancellery, the Minister of Public Finance, a Director of the FSA, the President of the Romanian American Chamber of Commerce, the CEO and the President of the Bucharest Stock Exchange, the IMF Mission Chief for Romania and the Fund Manager of Fondul Proprietatea. More than 60 representatives of 40 international investment firms with over EUR 1,000 billion assets under management, and representatives of 15 Romanian companies, both listed or unlisted, participated in the event. During the second part of the first day and the entire second day of the event, 176 individual and group meetings were organised between the institutional investors and the management teams of the participating companies.

Between 27 and 29 October, we organised the eighth edition of the “Fondul Proprietatea Analyst and Investor Days” event. 75 representatives from 47 local and foreign institutional investors (with over USD 1,500 billion collectively in assets under management) participated in the event. Also, representatives of the Romanian Presidency, the Embassies in Romania of the United States of America and of the United Kingdom, international financial institutions, local authorities, companies in the Fund’s portfolio and other companies listed on the Bucharest Stock Exchange joined the event, bringing the total number of attendees to approximately 170. The participants had the opportunity to visit some of the most important assets in the Fund’s portfolio, and to receive the latest updates on the Fund, the largest portfolio companies, the Romanian capital market environment, and the Romanian economy in general.

The first day of the event, was dedicated to the site visits. The guests visited the primary aluminium facilities of Alro, the largest aluminium smelter in Central and Eastern Europe, located in Slatina, and Hidroelectrica’s power-plant in Draganesti. During the site visits, the participants met the companies’ technical teams which presented to them the facility. The second day of the event, was dedicated to speeches and presentations from the Presidential Adviser and Head of the Presidential Chancellery, the USA and UK Ambassadors, the Deputy Governor of the National Bank of Romania, the Minister of Energy, the President of the Regulatory Authority for Energy, and of the FSA, the IMF Resident Representative in Romania, the Senior Economist of the Macro Research division of Goldman Sachs, as well as from top portfolio companies: OMV Petrom SA, Romgaz SA, Hidroelectrica SA, BRD Groupe Societe Generale SA, Nuclearelectrica SA, Electrica SA, and from Grzegorz

Konieczny, CEO and Fund Manager of Fondul Proprietatea who updated the participants with the most important developments regarding the Fund.

On 29 October, we organised the “Frontier Investors Day” event together with WOOD & Company. 164 investor meetings were organised between the institutional investors and the 24 companies present at the event, Romanian listed companies or potential future IPOs, as well as foreign corporates from other frontier markets: Georgia, Slovenia, and Ukraine.

As part of our communication strategy to update the institutional investors and analysts covering Fondul Proprietatea on the Fund’s results, the latest events involving the Fund and its portfolio companies and the planned future corporate actions, we organised the 2014 preliminary results, 2015 first quarter, 2015 first semester and 2015 third quarter results conference calls, where more than 60 investors and analysts participated on average.

As part of our communication strategy to update the retail investors in 2015 we sent three letters to shareholders, in March, July, and October, in order to update the individual shareholders of the Fund on the main corporate actions planned by the Fund Manager, the latest developments regarding the Fund and its underlying portfolio companies. Also, on 16 September, we organised the second “Retail Investor Day”, and 63 individual shareholders participated in the event.

In addition, throughout the entire year, we organised 65 individual meetings with current and prospective investors, as well as 89 conference calls.

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

Corporate Governance

Following the self-assessment conducted, the Fund Manager informs the shareholders and investors that the Fund is fully compliant with the provisions of the new Corporate Governance Code of the Bucharest Stock Exchange, applicable starting 4 January 2016.

Secondary Listing Update

On 21 January 2015, the Fund’s General Shareholders Meeting (“GSM”) approved a new mandate to list the Fund on the LSE by 10 July 2015. As mentioned above, the Fund’s secondary listing through GDRs successfully took place on 29 April 2015. The Bank of New York Mellon has been appointed by the Fund to act as depositary bank in relation to the GDR facility.

The GDR facility is limited to one-third of the Fund’s subscribed share capital under the Romanian securities regulations, or 81,228,524 GDRs between 29 April and 12 August 2015 and 74,622,820 GDRs after this date, each GDR representing 50 shares, and the currency of the GDRs is US dollar. As at 31 December 2015, 32.98% of the Fund’s issued shares were converted into GDRs.

For further updates regarding the limit of the GDR facility, please see the section *Subsequent Events*.

Buy-back Programmes

During 2015 the Fund has completed the implementation of the fourth and fifth buy-back programmes and started the implementation of the sixth buy-back programme. The seventh buy-back programme was approved by shareholders during the October 2015 GSM and the Fund Manager can start its implementation after the cancelation of the shares acquired during fifth buy-back programme is effective.

The fourth buy-back programme

During the 28 April 2014 GSM, the shareholders approved the fourth buy-back programme, for a maximum number of (i) 990,855,616 shares or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser, starting with the date when the third buy-back programme is completed, within the price range of RON 0.2 per share to RON 2 per share, to be cancelled upon completion of the buy-back programme.

The execution of the fourth buy-back programme started on 1 October 2014 and until 2 February 2015, all 990,855,616 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 1,060,874,423.

The cancellation of the shares acquired within this buy-back programme was effective on 12 August 2015.

The fifth buy-back programme

On 19 November 2014 the Fund's shareholders approved the fifth buy-back programme that refers to the acquisition of a maximum number of (i) 227,572,250 shares or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser. The buy-back could be performed within the price range of RON 0.2 per share to RON 2 per share, the shares repurchased to be cancelled upon completion of the buy-back programme.

The execution of the fifth buy-back programme started on 10 February 2015 and until 29 July 2015, all 227,572,250 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 193,699,522.

During the GSM held on 29 October 2015, the Fund's shareholders approved the decrease of the share capital through the cancellation of the shares repurchased by the Fund within the fifth buy-back programme. As at 31 December 2015, the share capital decrease process was ongoing.

The sixth buy-back programme

During the 27 April 2015 GSM the shareholders approved the sixth buy-back programme for a maximum number of 891,770,055 shares or the equivalent number of global depositary receipts corresponding to the shares of Fondul Proprietatea, valid until 15 November 2016. The buy-back shall be performed at a price between RON 0.2 per share and RON 2 per share. The buy-back transactions can only be applied to fully paid shares and the repurchased shares will be cancelled. The implementation of this buy-back programme is subject to the availability of the necessary cash.

The execution of the buy-back programme started on 9 September 2015 and until 31 December 2015, the total number of shares repurchased was 149,649,624 (111,074,924 ordinary shares and 38,574,700 equivalent shares of the GDRs repurchased, where 1 GDR represents 50 ordinary shares), at a total acquisition value, including transaction costs, of RON 121,497,490.

For further updates regarding the sixth buy-back programme, please see the section *Subsequent Events*.

The seventh buy-back programme

On 29 October 2015 the Fund's shareholders approved the seventh buy-back programme that refers to the acquisition of a maximum number of shares computed so that all the outstanding treasury shares (acquired during this programme and/or previous ones) will not exceed 10% of the issued share capital at the relevant time, starting with the date when the share capital decrease regarding the cancellation of the shares repurchased within the fifth buy-back programme is effective, for a maximum period of 18 months as of the date when this shareholders' resolution is published in the Official Gazette of Romania. The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The transactions can only be applied to fully paid shares, global depositary receipts or depositary interests corresponding to the shares of the Fund, which will be cancelled. The implementation of this buy-back programme will be subject to the availability of the necessary cash.

Share capital decrease through the return of capital to shareholders

During the 21 January 2015 GSM, the Fund's shareholders approved the return to shareholders of RON 0.05 per share, following the reduction of the nominal value of the shares of the Fund from RON 0.95 to RON 0.90. The decrease was motivated by the optimisation of the share capital of Fondul Proprietatea, involving the return to the shareholders of a part of their contributions, proportionally with their participation in the paid-in share capital of the Fund. The shareholders resolution was published in the Official Gazette of Romania on 4 February 2015 and the endorsement by the FSA of the new Constitutive Act reflecting the share capital decrease was received on 21 May 2015 (Endorsement no. 169/ 20 May 2015).

The shareholders registered with the Central Depositary on 24 June 2015 had the right to receive RON 0.05 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment of the capital return started on 29 June 2015 (the Payment Date). By 31 December 2015, shareholders had collected over 96% of the total distribution of RON 534.3 million.

Credit Facility Agreement

On 4 May 2015, Fondul Proprietatea concluded a revolving committed credit facility of RON 500 million with Citibank Europe Plc, Dublin – Romania Branch. The purpose of the credit facility is for general corporate use, including share buy-backs, but excluding investments. It is intended to be a bridging loan.

The Fund used the credit facility during 2015, but as at 31 December 2015 there was no outstanding balance.

On 17 December 2015 the Fund and Citibank Europe Plc Dublin - Romania Branch agreed to extend the revolving committed credit facility of RON 500 million, with a potential increase by a further RON 500 million, subject to future mutual agreement of the parties. The availability period of the facility starts on 4 January 2016 and ends on 31 August 2016. The final reimbursement should take place on 30 September 2016, at the latest.

Outlook for 2016

Romania has been one of the best performing economies in the European Union in 2015. The growth rate for Q3 places it second in the EU, after the Czech Republic, and for 2015 we estimate an overall increase of the Gross Domestic Product (“GDP”) close to 4%. We also expect further acceleration for 2016, backed by the expansion of domestic consumption and of investments, supported by improved absorption of EU funds and low level of interest rates. Domestic consumption has picked up in 2015 (nearly 6% growth) and it should further accelerate in 2016 following the reduction in value added tax (“VAT”) and the increase of public sector salary. As a result, the economic growth rate might even exceed 5% this year.

The macroeconomic fundamentals are also positive – in 2015 the public debt is less than 40% of the GDP, the budget deficit has been under control for several years and the current account deficit is less than 1% of GDP for the first time in 25 years while inflation is, as well, at record lows. Romania is, thus, in a good shape after the International Monetary Fund programme.

The high economic growth rate, along with the strong fundamentals and the positive perspectives should result in an improvement in foreign direct investment flows, which should also be helped by the trend of relocation of production capacities from Western Europe. Moreover, Romania’s attractiveness for investors should also be boosted by fiscal improvements, such as the reduction of VAT from 24% to 20% which entered into force as at 1 January 2016, and the further cut to 19% starting from 2017, the reduction of dividend withholding tax from 16% to 5% and the elimination of the special constructions tax starting from 2017.

This year will be marked by two electoral campaigns which usually generate volatility that might affect investors’ decisions in the short term, but we hope they will not interfere with the reformist agenda undertaken by the new Government, which is determinant for continuing the strong foreign direct investments and portfolio investment flows in Romania.

It is also important for the fight against corruption to continue, as it should lead to governance improvement and increased efficiency of state institutions, which are the backbone to economic activity.

Sectors where we see growth potential are energy, transport, IT, banking, constructions, agriculture and healthcare. The IT and agriculture, for example, have an increasing share in the GDP: the IT industry accounts for 6%, but, in our view, it has the potential to reach at least 10% of GDP in the coming years due to the strong networking infrastructure, low costs and skilled workforce. Also, the agriculture sector’s huge potential is still waiting to be unlocked, with the most important opportunity for large players in this sector remaining the absorption of EU funds.

IPOs represent the key driver in developing the capital market, which currently stands at 14% of the GDP, one of the lowest levels in the region (Poland 64%, Hungary 55%, Austria 26% and Czech Republic 22%). New companies on the stock exchange would not only boost the liquidity and attract new investors, but could also ensure a higher exposure of the pension funds to the local capital markets (currently they can invest in equities up to 35% and their current equity exposure is less than 20%), as well as continued growth of mutual funds sector. Only new IPOs could support the upgrade of the local capital market to emerging market status from the current frontier one.

An important point of attraction for investors is the fact that Romanian market is undervalued. However, in light of strong economic growth and very positive perspectives, the gap between perceived valuations and fundamentals should close. Therefore we think that now is the right time for investors to consider increasing exposure to Romanian equities.

Maximising Shareholder Value in 2016

As we look to generate further value for the Fund's shareholders and not only meet, but exceed the performance objectives included in the Investment Policy Statement (discount of 15% or less for at least two thirds of the trading days between 1 July 2015 – 30 June 2016 and a higher adjusted NAV per share than the NAV per share reported as at 30 June 2015 of RON 1.1851), we will continue to actively manage the Fund, work closely with the new Government to ensure the successful implementation of the corporate governance code, and make progress on the listing of the main companies which are ready for an Initial Public Offering: Hidroelectrica SA, Societatea Nationala a Sariei (Salrom) SA, Administratia Porturilor Maritime Constanta SA (Constanta Ports) and Aeroporturi Bucuresti SA (Bucharest Airports).

We will continue to focus on enhancing the profitability of these assets to secure a growing dividend income trend for the Fund. Furthermore, value-enhancing corporate actions, such as share buy-backs and cash distributions to shareholders, and continued promotion of the Fund and of 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 Shareholders Meeting to be held in Bucharest on 26 April 2016, starting with 3.00 p.m., at Radisson Blu Hotel, Atlas Room, 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 Limited
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 SA 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 Bucharest Stock Exchange since 25 January 2011 and on the Specialist Fund Market of the London Stock Exchange since 29 April 2015.

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).

Considering the legal requirements to implement the AIFM Directive the shareholders of the Fund approved, on 29 October 2015, the change of the management structure and the termination of the current mandate of FTIML as Fund Manager and Sole Administrator, with the mutual consent of both parties, starting with 1 April 2016. Subsequent to the termination, the Fund appointed Franklin Templeton International Services S.À.R.L as its Sole Director and Fund Manager under AIFM Directive and local implementation regulations, and executed a new Investment Management Agreement in order to reach AIFM Directive compliance (FTIS mandate will commence on 1 April 2016). As part of the new management structure, FTIS will delegate the role of investment manager and certain administrative functions to FTIML. For further updates on the implementation of AIFM Directive, please see the section *Subsequent Events*.

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 SA, which established that the Fund would be an undertaking for collective investments organised as a closed-end investment company. However, the Fund was officially registered by CNVM (currently FSA) as a closed-end investment company only 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, the shares have been awarded by the National Authority for Property Restitution to individuals legally entitled to receive compensation from the Romanian state and who chose to convert their compensation entitlements into shares issued by the Fund.

As a result of the compensation and conversion process, the Romanian state’s participation in the share capital of the Fund has continuously decreased to 368,500,817 shares as at 31 December 2015, out of which 4,688,467 paid shares.

Beginning with 15 March 2013, the date when Government Emergency Ordinance no. 4/2012 entered into force, the compensation process was suspended. In January 2015 the Law no. 10/2015 entered into force confirming that Romanian state will not use the compensation scheme using Fondul Proprietatea shares anymore in future.

Employees of the Fund

As at 31 December 2015 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.

Branches

During 2015 the Fund had no branches.

Subsidiaries

During 2015, 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 these subsidiaries qualifies as a significant subsidiary.

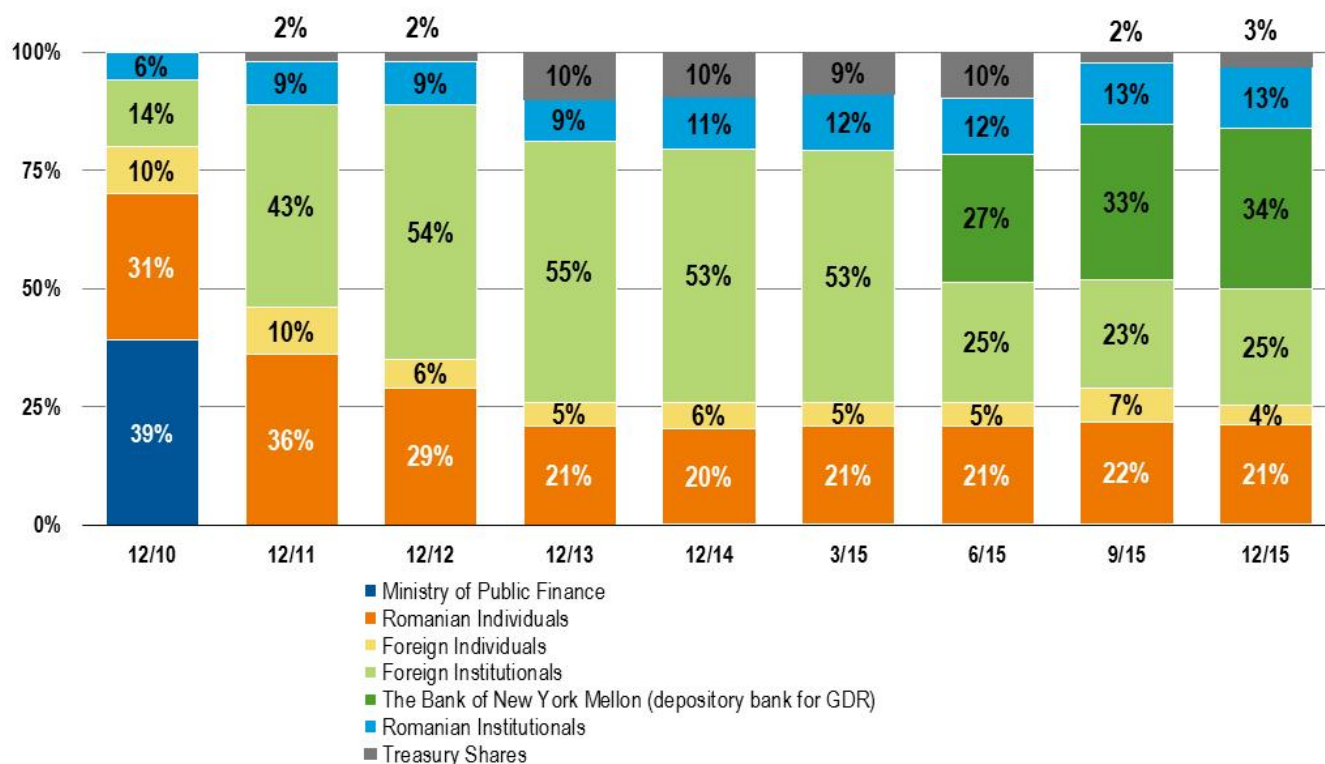
Name	Ownership interest
Alcom SA	72%
Comsig SA	70%
Primcom SA	68%
Zirom SA	100%

Corporate Reorganisation of the Fund and its Subsidiaries

There was no corporate reorganisation of the Fund or its subsidiaries in 2015.

Changes affecting the share capital of the Fund

The evolution of the shareholder structure during the last five years is illustrated by the following chart:



At the beginning of 2015, the subscribed capital of the Fund was RON 11,815,279,886.85, and the paid-in capital was RON 11,469,658,154.35.

Share Cancellation

The share cancellation after the Third Buy-back Programme

The FSA, through Endorsement no. 25/27 January 2015, endorsed the decrease of the subscribed share capital from RON 11,815,279,886.85 to RON 11,575,064,733.65, following the cancellation of 252,858,056 treasury shares acquired by the Fund in the third buy-back programme in 2014. The share capital decrease was effective on 27 January 2015. Therefore, starting from 27 January 2015, the new value of the Fund's subscribed share capital was RON 11,575,064,733.65, (representing 12,184,278,667 shares with a nominal value of RON 0.95 per share). The value of the paid-in share capital was RON 11,229,443,001.15 (representing 11,820,466,317 shares with a nominal value of RON 0.95 per share).

The share cancellation after the Fourth Buy-back Programme

On 12 August 2015, the FSA endorsed the decrease of the subscribed share capital of the Fund from RON 10,965,850,800.30 to RON 10,074,080,745.90, following the cancellation of 990,855,616 treasury shares acquired by the Fund in the fourth buy-back programme in 2014 and 2015. The share capital decrease was effective on 12 August 2015.

Therefore, starting on 12 August 2015, the new value of the Fund's subscribed share capital is RON 10,074,080,745.90, divided into 11,193,423,051 shares with a nominal value of RON 0.90 per share. The value of

the paid in share capital is RON 9,746,649,630.90, divided into 10,829,610,701 shares with a nominal value of RON 0.90 per share. As a result of the share capital decrease the new GDR facility limit, calculated as one third of the share capital, is 74,622,820 GDRs.

Share cancellation after the fifth buy-back programme:

On 29 October 2015 the shareholders approved the cancellation of 227,572,250 shares repurchased by the Fund during the fifth buy-back programme. The shareholders resolution was published in the Official Gazette of Romania on 12 November 2015. The share capital decrease will be effective after the FSA endorsement of the new Constitutive Act of the Fund and after its registration with the Trade Register.

Distributions to Shareholders

During the 21 January 2015 GSM, the Fund's shareholders approved the return to shareholders of RON 0.05 per share, following the reduction of the nominal value of the shares of the Fund from RON 0.95 to RON 0.90. The decrease was motivated by the optimisation of the share capital of Fondul Proprietatea, involving the return to the shareholders of a part of their contributions, proportionally with their participation in the paid-in share capital of the Fund. The shareholders resolution was published in the Official Gazette of Romania on 4 February 2015 and the endorsement by the FSA of the new Constitutive Act reflecting the share capital decrease was received on 21 May 2015 (Endorsement no. 169 / 20 May 2015).

The shareholders registered with the Central Depository on 24 June 2015 have the right to receive RON 0.05 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment of the capital return started on 29 June 2015 (the Payment Date).

Following legislative changes, starting with 2015 the payments were performed through Central Depository, as follows:

- a) for shareholders having a custodian/ brokerage account, directly by the respective custodian bank or broker;
- b) for all other shareholders:
 - (i) by the Central Depository, through the Paying Agent, but only in case of bank transfers when the supporting documentation required by the Central Depository, along with a payment request, have been submitted.
 - (ii) by the Paying Agent at any of its agencies for the cash payments or by bank transfer (when the supporting documentation required by the Paying Agent, along with a payment request, have been submitted to the Paying Agent).

The Paying Agent appointed by the Fund for the 2015 distributions is BRD Groupe Societe Generale.

As an important notice to shareholders, the payment of the amounts due to the Fund's shareholders related to the return of capital approved in 2015 is subject to the general statute of limitation. As such, the shareholders may request these payments only within a three year term starting with the Payment Date, namely until 29 June 2018.

Governing Legislation

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

- Law no. 31/ 1990 regarding companies, save to the extent varied by the more specific legislation relating to the Fund, described below ("Companies' Law");
- Government Decision no. 1481/2005 regarding the incorporation of Fondul Proprietatea SA;
- 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;
- Government Emergency Ordinance no. 81/2007 for the acceleration of the compensation procedure related to the real estate abusively confiscated, with subsequent amendments;
- Law no. 297/2004 regarding the capital market, with subsequent amendments;
- CNVM Regulation no. 4/2010 ("CNVM Regulation 4/2010") regarding the registration with the CNVM and operation of Fondul Proprietatea SA, as well as trading of shares issued, with subsequent amendments;
- 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;

- CNVM Regulation no. 1/2006 (“CNVM Regulation 1/2006”) regarding issuers and securities trading;
- 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;
- 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;
- Law no. 10/2015 on amending Title VII of Law no. 247/2005 regarding the reforms in the sectors of justice and property, as well as certain related measures, with subsequent amendments;
- Law no. 74/2015 on alternative investment fund managers;
- FSA Regulation no. 10/ 2015 regarding the alternative investment funds management;
- FSA Norm no. 39/ 28 December 2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by FSA – Financial Investments and Instruments Sector.

Changes in the Accounting Regulations in 2015

On 6 August 2014, the FSA issued Instruction no. 2/ 6 August 2014, whereby entities authorised, regulated and supervised by the FSA in the Financial Investments and Instruments Sector were required to apply IFRS, as the official basis of accounting with effect from 1 January 2015. As a result, starting on 1 January 2015 the Fund adopted IFRS as the statutory official accounting framework and used the accounting records under IFRS for quarterly report for the quarter ended 31 March 2015 and for the computation of the non-portfolio items for the 30 January 2015, 27 February 2015, 31 March 2015 and 30 April 2015 NAV reports.

However, during 2015, the FSA decided to postpone the implementation of IFRS as official accounting regulations for regulated entities. FSA Instruction no. 1/19 May 2015 regarding the amendment of Instruction 2/2014, was published in the Official Gazette of Romania and entered into force on 19 May 2015, delaying the implementation of IFRS as the official accounting regulations until 1 January 2016. As a result, starting May 2015 the official accounting regulations for the Fund reverted to Romanian Accounting Regulations, being used for the preparation of the Semi-annual report for the six-month period ended 30 June 2015, of the quarterly report for the quarter ended 30 September 2015 and for the computation of the non-portfolio items for the monthly NAV reports starting with the 29 May 2015 report.

On 28 December 2015 the official accounting regulations applicable to Fondul Proprietatea were once again changed by the FSA Norm 39/2015 regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by the FSA – Financial Investments and Instruments Sector (“Norm 39/2015”), published in the Official Gazette of Romania no. 982/ 30 December 2015.

According to Norm 39/2015, starting with the annual financial statements for the year ended 31 December 2015, IFRS are the official accounting regulations (the statutory basis of accounting) for the regulated entities, including Fondul Proprietatea. As a result, being the official accounting records, the annual IFRS financial statements were used for the preparation of this report.

The implementation of AIFM Directive

The Law 74/2015 implementing AIFM Directive was published in the Official Gazette of Romania on 23 April 2015. Following the entry into force of the Law 74/2015 on 24 May 2015, the FSA approved Regulation 10/ 2015 regarding the alternative investment funds management (“Regulation 10/ 2015”) on 22 July 2015, which was published in the Official Gazette of Romania on 28 July 2015. According to the FSA Regulation 10/2015, the Fund is qualified as an Alternative Investment Fund under the Romanian law implementing the AIFM Directive and needs to comply with the provisions of the law implementing AIFM Directive and Regulation 10/2015 before 24 May 2016.

On 29 October 2015 the GSM approved the AIFM Directive implementation plan for the Fund as follows:

- Termination by mutual consent of the parties of FTIML’s current mandate beginning with 1 April 2016 (last day of mandate shall be 31 March 2016);
- The appointment of FTIS as Sole Director and Fund Manager under AIFM Directive and local implementation regulations, and the execution of a new Investment Management Agreement, in order to comply with the AIFM Directive requirements (FTIS’ mandate will commence on 1 April 2016); considering that the replacement of the Fund Manager with another entity from the group is proposed to be done in view

of complying with the AIFM Directive and the related national implementation laws and regulations, the shareholders agreed and approved the waiver of any selection procedure;

- Delegation of activities: the Board of Nominees will approve the delegation of certain portfolio management and administrative activities from FTIS to FTIML.

For further updates on the implementation of AIFM Directive, please see the section *Subsequent Events*.

Other changes of legislation regarding the Fund's activity

On 12 January 2015, Law no. 10/2015 was published in the Part I of the Official Gazette of Romania no. 22 ("Law 10") and entered into force on 15 January 2015. Law 10 amends, among others, Title VII of Law no. 247/2005 governing mainly the organisation and functioning of the Fund ("Fund Law"). The main amendments are presented below:

- Any inconsistencies there might have been in the past legislation regarding the right of the Fund's shareholders to freely appoint the fund manager are now clarified; the provisions of Article 12 (2) of the Fund Law, stating that the fund manager is appointed through an international tender organised by the State were repealed;
- The provisions related to the State's special treatment for its contributions to the increase of the Fund's share capital were repealed;
- The Fund's receivable against World Trade Center Bucuresti SA was transferred back to the Ministry of Public Finance.

A consolidated version of the Fund Law containing the amendments brought by Law 10 can be found on the Fund's website.

Changes in the Investment Management Agreement

During 2015 there were two changes of the Investment Management Agreement ("IMA") that produced effects during the year. Also, the shareholders approved the third change, to be effective after FSA endorsement, according to regulations in force.

Addendum 2 of the current Investment Management Agreement

The shareholders of the Fund approved some changes of the current Investment Management Agreement on 23 September 2014 ("IMA 2014"), and the FSA has issued Endorsement no. 88/ 20 March 2015 endorsing the Addendum with some comments: a proposal to change the definition of the force majeure event and a proposal to have the effective date of the distribution fee the date when Addendum 2 to IMA 2014 was endorsed by FSA (20 March 2015). All other changes of the IMA 2014 entered into force on 20 March 2015.

Addendum 3 of the current Investment Management Agreement

Considering FSA's recommendations issued on 20 March 2015 for the IMA 2014, the shareholders approved on 29 October 2015 the Addendum 3 to IMA 2014 which entered into force on 29 October 2015.

Addendum 4 of the current Investment Management Agreement

The shareholders of the Fund approved additional changes of the current Investment Management Agreement on 29 October 2015, related to the calculation of the distribution fee, all included in Addendum 4 to the IMA 2014. For further updates on the Addendum 4, please see the section *Subsequent Events*.

Changes to the Constitutive Act

During 2015 there were several changes in the Constitutive Act of the Fund, as follows:

- Changes related to the articles referring to the share capital and the nominal value, as a result of the share capital decrease processes;
- Several changes related to the AIFM Directive implementation;
- Changes related to the duties of the Board of Nominees that are not related to the AIFM Directive implementation.

According to legislation in force, all the changes to the Constitutive Act enter into force after FSA endorsement.

General Shareholders Meeting Decisions in 2015

The main decisions of the Fund's shareholders at the 21 January 2015 GSM were the following:

- The approval of the decrease of the subscribed share capital of the Fund from RON 11,575,064,733.65 to RON 10,965,850,800.30 through the reduction of the nominal value of the shares of the Fund from RON 0.95 to RON 0.90 and the approval of the payment to the shareholders registered as such with the Central Depository on 24 June 2015 of RON 0.05 per share, proportionally with their participation to the paid-in share capital of the Fund – the payment date approved by shareholders was 29 June 2015.
- The ratification and the approval of all Extraordinary General Shareholders Meetings ("EGM") resolutions and of all legal acts (including resolutions, decisions, notices for convening all EGM and contracts) concluded, adopted and issued in the name of the Fund through FTIML, between 6 September 2010 and 20 January 2015 and the approval and ratification of any implementation acts, facts and operations based on such, including the management of the Fund under an unitary system, as well as the approval of all the changes to the Constitutive Act approved by all the EGM between 6 September 2010 and 20 January 2015, as endorsed by FSA.
- The approval of the secondary listing of the Fund on the London Stock Exchange and all arrangements needed for this.

The main decisions of the Fund's shareholders at the 27 April 2015 GSM were the following:

- The approval of the decrease of the subscribed share capital of the Fund pursuant to the cancellation of 990,855,616 shares acquired by the Fund during the fourth buy-back programme.
- The approval of the sixth buy-back programme for a maximum number of (i) 891,770,055 shares or the equivalent global depository receipts corresponding to shares of the Fund or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser.
- The approval of the amended Investment Policy Statement.
- The ratification and the approval of all EGM resolutions and of all legal acts (including resolutions, decisions, notices for convening all EGM and contracts) concluded, adopted and issued in the name of Fondul Proprietatea through FTIML, between 6 September 2010 and 26 April 2015.
- The approval of the Annual Activity Report of the Sole Administrator of Fondul Proprietatea for the financial year 2014, including the financial statements for the year ended on 31 December 2014 prepared in accordance with the Romanian Accounting Regulations, (CNVM Regulation 4/2011) the approval of the auditor's report and the discharge of FTIML for any liability for its administration during 2014.
- The approval of the net profit allocation for the financial year 2014.
- The approval of the revised secondary listing budget.
- The ratification and the approval of all Ordinary General Shareholders Meetings ("OGM") resolutions and of all legal acts (including decisions, notices for convening all OGM and contracts) concluded, adopted or issued on behalf of Fondul Proprietatea by FTIML, as well as of any management/administration measures adopted and/or implemented by it, approved or concluded between 6 September 2010 and 26 April 2015.

The main decisions of the shareholders in the 29 October 2015 GSM were the following:

- The approval of the decrease of the subscribed share capital as a result of the cancellation of the shares repurchased during the fifth buy-back programme;
- The approval of the seventh buy-back programme;
- The approval of the amendment of the Investment Policy Statement of the Fund, with effective date 1 April 2016;
- The approval for the authorisation of the Sole Administrator to execute any disposal acts over any holdings in the portfolio companies of the Fund, which either individually or cumulatively during 2015 or 2016 financial year, for each year separately, exceed 20% of the total value of the non-current assets, less receivables (up to 30% of the total value of the non-current assets, less receivables);
- The approval of AIFM Directive implementation plan, including (i) the amended Constitutive Act of the Fund, (ii) the termination of the mandate of FTIML as Fund Manager and Sole Director, (iii) the appointment of FTIS as Fund Manager and Sole Director and (iv) the new IMA, all with effective date 1 April 2016;
- The approval of Addendum 3 to the current IMA as recommended by FSA;

- The approval of Addendum 4 to the current IMA containing the increase of the distribution fee;
- The approval of continuation vote for the mandate of FTIML as Fondul Proprietatea's Fund Manager and Sole Director;
- The approval of the increase of the monthly remuneration of the members of the Board of Nominees;
- The approval of the Fund's budget for 2016;
- The appointing of Deloitte Audit SRL as the financial auditor of Fondul Proprietatea for 2015 and the approval of the financial audit agreement; and
- The ratification and the approval of all GSM resolutions and of all legal acts concluded, adopted and issued in the name of Fondul Proprietatea through FTIML between 6 September 2010 and 28 October 2015.

Buy-back Programmes

Overview of share buy-backs during 2015

During 2015 the Fund has completed the implementation of the fourth and fifth buy-back programmes and started the implementation of the sixth buy-back programme. The seventh buy-back programme was approved by shareholders in October 2015 GSM and the Fund Manager can start its implementation after the cancellation of the shares acquired during fifth buy-back programme is effective.

All the buy-back programmes carried out by the Fund are aimed at the share capital decrease, in accordance with the shareholders' approval. During 2015 the Fund bought back a total number of 463,586,446 own shares, representing 4.1% of the total issued shares as at 31 December 2015, for a total acquisition value, including transaction costs, of RON 389,685,532, as follows:

- 86,364,572 shares acquired within the fourth buy-back programme,
- 227,572,250 shares acquired within the fifth buy-back programme and
- 149,649,624 shares acquired within the sixth buy-back programme (out of which 111,074,924 ordinary shares and 38,574,700 ordinary shares corresponding to GDRs).

The shares acquired within the fourth buy-back programme were cancelled in August 2015. Therefore, the total number of own shares bought back and held by the Fund as at 31 December 2015 is 377,221,874 (including the equivalent number of ordinary shares corresponding to the 771,494 GDRs held), having a total nominal value of RON 339,499,686.60 (RON 0.9 per share).

The fourth buy-back programme

During the 28 April 2014 GSM, the shareholders approved the fourth buy-back programme, for a maximum number of (i) 990,855,616 shares or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser, starting with the date when the third buy-back programme is completed, within the price range of RON 0.2 per share to RON 2 per share, to be cancelled upon completion of the buy-back programme.

The execution of the fourth buy-back programme started on 1 October 2014 and until 2 February 2015, all 990,855,616 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 1,060,874,423. The cancellation of the shares acquired within this buy-back programme was effective on 12 August 2015.

The fifth buy-back programme

On 19 November 2014 the Fund's shareholders approved the fifth buy-back programme that refers to the acquisition of a maximum number of (i) 227,572,250 shares or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser. The buy-back could be performed within the price range of RON 0.2 per share to RON 2 per share, the shares repurchased to be cancelled upon completion of the buy-back programme. The execution of the fifth buy-back programme started on 10 February 2015 and until 29 July 2015, all 227,572,250 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 193,699,522.

During the GSM held on 29 October 2015, the Fund's shareholders approved the decrease of the share capital through the cancellation of the shares repurchased by the Fund within the fifth buy-back programme. As at 31 December 2015, the share capital decrease process was ongoing.

The sixth buy-back programme

During the 27 April 2015 GSM the shareholders approved the sixth buy-back programme for a maximum number of 891,770,055 shares or the equivalent number of global depositary receipts corresponding to the shares of Fondul Proprietatea, valid until 15 November 2016. The buy-back shall be performed at a price between RON 0.2 per share and RON 2 per share. The buy-back transactions can only be applied to fully paid shares and the repurchased shares will be cancelled. The implementation of this buy-back programme is subject to the availability of the necessary cash.

The execution of the buy-back programme started on 9 September 2015 and until 31 December 2015, the total number of shares repurchased was 149,649,624 (111,074,924 ordinary shares and 38,574,700 equivalent shares of the GDRs repurchased, where 1 GDR represents 50 ordinary shares), at a total acquisition value, including transaction costs, of RON 121,497,490. For further updates regarding the sixth buy-back programme, please see the section *Subsequent Events*.

The seventh buy-back programme

On 29 October 2015 the Fund's shareholders approved the seventh buy-back programme that refers to the acquisition of a maximum number of shares computed so that all the outstanding treasury shares (acquired during this programme and/or previous ones) will not exceed 10% of the issued share capital at the relevant time, starting with the date when the share capital decrease regarding the cancellation of the shares repurchased within the fifth buy-back programme is effective, for a maximum period of 18 months as of the date when this shareholders' resolution is published in the Official Gazette of Romania. The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The transactions can only be applied to fully paid shares, global depositary receipts or depositary interests corresponding to the shares of the Fund, which will be cancelled. The implementation of this buy-back programme will be subject to the availability of the necessary cash.

Analysis of the Portfolio of the Fund

Net Asset Valuation

The key performance indicator of the Fund is its Net Asset Value. 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 NAV reports are published on the Fund's website at www.fondulproprietatea.ro, together with the share price and discount information.

NAV Methodology

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

Listed securities are valued at closing market prices if listed on regulated markets, or reference prices if listed on an Alternative Trading System ("ATS"), on Rasdaq market or on UNLS section of BVB. In case of shares listed on ATS the reference price is considered to be the average price; in case of shares listed on Rasdaq the reference price is considered to be the closing price for the shares listed on section RGBS and the average price for the shares listed on section XMBS; and in case of shares traded on UNLS section of BVB the reference price is considered to be the average price.

Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or according to International Valuation Standards which permit fair valuation.

The shares in the companies going through insolvency or a 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. The shares in the companies under a judicial liquidation procedure, or any other liquidation procedures, as well as in the companies under temporary or final suspension of operation, are valued at zero until the procedure is finalised.

The treasury shares acquired through buy-backs are excluded from the number of shares used in the NAV per share computation.

Buy-backs via Global Depositary Receipts

In September 2015, Fondul Proprietatea started the sixth buy-back programme, which is carried out through buying both ordinary shares on the Bucharest Stock Exchange and GDRs on the London Stock Exchange.

From an accounting point of view the GDRs bought back by the Fund are accounted for exactly as the own ordinary shares repurchased, as a deduction in shareholders' equity (in an account with debit balance in shareholders' equity). This is the result of the application of substance over form principle, due to the fact that buy-back via GDRs is only a technical/ legal form of the transaction, the substance of the transaction being that the Fund buys back its own shares, giving the same rights to both the holders of the Fund's ordinary shares and to the holders of the Fund's GDRs, to take part in the buy-back programmes carried out by the Fund.

According to CNVM Regulation no. 4/2010, as subsequently amended, in the computation of the NAV per share, the number of own shares bought back by the Fund, held at the NAV reporting date, should be deducted from the number of shares issued and paid-in.

Due to the fact that in substance the Fund's GDRs are similar with the ordinary shares to which they correspond, in the computation of the number of shares used in the calculation of NAV per share, the equivalent number of shares corresponding to the GDRs bought back and held by the Fund as at NAV reporting date are also deducted (together with the number of the ordinary own shares bought back and held).

Official accounting regulations in 2015

Starting 1 January 2015, according to FSA Instruction no. 2/6 August 2014, entities authorised, regulated and supervised by the FSA were required to apply IFRS as the official basis of accounting. Therefore, starting on 1 January 2015 the Fund adopted IFRS as the statutory official accounting regulations and used the accounting records under IFRS for the computation of the non-portfolio items for the 30 January 2015, 27 February 2015, 31 March 2015 and 30 April 2015 NAV reports.

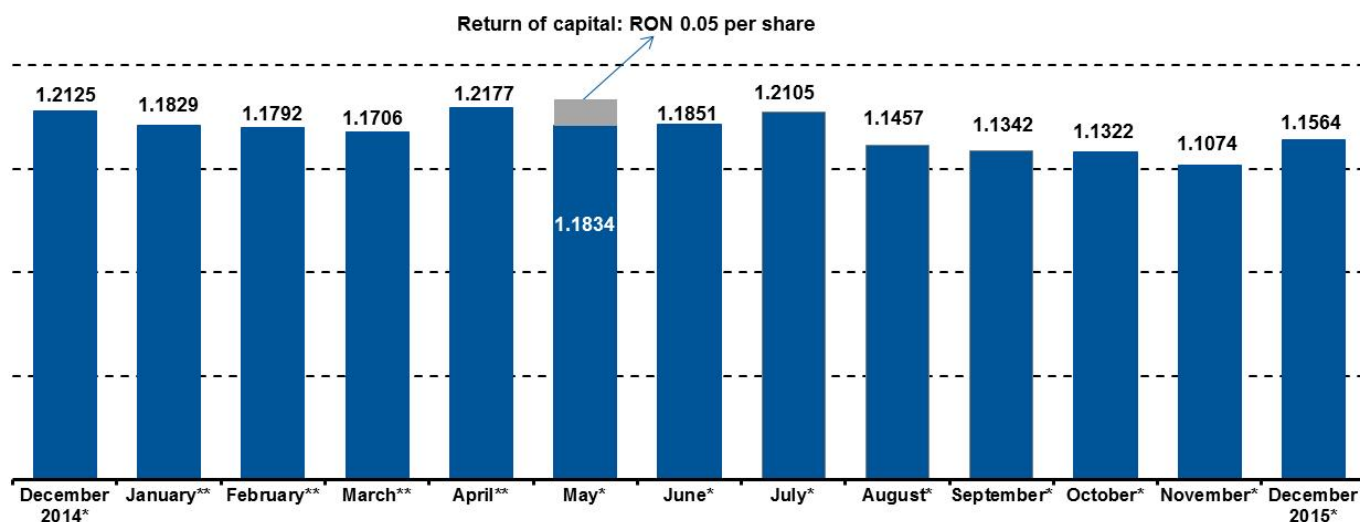
In May 2015 the FSA issued Instruction no. 1/19 May 2015 (which amended Instruction no. 2/2014) according to which the implementation of IFRS as the official basis of accounting is postponed until 1 January 2016 and regulated entities should continue to apply the Romanian Accounting Regulations (CNVM Regulation 4/2011) in 2015. As a result, the Fund used the accounting records according to Romanian Accounting Regulations for the computation of the non-portfolio items in the monthly NAV reports, starting the 29 May 2015 NAV report.

On 28 December 2015 the official accounting regulations applicable to Fondul Proprietatea were again changed by the FSA Norm 39/2015; as a result, starting with the annual financial statements for the year ended 31 December 2015, IFRS are the official accounting regulations (statutory basis of accounting) for the Fund.

However, even if the statutory 2015 annual financial statements were prepared in accordance with IFRS by adjusting the accounting records based on Romanian Accounting Regulations, in the letter received by the Fund on 21 December 2015, the FSA confirmed the use of the accounting records under Romanian Accounting Regulations for the computation of non-portfolio items in the 31 December 2015 NAV. The differences between Romanian Accounting Regulations and IFRS on the non-portfolio items are explained in a note in the Annex 2 to this report "Statement of Assets and Obligations of Fondul Proprietatea SA as at 31 December 2015, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)".

NAV per share (RON per share)

The following chart shows information on the monthly published NAVs per share for the period 31 December 2014 to 31 December 2015:



Source: FTIML, based on NAV reports submitted to FSA

*Based on Romanian Accounting Regulations for non-portfolio items

**Based on IFRS for non-portfolio items

The grey section within May 2015 represents the value of the 2015 return of capital per share, approved by shareholders in January 2015, which was recorded in May 2015, following the FSA endorsement of this share capital decrease (Endorsement no. 169/ 20 May 2015), which resulted in a corresponding reduction of the NAV per share.

During the **first quarter of 2015** the NAV per share decreased by 3.5%, mainly due to the negative impact of the decrease of the share prices of certain listed holdings, principally OMV Petrom SA (impact on the Fund's NAV of RON 480.9 million or RON 0.0447 per share).

During the **second quarter of 2015**, the NAV per share had an overall moderate upward trend compared with the end of the first quarter of 2015, mainly due to the positive share price evolution of the Fund's listed holdings, principally OMV Petrom SA (impact on the Fund's NAV of RON 146.3 million or RON 0.0137 per share) and Romgaz SA (impact on the Fund's NAV of RON 52.0 million or RON 0.0049 per share) and also due to the fifth buy-back programme carried out by the Fund during this period.

During the **third quarter of 2015** the NAV per share decreased by 4.3%, mainly due to the negative impact of the decrease of the share prices of certain listed holdings, principally OMV Petrom SA (impact on Fund's NAV of RON 450.8 million or RON 0.0426 per share) and Romgaz SA (impact on Fund's NAV of RON 246.7 million or RON 0.0233 per share), while the buy-backs carried out during the period had a positive impact.

In the **last quarter of 2015**, the NAV per share increased overall, mainly due to the update of the independent valuation for unlisted portfolio holdings (the main positive impact being related to the holdings in Hidroelectrica SA and CN Aeroporturi Bucuresti SA), partially offset by the decrease of the share price of certain portfolio companies, principally of OMV Petrom SA share price (negative impact of RON 484.1 million or a decrease of RON 0.0462 per share), while the sixth buy-back programme carried out by the Fund during this quarter had a positive impact.

In October and December, 22 unlisted holdings, representing 99.7% of the total unlisted portfolio, were independently valued (including valuation updates for 21 holdings). The valuations were performed by KPMG Advisory and Ernst & Young Service, in accordance with International Valuation Standards. The overall impact was an increase of RON 749.4 million or RON 0.0717 per share, as compared to the 30 September 2015 NAV.

	Portfolio company name	Value in 31 Dec 2015 NAV (RON Million)	Value in 30 Sep 2015 NAV (RON Million)	Impact on Total NAV (RON Million)	Impact on NAV per share ⁹ (RON)
1	Electrica Distributie Muntenia Nord SA	253.9	235.6	18.3	0.0018
2	Electrica Distributie Transilvania Sud SA	222.3	206.5	15.8	0.0015
3	Electrica Distributie Transilvania Nord SA	215.6	201.6	14.0	0.0013
4	Electrica Furnizare SA	149.6	126.4	23.2	0.0022
	TOTAL	841.4	770.1	71.3	0.0068

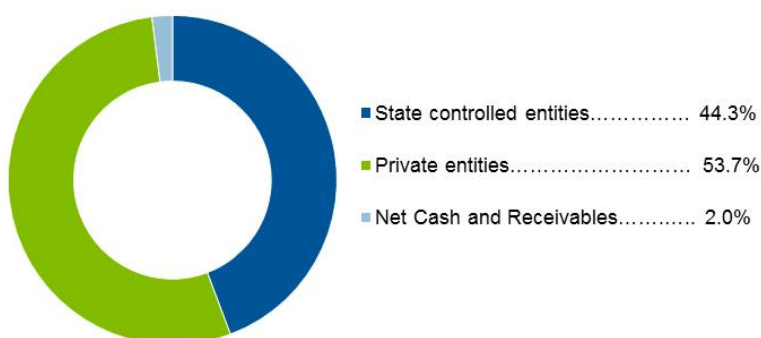
⁹ Computed based on the number of shares used in NAV per share computation as at 31 December 2015

	Portfolio company name	Value in 31 Dec 2015 NAV (RON Million)	Value in 27 Nov 2015 NAV (RON Million)	Impact on Total NAV (RON Million)	Impact on NAV per share ⁹ (RON)
1	Hidroelectrica SA	2,654.1	2,178.1	476.0	0.0455
2	ENEL Distributie Banat SA	624.0	640.5	(16.5)	(0.0016)
3	E.ON Distributie Romania SA	510.4	445.9	64.5	0.0062
4	CN Aeroporturi Bucuresti SA	497.8	332.3	165.5	0.0158
5	ENEL Distributie Muntenia SA	455.4	465.8	(10.4)	(0.0010)
6	GDF Suez Energy Romania SA	446.1	461.3	(15.2)	(0.0015)
7	ENEL Distributie Dobrogea SA	401.2	396.9	4.3	0.0004
8	Societatea Nationala a Sariei SA	177.4	142.9	34.5	0.0033
9	CN Administratia Porturilor Maritime SA	175.1	132.6	42.5	0.0041
10	E.ON Energie Romania SA	126.5	133.9	(7.4)	(0.0007)
11	ENEL Energie SA	76.6	74.4	2.2	0.0002
12	ENEL Energie Muntenia SA	64.0	65.1	(1.1)	(0.0001)
13	Complexul Energetic Oltenia SA	62.8	108.5	(45.7)	(0.0044)
14	Posta Romana SA	58.7	55.9	2.8	0.0003
15	Zirom SA	23.3	39.3	(16.0)	(0.0015)
16	Aeroportul International Timisoara - Traian Vuia SA	2.6	3.9	(1.3)	(0.0001)
17	Plafar SA	1.9	1.8	0.1	0.0000
18	Aeroportul International Mihail Kogalniceanu - Constanta SA	1.6	2.3	(0.7)	(0.0001)
	TOTAL	6,359.5	5,681.4	678.1	0.0649

Investment Strategy and Portfolio Analysis

The Fund's Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. The equity exposure amounted to 98.0% of the Fund's NAV as at 31 December 2015. As at that date, the portfolio was composed of holdings in 48 companies (14 listed and 34 unlisted), containing a combination of privately held and state-controlled entities.

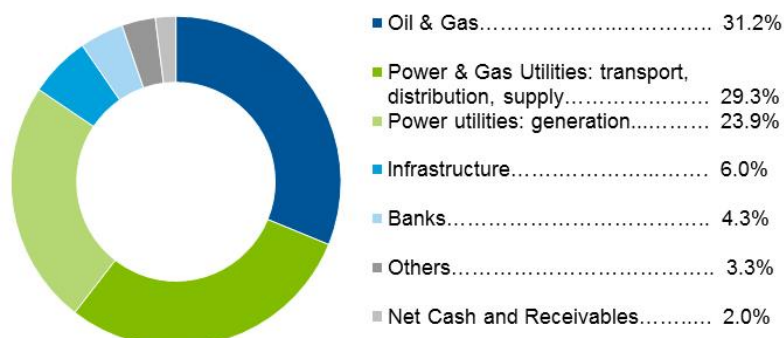
Portfolio Structure – by Controlling Ownership



Source: FTIML, data as at 31 December 2015

- Net cash and receivables includes bank deposits, current bank accounts, treasury bills and bonds, dividend receivables, as well as other assets, net of all liabilities (including liabilities to shareholders related to the returns of capital and dividends from previous years) and provisions.

Portfolio Structure - by Sector

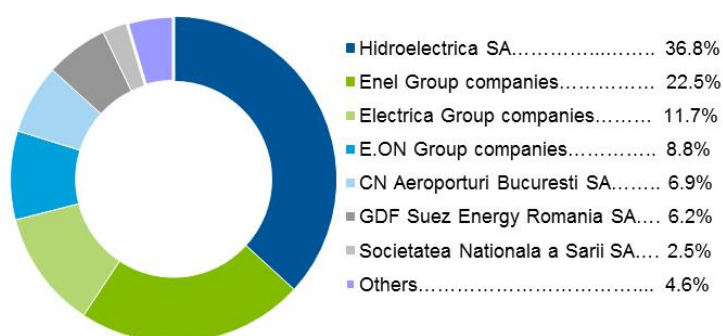


Source: FTIML, data as at 31 December 2015

- The portfolio remained heavily weighted in power, oil and gas sectors (approx. 84.4% of the NAV), through a number of listed and unlisted Romanian companies.

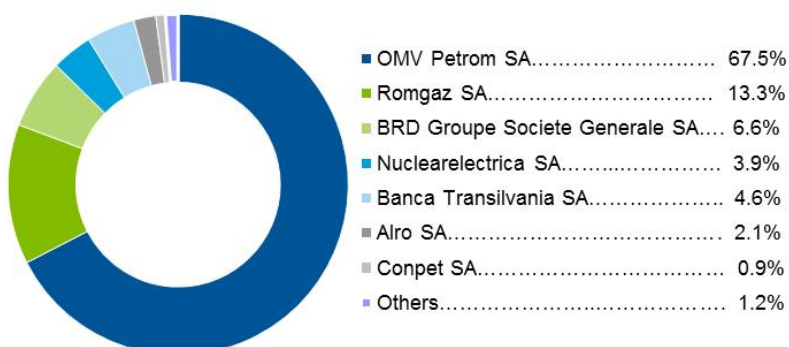
Portfolio Structure – by Asset Type

Source: FTIML, data as at 31 December 2015

Portfolio Structure – Unlisted entities

- The largest unlisted company is Hidroelectrica SA (36.8% of the total value of unlisted companies in the portfolio)

Source: FTIML, data as at 31 December 2015

Portfolio Structure – Listed entities

- The largest listed company is OMV Petrom SA (67.5% of the total value of listed companies in the portfolio)

Source: FTIML, data as at 31 December 2015

Top 20 Equity Investments

No	Name	Fund's Stake (%)	Value as at 31 December 2015 (RON million)	% of NAV as at 31 December 2015
1	OMV Petrom SA	18.99%	3,120.0	25.8%
2	Hidroelectrica SA	19.94%	2,654.1	22.0%
3	ENEL Distributie Banat SA	24.13%	624.0	5.2%
4	Romgaz SA	5.85%	613.2	5.1%
5	E.ON Distributie Romania SA	18.35%	510.4	4.2%
6	CN Aeroporturi Bucuresti SA	20.00%	497.8	4.1%
7	ENEL Distributie Muntenia SA	12.00%	455.4	3.8%
8	GDF Suez Energy Romania SA	12.00%	446.1	3.7%
9	ENEL Distributie Dobrogea SA	24.09%	401.2	3.3%
10	BRD Groupe Societe Generale SA	3.64%	307.2	2.5%
11	Electrica Distributie Muntenia Nord SA	22.00%	253.9	2.1%
12	Electrica Distributie Transilvania Sud SA	22.00%	222.3	1.8%
13	Electrica Distributie Transilvania Nord SA	22.00%	215.6	1.8%
14	Banca Transilvania SA	2.88%	211.6	1.8%
15	Societatea Nationala a Sariei SA	49.00%	177.4	1.5%
16	Nuclearelectrica SA	9.09%	176.0	1.5%
17	CN Administratia Porturilor Maritime SA	20.00%	175.1	1.5%
18	Electrica Furnizare SA	22.00%	149.6	1.2%
19	E.ON Energie Romania SA	13.40%	126.5	1.1%
20	Alro SA	10.21%	96.2	0.8%
Top 20 equity holdings			11,433.6	94.8%
Total equity holdings			11,841.1	98.0%
Net cash and receivables			246.7	2.0%
Total NAV			12,087.8	100.0%

Source: FTIML, data as at 31 December 2015, based on NAV reports submitted to FSA.

Key Portfolio Developments in the Period

Acquisitions and Disposals

Participations in share capital increases and bonus shares

Following the share capital increase of GDF Suez Energy Romania SA, the Fund subscribed 8,835 new shares in the cash share capital increase performed by the company, at the nominal value of RON 10 per share (RON 88,350 in total). The capital increase became effective on 7 April 2015, when the registration with the Trade Register was completed.

In July 2015, Banca Transilvania SA completed the registration of the share capital increase (from incorporation of reserves) with the Central Depository. As a consequence, a number of 12,011,283 bonus shares received by the Fund in June 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 August 2015 the Fund contributed in cash with RON 1.0 million to the share capital increase of Zirom SA. Also, in December 2015 the Fund contributed in cash with RON 1.5 million to the share capital increase of Zirom SA.

Disposals

During 2015 the Fund disposed of its entire holdings in SIFI CJ Agro SA (Comcereal Cluj) and Forsev SA in April, Electroconstructia Elco Cluj SA in June and Petrotel Lukoil SA in November.

In June, Fecne SA was erased from the Trade Register, at the end of the bankruptcy procedure.

In October, the Fund sold an aggregate of 16 million shares in Romgaz SA (14,715,000 in the form of ordinary shares and 1,285,000 in the form of global depositary receipts). The shares were priced at RON 28.50 or USD 7.32 (in relation to disposals via dollar-denominated global depositary receipts).

In December the Fund sold 152,156 shares in Primcom SA, at the price of RON 30 per share, within the buy-back programme carried by this company.

Energy Sector Updates

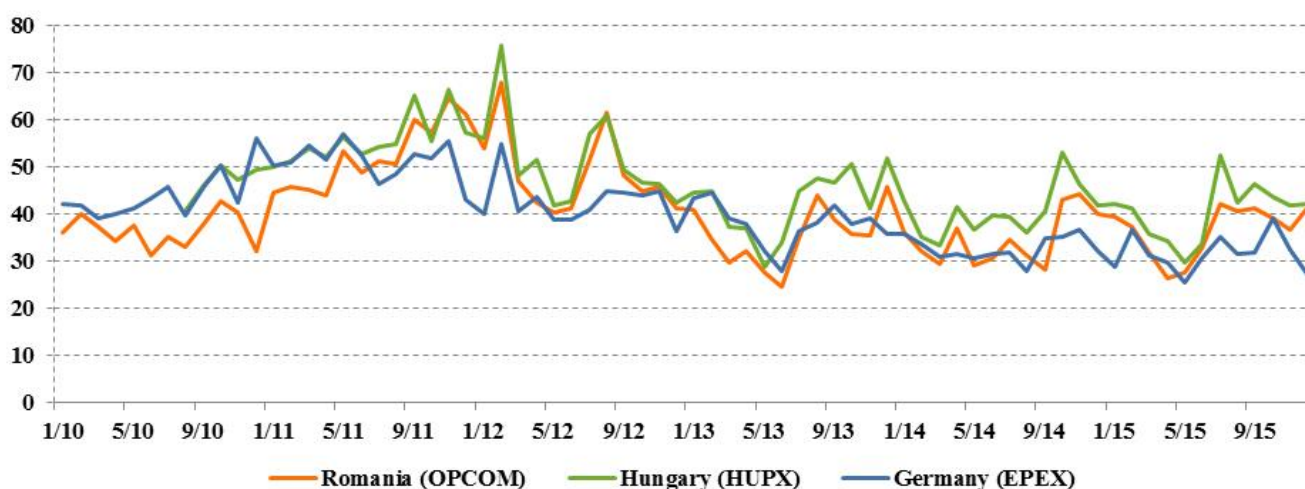
Energy Tariff Changes

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

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

Source: ANRE webpage

Electricity prices (EUR/ MWh)



Source: Bloomberg, Hidroelectrica SA

Note: Day Ahead Market – monthly average for base load

Energy Resources (thousand tons barrels of oil equivalent)

	January – October 2015			January – October 2014			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Coal	4,244.3	3,789.9	454.4	4,004.9	3,623.5	381.4	6.0	4.6	19.1
Oil	8,956.8	3,135.3	5,821.5	8,777.3	3,167.1	5,610.2	2.0	(1.0)	3.8
Natural gas	7,189.1	7,113.8	75.3	7,553.1	7,203.7	349.4	(4.8)	(1.2)	(78.4)
Hidro, Nuclear, and Import energy	4,502.6	4,240.4	262.2	4,206.0	4,171.1	34.9	7.1	1.7	651.3
Import oil products	2,127.4	-	2,127.4	1,711.9	-	1,711.9	24.3	-	24.3
Others	414.6	-	414.6	349.7	-	349.7	18.6	-	18.6
Total resources	27,434.8	18,279.4	9,155.4	26,602.9	18,165.4	8,437.5	3.1	0.6	8.5

Source: National Institute of Statistics webpage

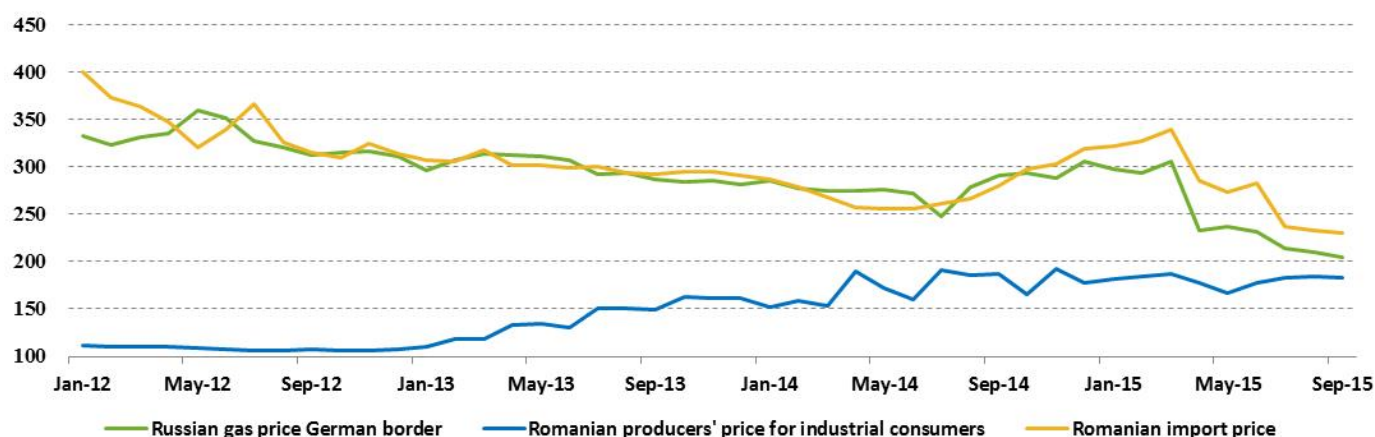
Gas Tariff Changes

Gas prices have increased starting 1 February 2013, pursuant to the schedule for gradual elimination of regulated gas prices. As of 1 January 2015, prices for supply to non-household consumers are determined freely, based on direct negotiation or acceptances of supplier's standard offer. Based on Government Decision no. 488/2015, the Government approved the updated schedule for gas price liberalisation for household consumers and heat producers (for the energy used in residential heating) for the period 1 July 2015 – 1 April 2020.

Starting date	Household prices (RON/ MWh)
01.07.2015	60.00
01.07.2016	66.00
01.04.2017	72.00
01.04.2018	78.00
01.04.2019	84.00
01.04.2020	90.00

Source: Government Decision no. 488/2015

Gas prices (EUR/ thousand m³)



Source: Bloomberg, ANRE

Special Infrastructure Tax

Starting with January 2015, the special infrastructure tax of 1.5% of the value of the special infrastructure assets (which most of the companies in the Fund's portfolio had to pay for the first time in 2014), has been lowered by one third to 1.0%. According to the provisions of Romanian Fiscal Code, the special infrastructure tax will be eliminated starting 1 January 2017.

Update on the Largest 20 Portfolio Companies

Alro SA

RON million	2013	2014	9M 2014**	9M 2015**	Budget 2014*	Budget 2015*
Turnover	2,016.9	2,108.4	1,438.6	1,769.2	2,119.5	2,665.6
Operating profit/ (loss)	(169.6)	51.0	15.6	218.1	70.2	318.1
Net profit/ (loss)	(103.0)	(63.6)	(216.4)	72.7	10.7	255.5
Dividends	-	-	n.a	n.a	-	-

Source: Based on consolidated IFRS financial statements

*Budgeted figures do not include any change in the fair value of the derivative embedded in the electricity purchase contract concluded with Hidroelectrica SA.

** Based on separate IFRS financial statements

May: Alro SA informed the market about the civil court case filed by Hidroelectrica SA against the company, claiming unattained profits from the bilateral electricity contract with Alro SA.

June: Alro SA and its subsidiaries Alum SA and Vimetco Extrusion SRL have been included among the beneficiaries of the provisions of Government Decision 495/ 2014, allowing the reduction of obligations related to the support scheme for the renewable energy sector. According to the Ministry of Economy estimation, for Alro SA the level of this State Aid granted through Government Decision 495/ 2014 falls within the range of EUR 10 – 30 million.

November: For the first nine months of the year, the company posted an unconsolidated net profit of RON 72.7 million compared to the RON 216.4 million losses during the similar period of the previous year. During the period, total sales increased by 23.0% y.o.y to RON 1,769.2 million. In volume terms, the sales of primary aluminium advanced by 3.0% (3,000 tonnes), while the volume of processed aluminium increased by 1.0% (800 tonnes). During the period, the average aluminium price recorded on the London Metal Exchange was of USD 1,717.0 per tonne, down 6.3% y.o.y, while the USD appreciated on average by 21.0% y.o.y against the local currency.

January 2016: The company informed the market that following an investigation regarding the electricity contracts signed with Hidroelectrica SA, the Competition Council imposed a fine on Alro SA of RON 21.2 million or 1.1% of 2014 turnover.

Banca Transilvania SA

RON million	2013	2014	9M 2014	9M 2015***	Budget 2014	Budget 2015*
Operating income	1,752.9	2,078.0	1,484.5	1,721.1	942.0	2,015.0
Net impairment losses	414.3	684.4	445.2	(18.1)	430.0	550.0
Net profit	397.6	442.5	338.1	2,296.2	512.0**	596.0**

Source: Based on consolidated IFRS financial statements (2013 figures have been restated)

*Budgeted figures before revision in October 2015

** Refers to budgeted gross profit, 2015 and 2014 budget does not include a line for net profit

*** Based on consolidated IFRS financial statements, including Volksbank Romania and the other companies in the group

February: The bank announced that it has allocated 125,560 shares bought back from the market as per shareholders' decision from 29 April 2014 to employees which have shown extraordinary performance in their professional activity.

March: According to consolidated IFRS financial statements, the bank reported a net profit of RON 442.5 million in 2014, which represents an increase of 11.3% compared to the net profit of RON 397.6 million reported in 2013. In 2014, the operating revenue increased by 18.5% year on year to RON 2,078 million, operating expenses increased 21.5% y.o.y to RON 1,562.4 million, of which net impairment losses increased by 65.2% y.o.y to RON 684.4 million. Banca Transilvania announced that it has selected AT Kearney to structure the integration process of Volksbank Romania. This process is expected to be finalised by March 2016.

April: The bank announced on 7 April the closing of the transaction by which it has purchased 100% of Volksbank Romania. The price paid was EUR 81 million, of which EUR 58 million was placed in an escrow account to cover future risks over the next 1 year. At the closing date the acquired bank had total assets of RON 35 billion and shareholders' equity of RON 1,905 million.

June: Mr. Horia Ciorcila, the President of the Board of Directors, reported that his holdings, including those held through entities he controls, have decreased from 5.02% to 4.13% following a recent transaction.

The bank announced that a total of 7.05 million shares were distributed to members of the Board of Directors, the General and Deputy Managers as well as regional managers, dealers, head dealers and other employees as part of

the annual incentives scheme. These shares were bought back from the market as per a shareholders decision from April 2014.

Fitch Ratings upgraded the Long-term Issuer Default Rating of Banca Transilvania from BB- to BB, with a stable outlook. Following the analysis of information received after the Volksbank Romania acquisition, Fitch decided to remove Banca Transilvania from the Rating Watch Evolving (RWE) list.

October: Shareholders approved the merger of Banca Transilvania SA and Volksbank Romania. The integration process is expected to be finalised by the end of 2015. At the same meeting shareholders approved the revised budget for 2015, which includes the merger but excludes one-offs in the profitability estimates: it shows an improved ROE of 18.1% from 13.0% before revision of the budget, cost/ income of maximum 22.2% from 43.1% before revision of budget, and total asset growth of 22.9% from 3.9% in the previous budget.

November: The bank published the results for the first 9 months of 2015, which include the effects of the acquisition of Volksbank Romania and are therefore not directly comparable to results for the corresponding period from 2014. The bank also published a set of directly comparable results, which exclude the effects of the acquisition and show a 1.6% increase in operating income to RON 1,453.6 million, an 18.0% decline of impairment losses to RON 362.4 million and a 3.0% decline of net profit to RON 313.0 million.

December: The bank announced the completion of the integration process of Volksbank Romania, with the effective merger date being 31 December 2015.

BRD – Groupe Societe Generale SA

RON million	2013	2014	9M 2014	9M 2015	Prelim 2015	Budget 2014	Budget 2015
Net banking income	2,850.6	2,623.0	1,966.1	1,860.1	2,507.2	Expected decrease due to lower net interest income	Around 3% increase
Net operating income	1,491.3	1,295.3	1,006.2	906.2	1,209.9	n.a.	
Net cost of risk	2,130.8	1,215.4	967.7	454.3	658.2	Significant improvement	Significant decrease
Net profit/ (loss)	(387.5)	63.1	33.6	380.1	465.8	Expected return to profitability	Significant improvement

Source: Based on consolidated IFRS financial statements

April: According to the 2014 consolidated IFRS financial statements, the bank reported a net profit of RON 63.1 million compared to a net loss of RON 387.5 million in 2013. Net banking income decreased by 8.1% y.o.y to RON 2,620.5 million, while general operating expenses decreased by 2.5% y.o.y. to RON 1,325.2 million, leading to a net operating income of RON 1,295.3 million, down by 13.1% y.o.y. Net cost of risk decreased by 43.0% compared to the previous year, to RON 1,215.4 million.

August: According to unaudited consolidated IFRS financial statements for the half year ended 30 June 2015 the bank reported a net profit of RON 268.5 million compared to a net profit of RON 125.4 million during the similar period of 2014. The net banking income decreased by 5.0% y.o.y to RON 1,226.4 million, while general operating expenses decreased by 1.3% y.o.y to RON 633.3 million, leading to a net operating income of RON 593.1 million, representing a decrease of 8.6% y.o.y. Net cost of risk decreased by 46.2% compared to the similar period of the previous year, to RON 268.9 million.

November: According to the unaudited consolidated IFRS financial statements for the first nine months of the year ended 30 September 2015 the bank reported a net profit of RON 380.1 million compared to a net profit of RON 33.6 million during the similar period of 2014. The net banking income decreased by 5.4% y.o.y to RON 1,860.1 million, while general operating expenses decreased by 0.6% y.o.y to RON 953.9 million, leading to a net operating income of RON 906.2 million, representing a decrease of 9.9% y.o.y. Net cost of risk decreased by 53.1% compared to the similar period of the previous year, to RON 454.3 million.

February 2016: According to preliminary consolidated IFRS financial statements for the full year 2015 the bank reported a net profit of RON 465.8 million compared to a net profit of RON 63.1 million in 2014. The net banking income decreased by 4.4% y.o.y to RON 2,507.2 million, while general operating expenses decreased by 2.3% y.o.y to RON 1,297.2 million, leading to a net operating income of RON 1,209.9 million, representing a decrease of 6.6% y.o.y. Net cost of risk decreased by 45.8% compared to the similar period of the previous year, to RON 658.2 million.

CN Administratia Porturilor Maritime SA

RON million	2013	2014	H1 2014	H1 2015	Budget 2014	Budget 2015
Total revenue	302.4	305.2	140.7	157.1	297.1	306.1
Operating profit	76.6	83.8	50.9	70.7	43.3	55.1
Net profit	65.0	70.3	41.8	61.4	31.0	39.8
Dividends	50.6	32.3	n.a.	n.a.	13.5	17.6

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations

June: Total cargo processed through the ports managed by the company increased by 22.6% during the first 6 months of 2015 compared to the same period of 2014, driven largely by cereals (+122%), coal coke (+105%) and non-ferrous ores and scrap (+35%).

August: Financial statements for the half year ended 30 June 2015 show total revenues increased compared to the same period of 2014 by 11.7% to RON 157.1 million and net profit increased 46.9% to RON 61.4 million.

September: Total traffic increased in the first 8 months of 2015 compared with the same period of 2014 by 12.7% to 38.9 million tons.

December: Preliminary traffic data for the full year 2015 show a total throughput of 43.6 million tones, which represents an increase of 1.3% compared to 2014.

CN Aeroporturi Bucuresti SA

RON million	2013	2014	H1 2014	H1 2015	Budget 2014	Budget 2015
Total revenue	641.4	689.7	316.7	361.7	676.8	725.8
Operating profit	91.0	124.4	60.8	106.7	39.9	40.6
Net profit	69.0	98.8	52.6	90.4	25.3	44.3
Dividends	61.6	51.2	n.a.	n.a.	12.6	24.4

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations

The company's financial results for the year ended 31 December 2014 show an increase of 7.5% in total revenue to RON 689.7 million, an increase of 36.7% in operating profit to RON 124.4 million, and a 43.2% increase in net profit to RON 98.8 million compared with the results of 2013.

May: Total passenger traffic for the first 4 months of 2015 increased to 2.6 million, an increase of 14.9% compared to the same period in 2014.

August: Financial statements for the half year ended 30 June 2015 show total revenues increased compared to the same period of 2014 by 14.2% to RON 361.7 million and net profit increased 71.9% to RON 90.4 million.

September: Total passenger traffic increased by 11.8% to 6.1 million passengers in the first 8 months of 2015 compared with the same period of 2014.

December: According to preliminary data, the total passenger traffic in 2015 was 9.29 million passengers, which represents an increase of 11.6% compared to 2014.

E.ON Distributie Romania SA

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

RON million	2013	2014	Budget 2014*	Budget 2015***
Sales	726.5	770.5	748.0**	1,448.0**
Operating profit	74.0	96.8	50.0	217.0
Net profit	67.8	83.0	37.0	180.0
Dividends****	-	-	-	-

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations (2013 and 2014 figures reflect only gas distribution business as reported by the company)

* E.ON Gaz Distributie SA 2014 budget

**2014 budget: Power distribution revenue / 2015 budget: Power and gas distribution revenue

***Budgeted figures include also electricity distribution business

****E.ON Gaz Distributie dividends

Based on ANRE Order 150/ 2014, starting January 2015, the regulated electricity distribution tariffs decreased between 1% (for high voltage) and 3.3% (for low voltage). Based on the ANRE Order 62/2015, gas distribution tariffs decreased as of 1 May 2015 between 0.2% and 6.3% depending on the end-consumer consumption volume.

May: The Fund requested the amendment of the convening notices of the OGM of E.ON Distributie Romania SA and E.ON Energie Romania SA, called on 26 May and 28 May 2015 respectively, in order for shareholders to approve the initiation of court actions against the Board members and managers of E.ON Distributie Romania SA, E.ON Moldova Distributie SA and E.ON Energie Romania SA, for the recovery of damages caused to the companies by approving, concluding and performing service agreements with E.ON Romania SRL, the majority shareholder of the three companies. Fondul Proprietatea considers that the service agreements entered into by the three companies with the majority shareholder E.ON Romania SRL are unnecessary and the price paid by the companies to E.ON Romania SRL for the strategic consultancy services is unjustified. According to data available to the Fund, in 2014, the total value of these service agreements related to strategic and management consultancy amounted to an estimated RON 34.4 million.

December: Based on ANRE Order 174 issued on 14 December 2015, the regulated electricity distribution tariffs decreased on average by 9.6%. Among the reasons quoted by the regulator for this reduction are the positive gap between actual distributed volumes in 2015 versus initial projections, substantial reduction in the cost of energy purchased by the distributor to cover grid losses and the implementation of the reduced Regulated Rate of Return (to 7.7% vs. 8.5%) legislated at the end of 2014.

E.ON Energie Romania SA

RON million	2013	2014	Budget 2014	Budget 2015
Operating revenue	4,766.7	4,871.9	5,326.0*	4,821.0*
Operating profit	226.6	108.6	159.0	125.0
Net profit	224.5	94.0	131.0	110.0

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations

*Power and gas sales revenue

Based on the ANRE Order 21/2015, starting 1 April 2015, regulated end-consumer prices for households increased by around 1.5%.

Electrica Distributie Muntenia Nord SA ("EDMN")

RON million	2013	2014	H1 2014	H1 2015	Budget 2015
Total revenue	792.8	805.4	388.3	394.2	778.3
Operating profit	132.6	159.6	78.1	94.3	165.5
Net profit	126.5	140.2	75.8	83.1	139.0
Dividends	105.5	112.1	n.a.	n.a.	111.1

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations

The company's financial results reported under IFRS for the first quarter of 2015 show that revenues of the company decreased to RON 201.0 million versus RON 205.0 million in the first quarter of 2014 and net profits of the company increased to RON 36.0 million versus RON 27.0 million in the first quarter of 2014.

November: Financial results for the first nine months of 2015 according to IFRS show a decrease in revenues of 1.2 % from RON 638.4 million to RON 630.8 million and a decrease of net profits from RON 124.0 million to RON 118.6 million.

December: Starting 1 January 2016, the regulated electricity distribution tariffs decreased on average by 14.0% (based on ANRE Order no. 172, published on 18 December 2015).

Electrica Distributie Transilvania Nord SA (“EDTN”)

RON million	2013	2014	H1 2014	H1 2015	Budget 2015
Total revenue	656.3	674.7	332.8	352.0	685.1
Operating profit	88.0	119.6	70.4	93.4	146.0
Net profit	63.7	95.3	61.1	80.0	120.3
Dividends	53.0	75.9	n.a.	n.a.	96.1

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations

The company's financial results reported under IFRS for the first quarter of 2015 show that revenues of the company increased to RON 192.0 million versus RON 179.0 million in the first quarter of 2014 and net profits of the company increased to RON 37.0 million versus RON 32.0 million in the first quarter of 2014.

November: Financial results for the first nine months of 2015 according to IFRS show an increase in revenues of 13.4% from RON 525.1 million to RON 595.4 million and an increase of net profits from RON 93.6 million to RON 116.4 million.

December: Starting 1 January 2016, the regulated electricity distribution tariffs decreased on average by 7.0% (based on ANRE Order no. 173 published on 18 December 2015).

Electrica Distributie Transilvania Sud SA (“EDTS”)

RON million	2013	2014	H1 2014	H1 2015	Budget 2015
Total revenue	716.1	739.3	366.1	383.0	779.3
Operating profit	90.3	121.4	76.3	90.9	142.2
Net profit	69.3	100.1	66.5	77.3	110.4
Dividends	57.9	79.9	n.a.	n.a.	87.8

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations

The company's financial results reported under IFRS for the first quarter of 2015 show that revenues of the company increased to RON 203.0 million versus RON 201.0 million in the first quarter of 2014 and net profits of the company increased to RON 29.0 million versus RON 24.0 million in the first quarter of 2014.

November: Financial results for the first nine months of 2015 according to IFRS show an increase in revenues of 4.0% from RON 564.1 million to RON 586.6 million and a doubling of net profits from RON 57.7 million to RON 121.6 million.

December: Starting 1 January 2016, the regulated electricity distribution tariffs decreased on average by 10.7% (based on ANRE Order no. 171 published on 18 December 2015).

Electrica Furnizare SA

RON million	2013	2014	H1 2014	H1 2015	Budget 2015
Total revenue	4,795.2	4,055.4	2,056.9	2,056.2	4,097.5
Operating profit	100.1	223.7	141.6	73.5	n.a.
Net profit	101.5	204.7	130.6	66.2	95.1
Dividends	89.3	174.0	n.a.	n.a.	-

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations

The company's financial results reported under IFRS for the first quarter of 2015 show that revenues of the company increased to RON 1,160.0 million versus RON 1,103.0 million in the first quarter of 2014 and net profits of the company decreased to RON 38.0 million versus RON 42.0 million in the first quarter of 2014.

November: Financial results for the first nine months of 2015 according to IFRS show an increase in revenue from RON 3,066.0 million to RON 3,286.0 million and a decrease of net profits from RON 150.0 million to RON 101.0 million.

ENEL Distributie Banat SA (“EDB”)

RON million	2013	2014	Budget 2014	Budget 2015
Operating revenue	659.3	631.4	571.8	557.0
Operating profit	203.4	188.4	191.3	188.1
Net profit	190.7	172.2	176.1	161.8
Dividends	-	85.7	-	-

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations

August: Catalin Deaconescu and Gabriel Andronache were replaced as members of the board with Laura Cristina Stanislav-Bogdan and Violeta Floria following the request from SAPE (the government agency in charge with managing the state's participation in energy companies).

December: Starting 1 January 2016, the regulated electricity distribution tariffs decreased on average by 15.0% (based on ANRE Order no. 168 published on 18 December 2015).

ENEL Distributie Dobrogea SA (“EDD”)

RON million	2013	2014	Budget 2014	Budget 2015
Operating revenue	544.5	526.5	480.7	461.9
Operating profit	148.9	102.7	154.7	154.7
Net profit	133.5	87.7	130.6	129.3
Dividends	-	43.6	-	-

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations

December: Starting 1 January 2016, the regulated electricity distribution tariffs decreased on average by 13.0% (based on ANRE Order no. 169 published on 18 December 2015).

ENEL Distributie Muntenia SA (“EDM”)

RON million	2013	2014	Budget 2014	Budget 2015
Operating revenue	997.7	1,001.4	903.4	901.1
Operating profit	220.9	246.3	287.7	244.1
Net profit	267.2	240.8	254.0	211.7
Dividends	-	-	-	-

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations

January: Based on ANRE Orders 151-153/2014 starting January 2015 the regulated electricity distribution tariffs decreased on average by 2.5% and 0.2% for EDB and EDD respectively and increased by 0.6% for EDM.

February: Enel announced the suspension of the sale of the distribution and supply assets in Romania. It later on announced that the Romanian assets fit Enel's strategy.

August: Cristian Cosmin was replaced as member of the board with Mihaela Preda following the request from SAPE (the government agency in charge with managing the state's participation in energy companies).

December: Following Ion Adrian Moldoveanu's resignation, SAPE recommended and shareholders approved the appointment of George Laurentiu Cazacu as board member.

Starting 1 January 2016, the regulated electricity distribution tariffs decreased on average by 16.0% (based on ANRE Order no. 170 published on 18 December 2015).

GDF Suez Energy Romania SA

RON million	2013	2014	H1 2014	H1 2015	Budget 2014*	Budget 2015*
Turnover	4,127.1	4,337.2	2,332.7	2,536.7	4,667.1	4,441.4
Operating profit	518.7	560.9	416.9	426.7	372.7	262.1
Net profit	447.1	443.1	346.7	351.3	359.6	278.8
Dividends**	280.0	200.0	n.a.	n.a.	-	-

Source: Based on consolidated IFRS financial statements

*Budgeted figures based on separate IFRS financial statements

**Dividends are based on the separate IFRS financial statements

April: The company increased its stake in Congaz SA, a gas distribution company in Constanta county, from 85.77% to 99.72%. Congaz SA owns 850 km of gas network and serves over 57,000 clients.

Starting 1 April 2015 the regulated supply tariffs for households were decreased by ANRE by approximately 6%. This is related to the recovery of unrealised revenue from previous years when supply tariffs were hiked, the elimination of imported gas in households' gas basket and lower distribution tariffs.

According to media, GDF Suez Energy Romania SA won in court a litigation against ANRE for recovering EUR 66 million, representing unrecognised revenues dating from 2008-2011. According to the energy regulator, a large amount was already recovered by the company from the industrial consumers by the end of 2014 and the rest will be recovered from the household consumers by the end of 2018. ANRE has the possibility to appeal the court's decision.

Hidroelectrica SA

RON million	2013	2014	H1 2014	H1 2015	Budget 2014	Budget 2015
Turnover	3,083.2	3,406.0	1,554.3	1,851.5	2,522.0*	2,851.3*
Operating profit	1,016.1	1,207.9	495.4	734.0	399.9	489.7
Net profit	718.8	941.5	410.0	596.9	246.5	371.9
Dividends	-	646.4	n.a.	n.a.	-	174.5

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations

*Operating revenue

The company's financial results for the year ended 31 December 2014 include a 33.0% increase in pre-tax profit from RON 901.0 million to RON 1.2 billion.

June: The company's preliminary results for the first 5 months of 2015 show a pre-tax profit of RON 635.0 million.

September: The first 8 months of 2015 results as per Romanian accounting regulations show net profits of RON 830.0 million compared with RON 719.0 million in the first 8 months of 2014.

December: Management expects the company to reach RON 1,100 million in pre-tax profits in 2015.

Competition Council sanctioned Hidroelectrica SA together with other 10 contractual partners (mainly electricity traders) with fines amounting EUR 37 million (out of which Hidroelectrica's fine was EUR 4.6 million) for concluding anticompetitive agreements on the electricity producing and trading market. The investigation was opened in 2012 and Hidroelectrica SA admitted the deeds and benefited from fine reduction mechanisms.

Nuclearelectrica SA

RON million	2013	2014	9M 2014***	9M 2015***	Budget 2014*	Budget 2015
Sales	1,932.5	1,794.6	1,306.3	1,283.7	1,816.3	1,884.0
Operating profit/ (loss)	459.3	173.8	85.5	107.3	103.1	57.7
Net profit	426.9	131.4	77.3	131.2	99.0	30.8
Dividends**	340.9	90.4	n.a.	n.a.	47.7	15.7

Source: Based on audited consolidated IFRS financial statements

* Revised budgeted figures

**Dividends are based on the separate IFRS financial statements

***Based on individual IFRS financial statements

March: According to the consolidated IFRS financial statements for the year ended 31 December 2014, the company reported a net profit of RON 131.4 million (a decrease of 69.2% y.o.y).

April: At the Shareholders' Meeting on 29 April the Board of Directors proposed, and shareholders approved, to distribute a gross dividend per share of RON 0.3 for the financial year 2014 translating into a pay-out ratio of 71% from distributable net profit.

August: The company released the financial results for the first six months of 2015: electricity output was flat y.o.y. at 5.18 TWh and total sales were up 0.5% y.o.y. to RON 858.4 million. The total costs decreased slightly y.o.y. despite the additional costs generated by the planned shutdown of Unit 2 in Q2 2015 for approximately 25 days. Total operating expenses decreased 3.3% to RON 843.9 million. Salaries expenses were higher than estimated mainly due to the fact that some benefits in kind were previously booked as other expenses.

Operating profit increased to RON 14.4 million in the first six months of 2015 compared to a loss of RON 18.4 million in the first six months of 2014, mostly supported by a lower tax on special constructions, which was reduced to 1.0% from 1.5% previously (paid in full amount in first quarter of 2015). The bottom line decreased to RON 1.6 million compared to RON 14.4 million in the first six months of 2014 as financial losses offset improvements in operating activity.

November: The company released the individual financial statements for the first nine months of 2015: the sales decreased 1.7% y.o.y to RON 1,283.7 million, operating profit increased 25.5% y.o.y. to RON 107.3 million and net profit increased 69.7% y.o.y. to RON 131.1 million. The improvement in profitability was mainly generated by the decrease of the tax on special constructions (from 1.5% in 2014 to 1.0% in 2015). The quantity of electricity sold decreased by 1.0% y.o.y because of the planned shutdown for maintenance works. The weighted average selling price decreased by 1.1% y.o.y. to 161.5 RON/MWh.

OMV Petrom SA

RON million	2013	2014	9M 2014	9M 2015	Budget 2014	Budget 2015
Sales	24,185.2	21,541.3	16,194.6	13,626.8	17,140.0	n.a.
Operating profit	5,957.9	3,338.3	3,449.1	1,314.7	4,405.0	1,121.0
Net profit/ (loss)	4,824.0	2,099.7	2,406.7	990.7	3,936.0	1,102.0
Dividends*	1,744.6	634.4	n.a.	n.a.	-	-

Source: Based on consolidated IFRS financial statements

*Dividends based on separate IFRS financial statements

January: OMV Petrom SA announced the appointment of Christoph Trentini as interim member of the Supervisory Board, following Hans-Peter Floren's waiver of the mandate. Mr Trentini is currently Senior Vice President and Group controller of OMV AG, where he joined in 2004.

March: The company's Board decided to rename its main divisions as follows: the Exploration and Production division will be renamed to Upstream Division, Refining and Marketing will become Downstream Oil while Gas and Power will become Downstream Gas. The Board also reconfirmed 4 of the 5 members of the Executive Board: Mariana Gheorghe as CEO, Andreas Matje as CFO, Gabriel Selischi in charge of Upstream Activity and Neil Anthony Morgan in charge of Downstream Oil, while Lacramioara Diaconu-Pintea replaced Cristian Secosan as member of the Executive Board in charge with Downstream Gas.

May: The company announced the financial results for the first quarter of 2015. Compared to the same quarter of 2014 sales decreased 19% to RON 4.3 billion, group EBIT declined 66% to RON 494.0 million while net income declined 68% to RON 345.0 million. Total hydrocarbon production increased 1% to 16.5 million barrels of oil equivalent ("mboe"), of which 7.7 mboe was oil and the balance was represented by natural gas.

The company contracted a multi-currency credit line of EUR 1 billion from a syndicate of 17 banks in order to replace a similar facility which had been contracted in November 2011 with maturity in 2016 but had not been used. The new facility has a maturity of 5 years with the possibility to be extended by another 2 years.

July: OMV Petrom SA announced the appointment of Mr Rainer Seele as the interim President of the company's Supervisory Board following the waiver of the mandate of Mr Gerhard Roiss. Mr Seele is the Chairman of the Executive Board and CEO of OMV AG starting 1 July 2015.

September: Shareholders approved the company's secondary listing on the London Stock Exchange by the issuance of Global Depository Receipts. The approval is valid until the end of 2016.

Reiner Seele was confirmed by shareholders as the new President of the Supervisory Board. He had been appointed to this position on an interim basis in July. He is the new CEO of OMV AG since July 2015 and has extensive experience in the oil and gas industry at companies such as Wintershall AG, WINGAS GmbH and BASF AG.

November: The company published the results for the third quarter and for the first 9 months of 2015, which were significantly impacted by the 49.0% decline in average realised oil price compared to the same period of 2014, which was only partially compensated by strong refining margins and cost reductions. Total sales declined in the first 9 months by 15.9% to RON 13,626.8 million, group EBIT declined by 61.9% to RON 1,314.7 million and net profit declined 58.8% to RON 990.7 million. Results were also impacted by the revision of the company's assumptions for oil prices going forward, which resulted in unscheduled depreciation expenses of RON 786.0 million during the third quarter of 2015 alone.

January 2016: The trading statement for the fourth quarter of 2015 issued by OMV, the majority shareholder of the company, includes information relevant to OMV Petrom SA: average Urals oil price for the fourth quarter in 2015 decreased to 42.26 USD/barrel, down 44.1% from 75.58 USD/barrel in the fourth quarter of 2014; total hydrocarbon production reached 176 thousand barrels per day during the fourth quarter of 2015, down 3.3% from 182 thousand barrels per day in the same period of 2014; additional impairment losses of EUR 400 million have been recorded during the fourth quarter of 2015, following a further revision of oil and gas price assumptions over the 2016-2020 period.

Romgaz SA

RON million	2013	2014	9M 2014	9M 2015	Budget 2014**	Budget 2015**
Sales	3,894.3	4,493.3	3,286.8	2,933.1	5,089.5	4,587.5***
Net profit	995.6	1,409.9	1,114.0	975.3	1,160.6	1,511.9
Dividends*	990.6	1,214.1	n.a.	n.a.	-	-

Source: Based on audited IFRS financial statements

* Dividends are based on the separate IFRS financial statements

** Budgeted figures based on the Romanian Accounting Regulations

*** Total operating revenues

March: Romgaz SA announced the completion of works for bringing into production two new gas accumulations in the Moldavian and Transylvanian Platforms. The Frasin well was drilled at 4,100 m, while the Cris well was drilled at 2,600 m, with combined daily production of 2,600 barrels of oil equivalent per day. This represents approximately 3% of the company's total annual production.

The shareholders' meeting held on 18 March 2015 appointed Sorana-Rodica Baciuc as member of the Board of Directors following the resignation of David Klingensmith. She was recommended by the European Bank for Reconstruction and Development and received a mandate until 30 December 2017. Mrs Baciuc was previously Director, Strategy and Investor Relations at OMV Petrom since 2007. The same shareholders' meeting appointed Dragos Dorcioman as member of the Board of Directors following the resignation of Sergiu Manea. His mandate was for 1 year or until the provisions of Government Emergency Ordinance 109/2011 regarding corporate governance in state owned companies ("GEO 109/2011") will be applied. Mr Dorcioman was appointed as Counsellor of the Minister of Energy in early 2015. He is also General Manager and owner of SC DFS Center Group SRL.

June: The shareholders' meeting held on 17 June approved the company's budget for 2015, under Romanian Accounting Regulations. Compared to the results reported for 2014, total revenues are budgeted to increase by 3.3% to RON 4.6 billion, net profit by 7.1% to RON 1.5 billion and dividends are budgeted to decrease by 5.5% to RON 1.15 billion, representing a pay-out ratio of 70%.

September: The company published a current report offering additional details regarding the contractual situation with Electrocentrale Bucuresti SA, one of its biggest clients representing approximately 20% of annual sales, which was generating overdue receivables for which Romgaz SA recorded provisions of RON 136.0 million during the first 6 months of 2015. The Board decided to extend the contract which expired on 30 September until 15 October, later further extended to 15 November, with gas deliveries conditioned on payments in advance.

October: Romgaz SA published financial results for the first nine months of 2015. Compared to the same period of 2014 sales declined by 10.8% to RON 2,933.1 million, mainly driven by an 11.9% decline in volumes sold; EBITDA declined 11.9% to RON 1,688.9 million and net profit declined 12.5% to RON 975.3 million.

January 2016: The contract with Electrocentrale Bucuresti SA was further extended until 29 February 2016, with deliveries continuing to be conditioned by advance payments and the signing of a longer term contract depending on a resolution to the situation of overdue receivables. The Board approved an agreement to reschedule some of the overdue receivables in exchange for real estate collateral offered by Electrocentrale Bucuresti SA. The final amount of the rescheduled receivables will be established once the assets pledged as collateral are revalued. The management will continue discussions for finding a solution for the remaining overdue receivables.

Societatea Nationala a Sariei SA (Salrom)

RON million	2013	2014	H1 2014	H1 2015	Budget 2014*	Budget 2015
Operating revenue	326.9	297.6	133.9	154.2	335.2	324.6
Operating profit	48.8	31.8	17.6	35.0	40.3	47.0
Net profit	42.8	24.5	13.4	29.4	35.2	40.2
Dividends	40.4	20.9	n.a.	n.a.	18.2	37.0

Source: Based on the financial statements prepared in accordance with applicable Romanian Accounting Regulations

* Revised budgeted figures

February: three out of five board members were replaced, having a mandate which expires at the implementation of GEO 109/2011: the Chairman of the Board is Mr Mircea Popescu, who graduated from Bucharest Law University and previously worked for more than 10 years for the Romanian Court of Accounts, Mr Cristian Socol is professor at the Academy of Economic Studies in Bucharest and personal advisor of the former Prime Minister of Romania, Victor Ponta and Ms Alexandra Pana is advisor of the Minister of Economy. The two board members recommended by the Fund, Ms Simona Fatu and Mr Dan Gheorghe, are continuing their mandates.

August: The company released the financial results for the first six months of 2015: revenues increased by 15.2% y.o.y. to RON 154.2 million, operating profit almost doubled to RON 35.0 million and net profit rose 119.4%, reaching RON 29.4 million. The improvement in the financial results came mainly from the increase in salt quantities sold to the key clients and also from a slight cost reduction.

Bankruptcies, insolvencies and reorganisations

The following companies from the Fund's portfolio are under bankruptcy, or insolvency or reorganisation procedure:

- B A T Service SA (sole registration code 16086637) is a company under bankruptcy procedure according to Buzau Court decision related to the file 4339/114/2009;
- Forsev SA (sole registration code 1605710) is a company under insolvency procedure starting with 23 December 2015, according to the decision issued by the Mehedinti Court related to the file 7883/101/2015; during 2015 the Fund Manager sold the Fund's entire holdings in Forsev SA. However, the transfer of the shares in Depozitarul Central SA has not been registered as the price was not paid by the company to the Fund before the opening of the insolvency procedure;
- Gerovital Cosmetics SA (sole registration code 334493) is a company under bankruptcy procedure starting with 6 January 2010, according to the decision issued by the Bucharest Court related to the file 22491/3/2007;
- Hidroelectrica SA (sole registration code 13267213) is a company under judicial reorganisation procedure starting with 20 June 2013 (between 26 June 2013 and 24 February 2014 Hidroelectrica SA was considered to be out of the reorganisation plan), according to the decision issued by the Bucharest Court related to the file 22456/3/2012;
- Romplumb SA (sole registration code 2206334) is a company under judicial reorganisation procedure starting with 7 January 2014, according to the decision issued by the Maramures Court related to the file 729/100/2012;
- Simtex SA (sole registration code 324490) is a company under judicial reorganisation procedure starting with 10 December 2008, according to the decision issued by the Bucharest Court related to the file 5768/3/2008;
- Salubriserv SA (sole registration code 7774360) is a company under insolvency procedure according to the decision issued by the Mures Court related to the file 108/1371/2015;
- World Trade Center Bucharest SA (sole registration code 364354) is a company under insolvency procedure starting with 8 June 2010, according to the decision issued by the Bucharest Court related to the file 45619/3/2011.

The holdings in these companies are reflected at zero value in the NAV. Forsev SA is not reflected as a portfolio company; the Fund has recorded a receivable for the uncollected value of the shares in Forsev SA according to the provisions of the legislation in force, after the company delisting following the closing of the RASDAQ market, for which an impairment adjustment was recorded.

Financial Risk Management

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and with the markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk. The management monitors the reduction of the potential adverse effects associated with these risk factors on the financial performance of the Fund. Starting 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 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.

Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market. Equity price risk arises from changes in the value of equity investments and is the primary risk impacting the Fund. Diversification across securities and industries, to the extent possible given the unique investment mandate, is the primary technique for mitigating equity price risk. The companies in which the Fund holds equity instruments operate in different industries. The Fund has concentrated exposures to the "Oil and gas", "Power and gas utilities: transport, distribution and supply" and "Power utilities: generation" sectors.

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 generally up to 3 months, treasury bills and government bonds up to 12 months. As a result, the Fund has a limited exposure to variations in interest rates.

Foreign currency risk

Fund's exposure to currency risk is insignificant. The Fund held current accounts, receivables and payables denominated in foreign currencies (EUR, USD or GBP), but the balances were immaterial during the reporting period. During 2015 the Fund did not hold any equity investment denominated in other currency than RON.

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, treasury bills, government bonds and dividends receivable.

For government securities held, the credit risk is assessed as low to moderate, given that the 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 placed in short-term bank deposits. The Fund Manager implemented a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent has a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

The Fund has no credit risk from dividend receivable as at 31 December 2015 and 31 December 2014.

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

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

iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, service providers, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations. The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

v) Operating environment

The ongoing uncertainty about the direction of European fiscal politics, responding central bank action and fears of a renewed possible breakup of the European Union, continue to add volatility to equity markets, especially for countries with strong links to Europe.

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

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

Management cannot predict all developments which could have an impact on the Romanian economy and consequently what effect they might have on the performance of the Fund.

Management cannot reliably estimate the effects on the Fund of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the increased volatility in the equity and currency markets.

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

The existence, operation and 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/ CNVM regulations. Hence, it may not be ruled out that the current legal framework be changed so as to directly affect the Fund and 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 composition. Such legal changes would have to be carried out in compliance with the constitutional principles regulating the guarantee of the private property.

Notwithstanding 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 2014	31 Mar 2015	30 Jun 2015	30 Sep 2015	31 Dec 2015
Current accounts	6.9	1.3	0.5	9.4	0.6
Bank deposits	109.4	44.0	101.1	133.9	197.8
Treasury bills and short-term government bonds	194.6	109.9	5.8	130.9	79.0
Total liabilities*	(41.4)	(34.0)	(544.5)	(408.1)	(43.1)
Net cash & cash equivalents	269.5	121.2	(437.1)	(133.9)	234.3
Net Assets Value	13,236.7	12,605.2	12,645.9	12,000.3	12,087.8
% net cash & cash equivalents in NAV	2.0%	1.0%	(3.5%)	(1.1%)	1.9%

* Total liabilities exclude provisions

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

Current accounts, bank deposits and treasury bills and short-term government bonds fluctuated during 2015 mainly due to the cash outflows for funding the 2015 return of capital in total amount of RON 534.3 million (payment started on 29 June), the fourth buy-back programme finalised in February 2015 (RON 78.0 million), fifth buy-back programme started in February and finalised in July (RON 193.7 million) and the sixth buy-back programme started in September (RON 120.6 million), netted off by the proceeds from the disposals of portfolio holdings (RON 465.8 million) and cash inflows from dividends collected from portfolio companies during the year (RON 567.5 million).

Net cash & cash equivalents fluctuated during 2015, reaching a negative level of 3.5% of the NAV at the end of June, because of the increase in **liabilities** of RON 450 million, related to the drawings from the credit facility from Citibank Europe Plc, Dublin – Romania Branch used for the funding of the distributions to shareholders, which were entirely repaid until 31 December 2015.

Total Expense Ratio

Total expense ratio of the Fund as at 31 December 2015 was 1.03% while excluding transaction related expenses this would be 0.95% (2014: 0.85%, and excluding transaction related expenses 0.73%). 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 of, impairment adjustments, interest expenses, fair value adjustments, expenses with amortisation and provisions or corporate income tax expenses.

The increase of the total expense ratio was mainly due to the increase with RON 11.8 million of the investment management and administration fees and to the one-off secondary listing related expenses of RON 16.6 million incurred in 2015, compared to the amount of RON 5.6 million incurred in 2014. Excluding the secondary listing expenses, the total expense ratio in 2015 would have been 0.89% (2014: 0.83%).

Investment management and administration fees increased mainly due to the distribution fees which are payable by the Fund starting 20 March 2015 (RON 14.9 million), but was also influenced by the change in the base fee rate starting September 2014 from 0.479% per year to 0.60% per year and by the change in the notional value used in the calculation of this fee. The increase in total expense ratio was also due to the lower total NAV as at 31 December 2015 compared to 31 December 2014.

Please see section *Financial Statements Analysis* for more details on the Fund's expenses.

Results from investments

The main objective of the Fund is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. As at 31 December 2015, the Fund's exposure to Romanian equities accounted for 98.0% of NAV (remaining 2.0% being net cash and receivables).

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 1.0% over the course of 2015.

BET-XT



Source: BVB

Fund accounting results, presented either in profit or loss or directly in equity, are significantly influenced by the changes in the share price of listed portfolio companies, the performance of the portfolio companies and their decisions on dividend distributions, as well as by money market performance.

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

Capital Expenditure

Intangible assets include the value of the licences and the implementation costs of the Fund's accounting and reporting software, net of accumulated amortisation.

Litigations and Other Contingencies

1. Litigations

As at 31 December 2015 the Fund was involved in certain litigations, either as defendant or claimant. The most important litigations were as follows:

- One former minority shareholder of the Fund has filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the GSMs. 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 FTIML as the administrator of the Fund.

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

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new changes and versions of the Constitutive Act were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, the 3 February 2014 GSM, the 28 April 2014 GSM, the 23 September 2014 GSM, the 19 November 2014 GSM, the 21 January 2015 GSM, the 27 April 2015 GSM and the 29 October 2015 GSM;
- new resolutions passed during the 25 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, the 3 February 2014 GSM, the 28 April 2014 GSM, the 23 September 2014 GSM, the 19 November 2014 GSM, the 21 January 2015 GSM, the 27 April 2015 GSM and the 29 October 2015 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);
- FTIML was appointed for a new 2-year mandate as Sole Director and Fund Manager of Fondul Proprietatea starting with 30 September 2014.

As at 31 December 2015 the litigant is no longer a shareholder of Fondul Proprietatea.

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 with the Investment Management Agreement in force.

In June 2014, in another case started by the Fund against the shareholder mentioned above, the court confirmed the shareholder's circumstantiated abuse of procedural rights against the Fund. Also, there are several court decisions confirming the fact that this shareholder did not prove a legitimate interest to promote certain annulment actions, and in one of these cases the decision is final – the Bucharest Court of Appeal issued the final decision in November 2014. In other files in December 2014 and February 2015 the Bucharest Court of Appeal issued irrevocable decisions maintaining as legal and valid the shareholders' resolutions approved by shareholders in November 2012, April and November 2013, which were challenged initially in these files.

The outcome of the ongoing cases cannot be determined with certainty at this stage; however, the Fund Manager intends to defend the interests of the Fund and its shareholders in all these cases in accordance with the applicable laws.

2. Other contingencies

Other contingencies of the Fund included the receivables from World Trade Center București SA as follows:

Title II, Article 4 of Government Emergency Ordinance no. 81/2007 stipulates the transfer from the Authority for State Assets Recovery to the Fund of receivables from World Trade Center București SA amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

Until 31 December 2015, the Fund recovered from World Trade Center București 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 București SA, the above amounts were recognised on receipt basis in the Fund's financial statements.

In August 2013, World Trade Center București 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 Ministry of Public Finance is also a party in this case.

Currently, World Trade Center București SA is the object of insolvency procedure, but the Fund is not a creditor in this file, while the Ministry of Public Finance is a creditor in accordance with article IV of Law no. 10/2015 *“Beginning with the date when this law is in force the receivable mentioned at article 4 of Title II from Emergency Ordinance of the Government no. 81/2007 [...] will be transferred from Fondul Proprietatea to Ministry of Public Finance together with additional interests”*.

Market for Securities Issued by the Fund

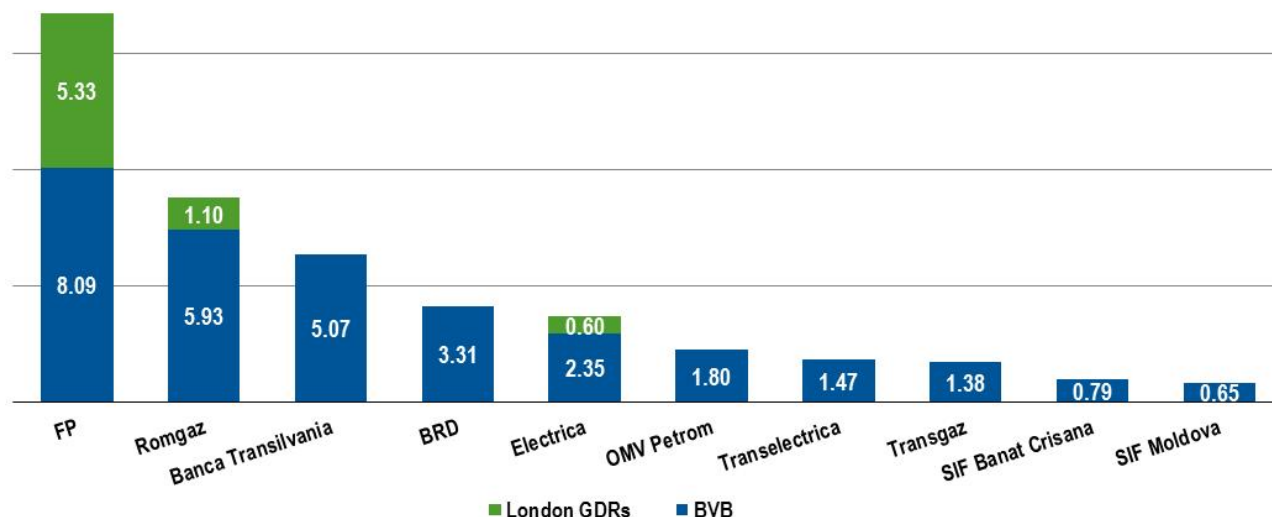
Trading of the Fund's Shares

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

The shareholders' register of the Fund is maintained, in accordance with the provisions of the regulations in force, by an independent registrar, Depozitarul Central SA ("Central Depository"), with the registered office in Bucuresti, 34-36 Carol I Avenue, 3rd, 8th and 9th Floors, 2nd District.

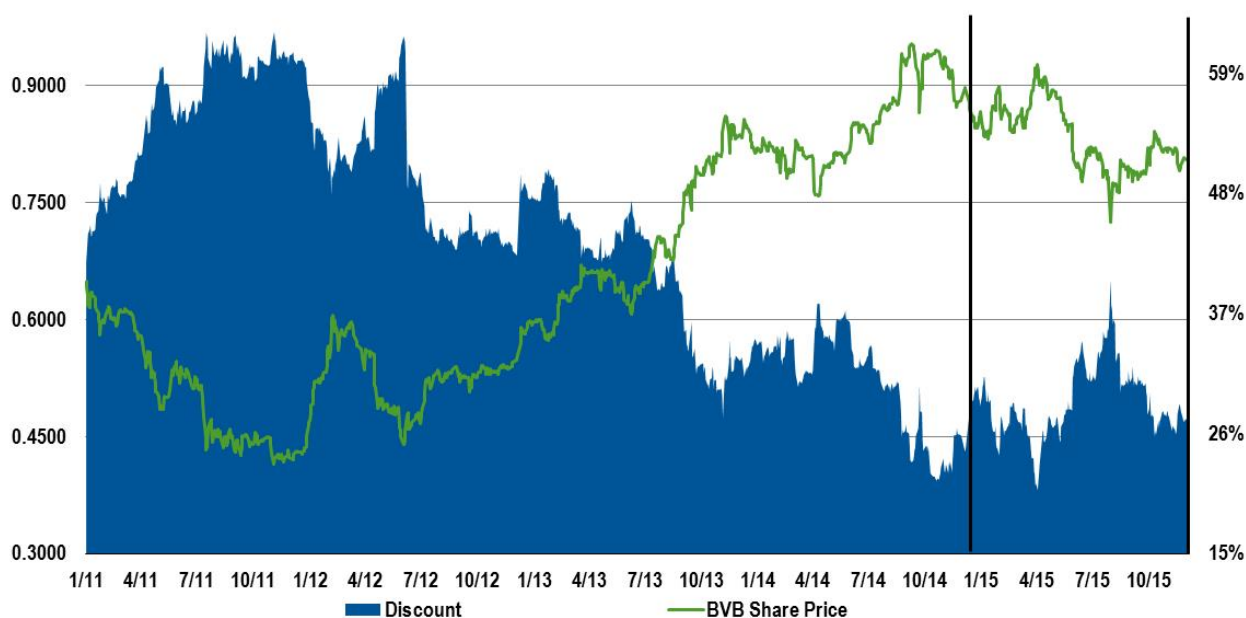
Starting 29 April 2015, the Fund's Global Depositary Receipts are listed on the Specialist Fund Market of the London Stock Exchange under the market symbol "FP.". The Bank of New York Mellon was appointed by the Fund to act as depositary bank in relation to the GDR facility.

Average Daily Turnover in 2015 (RON million)



Source: BVB, Bloomberg

Fund's Share Price and Discount History (RON per share)



Source: BVB

Distributions to Shareholders

Annual Cash Distribution Policy

The Fund Manager remains committed to returning cash to shareholders on an annual basis (subject to applicable law and necessary approvals), the Fund's annual cash distribution policy being as follows:

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

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

The Annual Cash Distribution Policy is published on the Fund's webpage.

Distributions History

Key information on the Fund's distributions history is included in the table below:

Description	Paid in	Gross distribution declared (RON)	Gross distribution per share (RON)	Total number of shares*	Status of distribution payment (%)	Deadline for distribution collection by shareholders
2006 Dividend	2007	36,076,046	0.00250	14,240,540,675		30 June 2012 (Dividend collection right cancelled)
2007 Dividend	2008	89,997,678	0.00660	13,644,179,910		30 June 2012 (Dividend collection right cancelled)
2008-2009 Dividend (aggregate)	2010	1,124,316,804	0.08160	13,778,392,208		11 October 2013 (Dividend collection right cancelled)
2010 Dividend	2011	432,729,046	0.03141	13,776,792,208		30 June 2014 (Dividend collection right cancelled)
2011 Dividend	2012	507,658,517	0.03854	13,172,250,055	> 99%	30 June 2015 (Dividend collection right cancelled)
2012 Dividend	2013	536,437,206	0.04089	13,119,031,695	> 98%	28 June 2016
Distribution - Return of capital	2014	601,325,852	0.05000	12,026,517,031	> 98%	25 July 2017
Distribution - Return of capital	2015	534,322,868	0.05000	10,686,457,366	> 96%	29 June 2018

* Number of shares defined as (1) the number of shares in issue, less (2) any unpaid shares and less (3) any treasury shares acquired via buy-backs (in the form of ordinary shares or GDRs corresponding to ordinary shares) at the registration date decided upon by the GSM approving the dividend distribution or return of capital.

Share capital decrease through the return of capital to shareholders in 2015

During the 21 January 2015 GSM, the Fund's shareholders approved the return to shareholders of RON 0.05 per share, following the share capital decrease through the reduction of the nominal value of the shares of the Fund from RON 0.95 to RON 0.90. The decrease was motivated by the optimisation of the share capital of Fondul Proprietatea, involving the return to the shareholders of a part of their contributions, proportionally with their participation in the paid-in share capital of the Fund. The shareholders resolution was published in the Official Gazette of Romania on 4 February 2015 and the endorsement by the FSA of the new Constitutive Act reflecting the share capital decrease was received on 21 May 2015 (Endorsement no. 169/ 20 May 2015).

The shareholders registered with the Central Depositary on 24 June 2015 had the right to receive RON 0.05 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment of the capital return started on 29 June 2015 (the Payment Date). By 31 December 2015, shareholders had collected over 96% of the total distribution of RON 534.3 million.

Coverage of 2015 Accounting Losses

On 28 December 2015, the FSA published the Norm no. 39/2015 approving IFRS as the statutory accounting basis (official accounting regulations) for the annual financial statements for the year ended 31 December 2015, although, during 2015 Romanian accounting regulations (CNVM Regulation no 4/2011, as subsequently amended) were the official accounting regulations.

Under IFRS, Fondul Proprietatea incurred an accounting loss of RON 565.1 million. The main factor behind the accounting loss in 2015 was the unrealised negative net change in fair value related to equity investments classified at fair value through profit or loss, principally related to OMV Petrom SA, as a result of the negative evolution of the share price of this company in 2015.

The current and retained accounting losses are expected to be covered from the accounting profits of future financial years.

Although due to this situation there will be no distributable profits according to the Fund's 2015 statutory annual financial statements (prepared under IFRS), the Fund Manager remains committed to ensuring annual cash distributions to the Fund's shareholders.

The Fund Manager has already recommended, and the shareholders have approved (on 27 January 2016), 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 to the shareholders registered as such at the Registration Date (i.e. 6 June 2016), proportionally with their participation to the paid-up share capital of the Fund (the Ex-date is 3 June 2016). The payments to shareholders for this cash distribution are expected to start on 27 June 2016 (the Payment Date).

Based on our current understanding of Romanian tax law, no Romanian tax will arise for the Fund or its shareholders on this distribution. The decrease of share capital is subject to the endorsement of the change of the Constitutive Act from the FSA.

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

Subsidiaries Owning Fund's Shares

None of the subsidiaries of the Fund holds 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 2015.

Corporate Governance of the Fund

Overview

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 2015 the Bucharest Stock Exchange issued the new Corporate Governance Code applicable starting 4 January 2016. Following the self-assessment conducted by the Fund, the Fund Manager informs the shareholders and investors that the Fund is fully compliant with the provisions of the new Corporate Governance Code of Bucharest Stock Exchange.

Compliance with the provisions of the Corporate Governance Code issued by the BVB

Code Provisions	Complies	Does not comply/partially complies	Reason for non-compliance
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	X		
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	X		
A.3. The Board of Directors or the Supervisory Board should have at least five members.	X		
A.4. The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice and according to the following criteria:	X		
A.4.1. Not to be the CEO/executive officer of the company or of a company controlled by it and not have been in such position for the previous five years;	X		
A.4.2. Not to be an employee of the company or of a company controlled by it and not have been in such position for the previous five (5) years;	X		
A.4.3. Not to receive and not have received additional remuneration or other advantages from the company or from a company controlled by it, apart from those corresponding to the quality of non-executive director;	X		
A.4.4. Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the company, controlling more than 10% of voting rights or with a company controlled by it;	X		
A.4.5. Not to have and not have had during the previous year a business or professional relationship with the company or with a company controlled by it, either directly or as a customer, partner, shareholder, member of the Board/ Director, CEO/executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity;	X		
A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the company or a company controlled by it;	X		
A.4.7. Not to be a CEO/executive officer in another company where another CEO/executive officer of the company is a non-executive director;	X		
A.4.8. Not to have been a non-executive director of the company for more than twelve years;	X		
A.4.9. Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4.	X		
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	X		
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	X		
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	X		
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	N/A		As this requirement of the Code is effective only beginning with 2016, Fondul Proprietatea SA considers that the evaluation of the activity of the members of the Board of Nominees should start with the activities performed during 2016.
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	X		

Code Provisions	Complies	Does not comply/partially complies	Reason for non-compliance
A.10 The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	X		
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	X		
B.1 The Board should set up an audit committee and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	X		In 2015, the Audit and Valuation Committee consisted of 3 members, all being non-executive, and only 1 member was also independent. Therefore, in January 2016, the membership of the Audit and Valuation Committee was changed (by appointing a new member, non-executive and independent), in order to comply with the provisions of the Corporate Governance Code. As at the date of this report the company complies with this code provision.
B.2. The audit committee should be chaired by an independent non-executive member.	X		
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	X		
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	X		
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	X		
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	X		
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	X		
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	X		
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	X		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	X		
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	X		
B.12. To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	X		
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.	X		
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	X		

Code Provisions	Complies	Does not comply/partially complies	Reason for non-compliance
D.1.1. Principal corporate regulations: the articles of association, general shareholders meeting procedures;	X		
D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	X		
D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	X		
D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	X		
D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	X		
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request;	X		
D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	X		
D.2. A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	X		
D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	X		
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	X		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	X		
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	X		
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	X		
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	X		
D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/ conference calls.	X		
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	N/A		Fondul Proprietatea's business mission and development strategy do not imply such acts/ activities.

Corporate Governance of the Fund

Corporate bodies

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 included in Annex 6 to this report and is also available on the Fund's website; also, on Fund's website are published all Shareholders resolutions that modified the Constitutive Act;
- the Investment Management Agreement, signed between the Fund and FTIML and the related Addendums, available on the Fund's website;
- the Investment Policy Statement approved by shareholders in April 2014 and the new Investment Policy Statement approved by shareholders in October 2015, both also available on the Fund's website; and
- other internal regulations.

Commitment to Follow the Principles 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.

The Sole Administrator, 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.

The Fund implemented all recommendations of the new Corporate Governance Code of Bucharest Stock Exchange and it has in place the following policies:

- the Annual Cash Distribution Policy;
- the Remuneration Policy;
- the Forecast Policy; and
- the Policy regarding Related Parties Transactions.

General Shareholders Meeting

Any 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 GSM. Any convening notice will be sent to the Bucharest Stock Exchange and to the Financial Supervisory Authority in accordance with the capital markets regulations. Any convening notice will also be published on the Fund's website in the GSM 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 OGM, convened to resolve upon them.

General Shareholders Meeting Organisation

The GSM 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 GSM 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 GSM will be disseminated to the BVB and the FSA within 24 hours after the event. The resolutions will also be made available on the Fund's website under the respective GSM 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 distribution 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 in accordance with the law 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 financial audit services 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 auditor, for damages caused to Fondul Proprietatea;
- i) to approve the strategy and the development policies of Fondul Proprietatea;
- j) to approve the annual 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 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) approval of the admission for trading and selection of the regulated market on which Fondul Proprietatea shares will be traded;
- h) execution of any agreement/ legal document which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value 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) approval of the Investment Policy Statement;

- l) any other amendment of the Constitutive Act or any other resolution requiring the approval of the EGM, according to applicable law or to this Constitutive Act.

During 2015, there were 5 GSM and issued 14 EGM resolutions and 12 OGM resolutions.

Board of Nominees

The Board of Nominees consists of five members appointed by the OGM 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 and Valuation Committee) are constituted to examine specific topics chosen by the Board and to report to the Board. 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. Beginning with year 2016 the Fund will implement the annual evaluation of the members of the board in order to fully implement the Bucharest Stock Exchange Corporate Governance Code.

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

The structure of the Board of Nominees as at 1 January 2015 was the following:

Name	Position	Mandate until
Mr Sorin-Mihai Mîndruțescu	Chairman	30 September 2016
Mr Mark Gitenstein	Member	30 September 2016
Mr Julian Rupert Francis Healy	Member	5 April 2018
Mr Steven Cornelis van Groningen	Member	14 April 2018
Mr Piotr Rymaszewski	Member	5 April 2018

During 2015 there were no changes in the structure of Board of Nominees.

There were 12 meetings of the Board of Nominees in 2015, as follows:

- 22 January 2015 – meeting
- 12 February 2015 – conference call
- 13 March 2015 – conference call
- 31 March 2015 - meeting
- 30 April 2015 – meeting
- 30 July 2015 – meeting
- 25 June 2015 – meeting
- 12 August 2015 – conference call
- 15 September 2015 - meeting
- 29 October 2015 – meeting
- 12 November 2015 – conference call
- 10 December 2015 – meeting

During 2015, the Board of Nominees issued a total number of 73 resolutions.

Mr Sorin-Mihai Mîndruțescu is the Chairman of the Board of Nominees. Mr Mîndruțescu, born on 28 July 1969, has extensive experience in corporate finance and in the banking industry. From 1994 until 2001, he held various senior positions in a number of large Romanian credit institutions. From 2009 until 2012, Mr 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 2015, Mr Mîndruțescu held no shares issued by the Fund. Mr Mîndruțescu is an independent member.

Mr Mark Gitenstein, born on 7 March 1946, is a 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, including the introduction of a corporate governance code for state owned enterprises. In 2012, Romanian President Traian Băsescu awarded Mr Mark Gitenstein with the "Star of Romanian Grand Cross", the country's highest civil order, and that same year the Romanian weekly Nine O'clock designated him as the Best Foreign Diplomat for 2012. Before undertaking his ambassadorial role, Mr Mark Gitenstein spent two decades as a partner at Mayer Brown. Additionally, he was a non-resident senior fellow in governance studies at the Brookings Institution, where he specialised in issues related to national security and civil liberties. Before joining Mayer Brown, Mr Mark Gitenstein served for 17 years on the staff of the US Senate Judiciary and Intelligence committees, 13 of those years working for Senator Joe Biden. He is the author of *Matters of Principle*, an award winning book on his experience managing the Judiciary Committee staff during the confirmation battle over the nomination of Robert Bork to the Supreme Court. As at 31 December 2015, Mr Gitenstein held no shares issued by the Fund. Mr Gitenstein is an independent member.

Mr Julian Healy, born on 29 January 1962, has long and extensive experience of banking and investment management in emerging markets and particularly in central and Eastern Europe. He is a Member of the Institute of Chartered Accountants in England and Wales. Mr Healy also acts as a non-executive director of a number of companies. Mr Healy chairs the Audit and Valuation Committee and is an independent member of Board of Nominees. As at 31 December 2015, Mr Healy held no shares issued by the Fund.

Mr Steven Cornelis van Groningen, born on 29 December 1957, has extensive experience in banking and is the President and CEO of Raiffeisen Bank SA Romania. Mr van Groningen previously held senior management positions in ABN AMRO Bank (in Romania, Russia and Hungary). Mr van Groningen is the Vice-President of Foreign Investors Council in Romania. As at 31 December 2015, Mr van Groningen held 522,708 shares issued by the Fund.

Mr Piotr Rymaszewski, born on 10 July 1964, has experience in finance, turnaround, real estate and law. He is a CEO of Octava Asset Management Sp. z o.o. and Octava SA, a company listed on the Warsaw Stock Exchange. He also acts as a nonexecutive director of a number of both listed and unlisted companies, representing institutional investors. As at 31 December 2015, Mr Rymaszewski held no shares issued by the Fund.

The main duties of the Board of Nominees include:

- 1) Requesting, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the GSM, following the information received from the Fund Manager with regard to the summoning of the OGM or EGM requests;
- 2) Receiving from the Fund Manager the answers to the written requests submitted by the shareholders before the GSM date, on topics regarding Fondul Proprietatea 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, in order to formulate an opinion to be presented to both the Fund Manager and to the GSM;
- 4) Receiving from the Fund Manager for analysis the annual report and the management policy of Fondul Proprietatea and presenting an opinion to the Fund Manager and to the GSM regarding such;
- 5) Receiving from the Fund Manager for analysis the annual budget, before it is submitted for approval to the GSM and presenting an opinion to the Fund Manager and to the GSM regarding such;
- 6) Receiving from the Fund Manager for analysis the strategy and the development policies of Fondul Proprietatea, before these are submitted for approval to the GSM, and presenting an opinion to the Fund Manager and to the GSM regarding such;
- 7) Receiving from the Fund Manager for analysis and approval the framework for carrying out Fondul Proprietatea operations, as well as any other Fondul Proprietatea 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 OGM for concluding the financial audit agreement and presenting an opinion to the Fund Manager and to the GSM regarding such;
- 9) Reviewing on a regular basis the Investment Policy Statement of Fondul Proprietatea and presenting an opinion to the GSM as any time it deems necessary, but in any case, at least once a year to the Annual OGM;
- 10) Receiving the internal auditor's report and presenting an opinion to the Fund Manager and to the GSM regarding such;
- 11) Monitoring the following, based on information and reports received from the Fund Manager:
 - the list of all portfolio investments and percentage breakdown by each investment type;
 - a list of major transactions occurring in the Fondul Proprietatea portfolio for the period under review;
 - the total profit of the portfolio and comparison of profit with the appropriate market benchmark;
 - comparison of the obtained profit with the initial objective;
 - the extent of compliance with the investment policy, as well as any variations and actions taken to get the correct results;
 - the performance evaluation report.

The Board of Nominee shall draft and present to the GSM an annual report regarding the monitoring activity performed or a monitoring report for another period agreed by the GSM;

- 12) Representing the GSM in relation with the Fund Manager from 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 GSM and the Fund Manager;
- 13) Verifying the report of the Fund Manager and permanently overseeing the management of the Fund, verifying if the operations carried by the Fund Manager are in compliance with the applicable law, the Constitutive Act or with any relevant decision of the GSM;
- 14) Calling upon the GSM, under the conditions of art. 13 paragraphs (11) and (14) from the Constitutive Act;
- 15) Participating to the GSM and presenting in this meeting the reports in all cases provided by the Constitutive Act or with regard to any issue it deems to be relevant for the GSM;
- 16) Proposing to the GSM the prior approval or rejection of any contract/ document which may create binding obligations to Fondul Proprietatea, including without limitation buying, selling, exchanging, pledging of non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
- 17) Recommending to the GSM the termination of the management contract for the case when the Board of Nominees considers this is to the benefit of the shareholders.
- 18) Recommending to the GSM on any other issues the Board of Nominees considers relevant to the shareholders.
- 19) Recommending to the EGM the appointment of the public offer intermediate as well as on his remuneration, following the proposal of the Fund Manager, when it becomes necessary that such a company is appointed, related to the admission to trading of Fondul Proprietatea
- 20) Approving the delegation by the Fund Manager of certain activities. The delegation will be in force after the approval of FSA, where required by legislation in force.
- 21) Monitoring the Fund Manager performance in accordance with the Investment Management Agreement.

Committees

A permanent Audit and Valuation Committee composed of three 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 and Valuation 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 and Valuation Committee at least once a year on the audit plan and any material relevant matters.

The Audit and Valuation Committee includes members that have the necessary expertise in the area of financial audit and accounting. As at 31 December 2015 the members of the Audit and Valuation Committee were Mr Julian Healy, Mr Steven van Groningen and Mr Piotr Rymaszewski.

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 2015 the Nomination and Remuneration Committee members were Mr Mark Gitenstein, Mr Sorin Mîndruțescu and Mr Piotr Rymaszewski.

Changes in the Management of the Fund as a result of the Law for implementing AIFM Directive

In order to achieve AIFM Directive compliance, the Fund Manager proposed to the shareholders and the shareholders approved on 29 October 2015, an intra-group reorganisation process whereby the AIFM function will be taken by FTIS, a Franklin Templeton entity authorised as AIFM by the CSSFF Luxemburg. FTIS is currently the AIFM for several European alternative investment funds, having adequate experience in this field. Based on the current plan, FTIS has been appointed the AIFM of the Fund with the effective date 1 April 2016 and will be providing services based on the passport provisions; subsequently FTIS will delegate some of its portfolio and administrative functions to FTIML.

The detailed AIFM Directive implementation plan is envisaged to unfold as follows:

- Approval of several changes of the Constitutive Act;
- Termination of FTIML's current mandate: the Fund shareholders revoke FTIML from its current position of Sole Director and Fund Manager of the Fund (last day of mandate shall be 31 March 2016); the termination will occur by mutual consent;
- Appointment of FTIS as Fund Manager and Sole Director of the Fund: subsequent to the termination mentioned above, the Fund shareholders appoint FTIS as its Sole Director and Fund Manager under AIFM Directive and local implementation regulations, and execute a new Investment Management Agreement in order to reach AIFM Directive compliance (FTIS' mandate will commence on 1 April 2016); considering that the replacement of the Fund Manager with another entity from the group is proposed to be done in view of complying with the AIFM Directive and the related national implementation laws and regulations, the shareholders agreed and approved the waiver of any selection procedure.
- Updating of the depository agreement;
- Delegation of activities: the Board of Nominees approves the delegation of certain portfolio management and administrative activities from FTIS to FTIML.

For further updates on the implementation of AIFM Directive, please see the section *Subsequent Events*.

The Sole Administrator

The Sole Administrator is appointed and/or revoked by the OGM.

The duration of the mandate for the Fund Manager and Sole Administrator of the Fund is of 2 years.

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 Romania Financial Supervisory Authority. Franklin Templeton Investment Management Limited United Kingdom is authorised and regulated by the UK Financial Conduct Authority ("FCA") and is registered as a foreign investment adviser with the United States Securities and Exchange Commission ("SEC"). Franklin Templeton Investment Management Limited United Kingdom applies global best practices to meet its regulatory obligations and compliance with laws. These include:

- Code of Ethics to which all employees are bound;
- 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 ("MiFID") of 2004;
- Data Protection Policy to ensure that its business operations comply with the Data Protection Regulation;

- Anti-Bribery Policy to ensure that employees of Franklin Templeton Investment Management Limited United Kingdom comply with the U.S. Foreign Corrupt Practices Act (“FCPA”) and applicable anti-bribery and anti-corruption regulations of the local jurisdictions where Franklin Templeton Investment Management Limited United Kingdom operates;
- Compliance Manual, which set the compliance framework, describing the generic compliance and regulatory requirements and the consequences of failure to comply;
- Personal Investments and Insider Trading Policy designed to prevent Franklin Templeton employees from engaging in prohibited insider trading and to fairly disclose non-public information;
- Gifts and Entertainment Compliance Policy, the Policy is intended to deter providers of gifts or entertainment from seeking or receiving special favours from employees of Franklin Templeton;
- 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.

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 GSM and the monitoring of the Board of Nominees, are:

- fulfilling the necessary and useful operations to achieve the Fund’s business objective, except for the operations reserved by the law for the GSM, having all the obligations attributed to it by the applicable law;
- establishing a reference date for shareholders entitled to vote within the GSM, under the law, and drafting the text of the announcement on the convocation of the GSM, after obtaining the prior approval of the Board of Nominees and after adding to the agenda the matters requested by the Board of Nominees;
- giving responses on the aspects concerning the business of Fondul Proprietatea, upon the written request submitted by any shareholder before the date of the GSM, after obtaining the prior approval of the Board of Nominees;
- ensuring that a copy of or extract of the GSM minutes is given to any shareholder upon his request; making available to shareholders the financial statements of the Fund and the reports of the Fund Manager and of the financial auditors, after the announcement of the Annual OGM is published;
- preparing the annual financial statements, drafting the annual activity report, examining the financial auditors’ report, presenting them to the Board of Nominees before submitting such documents to the GSM and making proposals on the distribution of the profit to the GSM, after obtaining the prior approval of the Board of Nominees;
- managing the relationship with the Central Depository with regard to its shareholders register functions;
- preparing an annual report on the management and business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the GSM;
- proposing to the Board of Nominees for prior approval and further, to the GSM for final approval, the annual budget and business plan;
- proposing to the Board of Nominees for the prior approval and further, to the GSM for final approval, the general strategy in accordance with the investment policy of Fondul Proprietatea;
- implementing the investment policy and achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio;
- informing the Board of Nominees periodically on any significant changes in the activities and portfolio structure of the Fund;
- approving the outsourcing of certain activities, within the limits of the approved budget; delegating the execution of certain activities, with the prior endorsement of the FSA, where required by applicable legislation;
- submitting to the approval of the EGM of any agreement/ document which may create binding obligations to Fondul Proprietatea, including but not limited to the purchase, sale, conversion or encumbrance of the non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a

financial year, 20% of the total value of the non-current assets, less any receivables, based on the proposal of the Board of Nominees;

- entering into any agreement/ document which may create binding obligations to Fondul Proprietatea, including the purchase, sale, conversion or encumbrance of the non-current assets of Fondul Proprietatea whose value does not exceed, either individually or cumulated, during a financial year, 20% of the total value of the non-current assets, less any receivables, without the approval of the GSM;
- proposing to the OGM the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees,
- approving the internal audit procedure and the internal audit plan;
- deciding on the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- making available to the Board of Nominees the reports and other necessary documents for exercising the monitoring duties, in accordance with the Constitutive Act;
- informing 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;
- calling the GSM to decide whenever an issue appears on which the Board of Nominees has a disagreement with the Fund Manager, which cannot be resolved amiably;
- proposing to the Board of Nominees the EGM recommendation for the appointment of the investment firm/ investment bank who shall manage a public offer, as well as its remuneration, when it becomes necessary that such a company is 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 presented above within this section. 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 qualified as insiders and the persons closely related to them and to the Sole Administrator 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 them must be in accordance with the normal industry standards and applicable corporate regulations.

During 2015, the Sole Administrator issued 47 resolutions on all matters requiring its approval in accordance with the Constitutive Act.

The Sole Administrator of the Fund

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 OGM 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 GSM resolution with the Official Gazette of Romania, (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.

On 28 April 2014, the shareholders of the Fund approved the renewal of the mandate of the Fund Manager and Sole Director for two years beginning with 30 September 2014. The new mandate was registered with the Trade Register and endorsed by the FSA. The new Investment Management Agreement as amended by Addendum 1 entered into force beginning with 30 September 2014.

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 2015 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 organisation 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 2015, 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 from the 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 at BT Asset Management (Cluj) and management counsellor at Rematinvest (Cluj). He joined the Bucharest office of Franklin Templeton in 2010. As at 31 December 2015, 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 Interdealer Capital Invest. She joined the Bucharest office of Franklin Templeton in 2010. As at 31 December 2015, Ms Truța held no shares issued by the Fund.

The Remuneration of the Sole Administrator and Fund Manager

A. For period 1 January – 19 March 2015 the fee due to the Fund Manager in accordance with the Investment Management Agreement was calculated and paid in RON by the Fund in compliance with the following provisions:

The remuneration of the Fund Manager shall be calculated based on a Base fee.

1. The Base Fee is applied to the notional amount according to the following formula:

The Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days of payment, divided by 365, where the Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001;

The notional amount is the market capitalisation of the Fund which is defined as the number of the Fund's paid-in shares, minus the weighted average number of the Fund's settled own shares held in treasury over the calculation period, then multiplied by the weighted average market price of the Fund's shares calculated for the corresponding quarter. The weighted average market price is computed based on the daily average market prices of the Fund's shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section. If the number of shares relevant for the computation of the Base Fee (described above) changes over the calculation period, the Base Fee will be an aggregation of the computation for each sub-period.

2. The Base Fee shall be paid by the Fund quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is made.

The invoices for the Base Fee shall be submitted to the Depositary of the Fund's assets.

The Fund Manager shall provide to the Board of Nominees quarterly, on an annual basis and upon reasonable request of the Board of Nominees a detailed report regarding the fees collected under the Investment Management Agreement, in the form reasonably required by the Board of Nominees.

3. The payment of fees (Base Fee) shall be made only after the verification and certification by the Depositary Bank of the correctness of the calculation: notional amount, all the other items used in calculation of the fees, as well as the modalities for determining the fees.

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

- B. For period starting 20 March 2015 until the end of the year, the fee due to the Fund Manager in accordance with the Investment Management Agreement was calculated and paid in RON by the Fund in compliance with the following provisions, and includes the Base Fee and the Distribution Fee:

1. The Base Fee is applied to the notional amount according to the following formula:

the Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days of payment, divided by 365,

where

the Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001; and

the notional amount is the market capitalisation of the Fund which is defined as the number of the Fund's paid shares, minus the weighted average number of the Fund's settled own shares held in treasury over the calculation period, then multiplied by the weighted average market price of the Fund's shares calculated for the corresponding quarter. The weighted average market price is computed based on the daily average market prices of the Fund's shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section. If the number of shares relevant for the computation of the Base Fee (described above) changes over the calculation period, the Base Fee will be an aggregation of the computation for each sub-period.

2. It is recognised that distributions beneficial to shareholders would reduce the notional amount upon which the Base Fee is calculated; a Distribution Fee is payable as follows:
 - 200 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available up to and including 31 October 2015; and
 - 100 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available from and including 1 November 2015.

Reference is made to distributions being "made available" to clarify that any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of, these distributions will not result in any adjustment of the calculation of the Distribution Fee due to the Fund Manager. The calculation of the Distribution Fee shall be made when such distributions become available to shareholders (e.g. payment start date). In case of repurchase of own shares, the calculation of the Distribution Fee shall be made at the date when the own shares repurchase transactions are settled.

3. The Base Fee shall be paid by the Fund quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is made.

The Distribution Fee shall be paid by the Fund quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter in which the relevant date for calculating the distribution amount occurred. The calculation of the first payment period shall cover all non-dividend

distributions made available from (and including) 20 March 2015 up to the end of the relevant period (regardless of the date on which this clause becomes effective).

The invoices for the Base Fee and the Distribution Fee shall be submitted to the Depositary of the Fund's assets.

The Fund Manager shall provide to the Board of Nominees quarterly and on an annual basis and upon reasonable request of the Board of Nominees a detailed report regarding the fees collected under the Investment Management Agreement, in the form reasonably required by the Board of Nominees.

4. The payment of fees (Base Fee and Distribution Fee) shall be made only after the verification and certification by the Depositary of the correctness of the calculation: notional amount, value of distributions, all the other items used in calculation of the fees, as well as the modalities for determining the fees.

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

The Fund's Shareholders Rights

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 in force (Annex 6 to this report), each share issued by the Fund which is rightfully owned and paid in by a shareholder carries the following rights: (i) voting right at the GSM, (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 GSM, each shareholder being entitled to receive dividends proportionally to the number of paid-in 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 GSMs, as well as the full exercise of their rights and to raise questions concerning items to be debated during such meetings. GSMs 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 and draft of shareholders resolutions.

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-in share capital may ask for calling of a GSM. Such shareholders have also the right to add new items on the agenda of a GSM, 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 GSM 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-in 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 GSM.

The shareholders may attend in person or may be represented in the GSMs 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 GSM 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 GSMs. The shareholders may also send such questions by e-mail. The answers will be provided during the GSM 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.

The Foreign Account Tax Compliance Act ("FATCA")

FATCA is a United States federal law that requires United States persons, including individuals who live outside the United States, to report their financial accounts held outside of the U.S, and requires foreign financial institutions to report to the Internal Revenue Service ("IRS") about their U.S. clients.

Romania, like most of the European countries, concluded an intergovernmental agreement ("IGA") to facilitate the implementation of FATCA requirements.

Gender balance

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 approximately 60%.

Bucharest Stock Exchange Code of Corporate Governance

The Fund has adhered to the Bucharest Stock Exchange Code of Corporate Governance. Details on compliance with the principles and recommendations stipulated under the Bucharest Stock Exchange Code of Corporate Governance are presented in the section "The compliance with the provisions of the Corporate Governance Code issued by the Bucharest Stock Exchange" above.

Internal Control and Risk Management

The Sole Administrator has implemented internal policy and procedures 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.

Pursuant to article 62 of the Law 297/2004 regarding capital market, with subsequent amendments, the Sole Administrator has established a compliance department responsible for managing the compliance risk of the Fund Manager and the Fund with the applicable legislation as well as with internal policies and procedures. The

registered Compliance Officer is part of Global Compliance team and member of Franklin Templeton International Compliance Department and reports directly to the UK Compliance Manager – Global Compliance.

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 second level compliance controls.

The Fund and its Sole Director, FTIML are covered by relevant policies, procedures and global good standing practices already implemented within the Franklin Templeton Investment (“FTI”) group and Franklin Templeton Investment Management Limited United Kingdom as required by regulatory requirements.

The Sole Administrator has implemented a specific Risk Management Policy for the Fund. The purpose of this policy document is to outline the main business processes in place and how they are applied for Fondul and to establish an effective risk framework which meets regulatory requirements, and thereby enhances the Administrator’s governance structure throughout the business.

The European and Middle East Risk Committee of Franklin Templeton is responsible for the oversight of all risk management processes 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.

Franklin Templeton’s approach is to use a dedicated team of risk management specialists who are independent of the portfolio managers and provide robust risk and performance analytics and unbiased perspective on the risks and exposure in the portfolios.

An annual review of the risk management policy is performed to ensure that the policies and procedures established by the groups performing Risk Management functions are up to date and remain adequately designed to meet the requirements set out for the Fund’s Risk Management Framework.

In addition, the Sole Administrator oversees the risk based on its Compliance Monitoring Plan. The risk assessment is a critical element of Compliance’s oversight and monitoring program. The compliance monitoring programme is updated annually with the issues reported monthly by the executive management. The high risk areas are monitored at least annually to reflect the results of the final risk assessment for each fiscal year.

In respect of the portfolio monitoring activity, Franklin Templeton Investment Management Limited United Kingdom has implemented 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 Investment Compliance (“IC”) 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 IC 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

Franklin Templeton Investment Management Limited United Kingdom 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 all employees of the Sole Administrator 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 2015, prepared in compliance with IFRS, are included in full in Annex 1 to this report.

Starting with the annual financial statements for the year ended 31 December 2015, according to the FSA Norm 39/2015, IFRS are the official accounting regulations (the statutory basis of accounting) for the Fund.

This section provides a commentary on the principal elements of the Fund's financial position and results for the year ended 31 December 2015.

Statement of Financial Position

RON million	31 December 2015 Audited	31 December 2014 Audited	31 December 2013 Audited
Cash and current accounts	0.6	6.9	5.6
Deposits with banks	197.8	109.4	232.1
Treasury bills	20.0	162.8	129.9
Government bonds	59.0	31.7	83.7
Equity investments	11,800.7	12,927.7	14,312.2
Deferred tax assets	-	152.7	0.3
Other assets	29.6	9.5	3.7
Total assets	12,107.7	13,400.7	14,767.5
Total liabilities	54.6	52.8	42.3
Total equity	12,053.1	13,347.9	14,725.2
Total liabilities and equity	12,107.7	13,400.7	14,767.5

Deposits with banks as at 31 December 2015, 31 December 2014 and 31 December 2013 included bank deposits denominated in RON with maturities of up to one year, held with banks in Romania.

As at 31 December 2015, 31 December 2014 and 31 December 2013, **treasury bills** caption included treasury bills with discount, while **government bonds** caption comprised short-term government bonds with coupon, both denominated in RON, with original maturities up to one year, issued by the Ministry of Public Finance of Romania.

The overall decrease in liquid assets in 2015 was mainly caused by the funding of the buy-back programmes carried out by the Fund during this year (fourth, fifth and sixth buy-back programmes, RON 392.3 million in total) and to the payment of the return of capital to shareholders started in June 2015 (RON 522.8 million), net of the dividends collected from portfolio companies (RON 567.5 million) and of the proceeds on disposal of portfolio holdings (RON 465.8 million, mainly related to the holding in Romgaz SA).

The decrease in liquid assets in 2014 was mainly caused by the funding of the third and fourth buy-back programmes (RON 1,188.7 million in total) and by the payment of the return of capital to shareholders started in 25 July 2014 (RON 589.9 million), net of the proceeds from the disposals of portfolio holdings (RON 1,080.2 million in total, mainly related to the holdings in Romgaz SA, Transelectrica SA, Conpet SA, Raiffeisen Bank International AG and Erste Group Bank) and dividends collected from portfolio companies during the year (RON 682.1 million).

Equity investments

Classification and measurement of equity investments

Starting 1 January 2014, Fondul Proprietatea applied the Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities, the Fund being an investment entity. As a result, the Fund classified and measured its investments in subsidiaries and associates as financial assets at fair value through profit or loss. The other equity investments were classified as financial assets available for sale.

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

accounted for through profit or loss. Equity investments at fair value through profit or loss are not subject to the review for impairment.

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

Valuation

As at 31 December 2015 and 31 December 2014, all the equity investments of the Fund were carried at fair value.

Listed shares traded in an active market were measured at fair value, using quoted prices in an active market for that instrument at the reporting date. A market is considered active if transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

In case of *unlisted shares* and *listed shares that are not traded in an active market*, where sufficient information was available, the fair values of equity investments were determined by independent valuers, using valuation techniques, in accordance with International Valuation Standards (99.7% of the total unlisted portfolio).

Investments in equity securities that do not have a quoted price in an active market, and whose fair values determined by independent valuers were not available, are measured at values considered to be equivalent to fair values, being the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM and reported on monthly basis (only an insignificant part of the portfolio).

The decrease of **equity investments** by RON 1,127.0 million in 2015 was mainly due to a 28.9% decrease in value of the OMV Petrom SA share price (negative impact of RON 1,269.5 million) and to the disposal of part of the holding in Romgaz SA (negative impact of RON 565.8 million), which were partially offset by the net increase in the value of unlisted equity investments following the update of the independent valuations (total net positive impact of RON 756.2 million), the most significant contributor being the holding in Hidroelectrica SA (RON 476.0 million).

The decrease of equity investments by RON 1,384.6 million in 2014 was mainly due to the decrease of OMV Petrom SA share price with 13.2% (negative impact of RON 664.9 million) and to the disposals of the entire holdings in Transelectrica SA (total impact RON 156.2 million), Raiffeisen Bank International AG (total impact RON 77.8 million), and Erste Group Bank (total impact RON 45.1 million), and also to the disposal of a part of the holding in Romgaz SA (total impact RON 657.9 million) and Conpet SA (total impact RON 92.1 million), combined with the increase of the impairment adjustments for the holdings in CE Oltenia SA (RON 213.4 million) and Nuclearelectrica SA (RON 94.8 million), which were partially offset by the net increase in the value of unlisted equity investments following the update of the independent valuations (total net positive impact of RON 391.0 million), the most significant contributor being Electrica Furnizare SA (RON 126.4 million).

The **deferred tax asset** recognised by the Fund as at 31 December 2014 was reversed in 2015 due to the change of the Romanian fiscal legislation provisions regarding the tax treatment of the unrealised changes in fair value recognised through profit or loss for holdings over 10% of the share capital of the issuer, held for an uninterrupted period of at least 1 year, which, starting 1 January 2016, are no longer considered taxable/ deductible, so would no longer generate deferred tax.

As at 31 December 2015, the net deferred tax position is nil due to the fact that the Fund recognised a deferred tax asset for the unused tax losses carried forward, only to the level of the deferred tax liability arising from the taxable temporary differences (with impact recognised in profit or loss or other comprehensive income, depending on the nature of the corresponding item).

Statement of Comprehensive Income

RON million	2015 Audited	2014 Audited	2013 Audited
Gross dividend income	569.3	687.4	652.4
Net gains/ (losses) from equity investments at fair value through profit or loss	(1,240.8)	(604.2)	422.4
Impairment losses on equity investments available for sale	(90.5)	(344.1)	(835.8)
Interest income	3.9	20.9	36.1
Gain on disposal of equity investments available for sale, net	344.8	645.5	115.1
Other items of income/ (expense), net*	19.4	12.7	41.6
Net operating income/ (loss)	(393.9)	418.2	431.8
Operating expenses	(125.1)	(113.6)	(88.4)
Finance costs	(2.5)	-	-
Profit/ (Loss) before income tax	(521.5)	304.6	343.4
Income tax (expense)/ benefit	(43.6)	122.6	(382.1)
Profit/ (Loss) for the period	(565.1)	427.2	(38.7)
Other comprehensive income	212.4	7.2	3,883.1
Total comprehensive income for the period	(352.7)	434.4	3,844.4

* Other items of income/ (expense), net included the net foreign exchange gains/ (losses), the reversal of impairment losses on receivables and other income/(expenses).

Gross dividend income represents the dividend income earned from the Fund's portfolio companies, mainly from Hidroelectrica SA (RON 128.9 million), Romgaz SA (RON 121.4 million), OMV Petrom SA (RON 120.5 million) and Electrica Furnizare SA (RON 38.3 million). The decrease as compared to 2014 was mainly determined by the lower level of dividends approved for distribution by the Fund's portfolio companies, the most significant decrease being for OMV Petrom SA (a decrease of RON 210.9 million), which was partially offset by the dividends received from Hidroelectrica SA (RON 128.9 million).

The **net loss from equity investments at fair value through profit or loss** in 2015 and 2014 represent the net unrealised loss from the negative net change in fair value related to equity investments classified at fair value through profit or loss, principally OMV Petrom SA, due to negative evolution of the share price of this company in these years. The net gain from equity investments at fair value through profit or loss in 2013 of RON 422.4 million was mainly related to OMV Petrom SA as well, respectively RON 448.6 million, representing the net unrealised gains due to the positive evolution of the share price of this company.

In performing the impairment test for the equity investments available for sale, the Fund considers all relevant factors, such as: significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, any specific adverse events that may influence the issuer's operations, recent losses of the issuer.

The most significant **impairment losses on equity investments available for sale** in 2015 were related to the holdings in Complexul Energetic Oltenia SA (RON 45.6 million), Nuclearelectrica SA (RON 36.2 million) and in Alro SA (RON 8.0 million). In 2014 the most significant impairment losses recorded were related to the holdings in Complexul Energetic Oltenia SA (RON 213.4 million), Nuclearelectrica SA (RON 94.8 million) and in Alro SA (RON 12.4 million), while in 2013 the most significant impairment losses recorded were related to the holdings in Complexul Energetic Oltenia SA (RON 348.4 million), Nuclearelectrica SA (RON 305.5 million), and in BRD - Groupe Societe Generale SA (RON 97.7 million).

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

The **net gain on disposal of equity investments available for sale** represents the difference between the proceeds from disposals and the carrying values of the equity investments as at disposal date, plus the net unrealised gain related to these investments disposed of, transferred from equity (other comprehensive income) to profit or loss upon their derecognition.

The main disposals were: in 2015 part of the holding in Romgaz SA, in 2014 the entire holdings in Erste Group Bank, Raiffeisen Bank International AG and Transelectrica SA and part of the holdings in Conpet SA and Romgaz SA, and in 2013 the entire holding in Transgaz SA.

The **other comprehensive income** comprised the changes in fair value of equity investments available for sale, net of related deferred tax, where applicable.

The income tax expenses in 2015 represent among others the reversal of the deferred tax asset recorded as at 31 December 2014, netted off by the recognition of the deferred tax asset as at 31 December 2015 through profit or loss for a part of the unused tax losses carried forward. For further details, please see the paragraph related to the deferred tax asset above.

Operating expenses

RON million	2015 Audited	2014 Audited	2013 Audited
Investment management and administration fees	68.3	56.5	45.3
Secondary listing expenses	16.6	5.6	0.0
FSA monthly fees	11.5	14.6	15.1
Intermediaries fees and other expenses related to disposal of portfolio holdings	8.9	13.7	8.9
Depository fees	1.3	1.8	1.8
Other operating expenses	18.5	21.4	17.3
Operating expenses	125.1	113.6	88.4

Investment management and administration fees increased in 2015 as compared to 2014 mainly due to the distribution fees which were payable by the Fund starting 20 March 2015 when the Amendment no. 2 to the current Investment Management Agreement in force was partially endorsed by the FSA, but was also influenced by the change in the base fee rate starting September 2014 from 0.479% per year to 0.60% per year (when this Investment Management Agreement entered into force) and by the change in the notional value used in calculation of this fee. The total investment management and administration fees in 2015 included the base fee in amount of RON 53.4 million (2014: RON 56.5 million) and the distribution fee in amount of RON 14.9 million (2014: nil).

In 2014 the investment management and administration fees increased compared to 2013 due to the increase of the Fund's share price upon which the fees are based and due to the change in the base fee rate mentioned above, effective from September 2014, when the above-mentioned Investment Management Agreement entered into force.

Intermediaries fees and other expenses related to disposal of portfolio holdings were lower in 2015 as compared to 2014, mainly as a result of the lower value of disposal transactions carried out by the Fund during 2015.

FSA monthly fees decreased in 2015, mainly due to the decrease of the FSA fee rate from 0.1% per year to 0.0936% per year (i.e. 0.0078% per month) and due to the decrease of the Fund's total NAV on which these fees are based.

In 2015, 2014 and 2013 **other operating expenses** included mainly litigation assistance and legal advisory expenses, valuation expenses, internal and external audit expenses, and investor relations expenses.

Statement of Cash Flows

RON million	2015 Audited	2014 Audited	2013 Audited
Cash flows from operating activities			
Dividends received (net of withholding tax)	567.5	682.1	696.3
Proceeds from sale of equity investments	465.8	1,080.2	570.8
Disposals/ maturity of treasury bills and bonds	529.6	1,375.9	1,283.1
Maturity/ (Creation) of bank deposits with original maturities of more than three months	25.0	(25.0)	-
Interest received	5.5	20.1	33.2
Acquisitions of treasury bills and bonds	(416.1)	(1,361.2)	(1,037.2)
Suppliers and other taxes and fees paid	(126.9)	(109.6)	(78.8)
Remunerations and related taxes paid	(1.1)	(1.1)	(1.0)
Subscriptions to share capital increase of portfolio companies	(2.6)	-	(42.7)
Income tax paid	-	(23.5)	-
Realised foreign exchange gains/ (losses) on cash and cash equivalents	0.6	(1.0)	-
Other receipts	0.1	1.3	1.5
Net cash flows from operating activities	1,047.4	1,638.2	1,425.2
Cash flows from financing activities			
Short term bank loans	450.0	-	-
Repayment of short term bank loans	(450.0)	-	-
Return of capital to shareholders	(522.8)	(589.9)	-
Acquisition of treasury shares	(392.3)	(1,188.7)	(974.8)
Payments to Central Depository in relation with 2015 return of capital to shareholders	(19.2)	-	-
Dividends paid (including related taxes)	(3.3)	(6.0)	(530.7)
Payment of interest and fees related to the short term bank loans	(2.5)	-	-
Net cash flows used in financing activities	(940.1)	(1,784.6)	(1,505.5)
Net increase/ (decrease) in cash and cash equivalents	107.3	(146.4)	(80.3)
Cash and cash equivalents at the beginning of the period	91.2	237.6	317.9
Cash and cash equivalents at the end of the period	198.5	91.2	237.6
	31 December 2015	31 December 2014	31 December 2013
Cash	0.6	6.9	5.6
Bank deposits with original maturities of less than three months	197.9	84.3	232.0
	198.5	91.2	237.6

In 2015 the proceeds from sale of equity investments were related mainly to the disposal of the shares in Romgaz SA, in 2014 these were related mainly to the disposal of shares in Transelectrica SA, Romgaz SA, Conpet SA, Raiffeisen Bank International AG and Erste Group Bank, while in 2013 were mainly related to the disposal of the shares in Transgaz SA and OMV Petrom SA.

Payments to suppliers and other taxes and fees paid were higher in 2015 as compared with 2014 as a result of the expenses related to the secondary listing project and of the increase in investment management and administration fees, which were netted off by the effect of the decrease of the payments for the fees related to disposal of portfolio holdings and to the FSA for monthly fees.

The proceeds from and the repayment of short-term bank loans are the amounts drawn, and subsequently entirely repaid, from the credit facility from Citibank Europe Plc, Dublin – Romania Branch, for funding the 2015 distributions to shareholders.

Payments to shareholders related to the return of capital in 2015 and 2014 included the payments related to the return of the RON 0.05 per share to the shareholders, both in 2015 and in 2014, following the decrease of the Fund's share capital by reducing the nominal value of shares from RON 1.00 per share to RON 0.95 per share in 2014 and from RON 0.95 per share to RON 0.90 per share in 2015.

In 2015, the **payments to the Central Depository related to the return of capital** to shareholders represented the amounts corresponding to the 2015 return of capital not yet collected by the shareholders as at the end of the period, being held with Central Depository, in an account opened for this purpose.

Dividends paid in 2013 mainly included the payments of distributable profits for 2012 (RON 0.04089 per share gross).

Acquisition of treasury shares 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 each year. In 2015, the sixth buy-back programme was carried out by the Fund both through buying ordinary shares on the BVB and GDRs on the LSE.

Related Party Transactions

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

(a) Subsidiaries

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

Ownership interest	2014	2015
Alcom SA	72%	72%
Comsig SA	70%	70%
Primcom SA	69%	68%
Zirom SA	100%	100%

On 13 February 2015, Primcom SA finalised the registration with the Romanian Central Depository of its share capital decrease by RON 19,237 through the cancellation of 192,372 shares according with the resolution of the GSM held on 17 July 2014. The number of shares owned by Fondul Proprietatea in Primcom SA, respectively 1,427,188 shares did not change, but the holding percentage increased from 69% to 76%. In December 2015 the Fund sold 152,156 shares in Primcom SA, at the price of RON 30 per share, within the buy-back programme carried by this company. Following this transaction Fund's holding percentage decreased from 76% to 68%.

In August and December 2015, the Fund participated in the cash share capital increases of Zirom SA subscribing 99,162 and 150,000 new shares respectively, at the nominal value of RON 10 per share (in total of RON 991.6 thousand and RON 1,500 thousand respectively).

During 2015, the Fund recorded and received a dividend of RON 104.5 thousand from Alcom SA (2014: nil).

During 2014, the Fund carried out the following transactions with its subsidiaries: (1) in January 2014, Primcom SA performed a capital return to its shareholders following the decrease of its share capital by reducing the nominal value of the shares from RON 2.5 to RON 0.1 and (2) in June 2014, the Fund sold part of its holding in Primcom SA in a buy-back programme carried out by this company.

(b) Associates

The Fund has the following associates, all of them incorporated in Romania:

Ownership interest	2014	2015
OMV Petrom SA	19%	19%
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

During 2015, the Fund recorded and collected from OMV Petrom SA a dividend of RON 120.5 million (2014: RON 331.4 million) and from Societatea Nationala a Sarii SA a dividend of RON 10.2 million (2014: RON 19.8 million).

(c) Fund Manager

During 2015, the Fund recorded the following expenses payable to FTIML, the Fund Manager of the Fund: investment management and administration fees RON 68.3 million, out of which base fees in amount of RON 53.4 million and the distribution fees in amount of RON 14.9 million (2014: RON 56.5 million, all out of which

representing base fees), rent expense RON 67.4 thousand (2014: RON 86.3 thousand) and related operating costs RON 24.8 thousand (2014: RON 23.0 thousand).

During 2015, the Fund recorded also an amount of RON 3.2 million representing expenses incurred by the Fund Manager on its behalf (2014: RON 3.0 million). These expenses were primarily related to promotional activities for the Fund (investor relations) and valuation of unlisted holdings. 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 2015, the Fund owed an amount of RON 15.1 million to the Fund Manager (31 December 2014: RON 17.2 million).

Subsequent Events

Decisions of the 27 January 2016 GSM

On 10 December 2015 the Fund Manager announced the calling of a new EGM for 27 January 2016.

The main decisions of the shareholders during 27 January 2016 GSM were the following:

- The approval of the decrease of the subscribed share capital of the Fund from RON 9,869,265,720.90 to RON 9,320,973,180.85 through the reduction of the nominal value of the shares of the Fund from RON 0.90 to RON 0.85 and the approval of the payment to the shareholders registered as such with the Central Depository on 6 June 2016 of RON 0.05 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment date approved by shareholders was 27 June 2016;
- The ratification and the approval of all EGM resolutions and of all legal acts (including resolutions, decisions, notices for convening all EGM and contracts) concluded, adopted and issued in the name of Fondul Proprietatea SA through FTIML, between 6 September 2010 and 26 January 2016 and the approval and ratification of any implementation acts, facts and operations based on such, including the management of the Fund under an unitary system, as well as the approval of all the changes to the Constitutive Act approved by all the EGM between 6 September 2010 and 26 January 2016, as endorsed by FSA.

Updates on the sixth buy-back programme

The execution of the sixth buy-back programme started on 9 September 2015 and until 31 December 2015, the total number of shares repurchased was 149,649,624 (111,074,924 ordinary shares and 38,574,700 equivalent shares of the GDRs repurchased), at a total acquisition value, including transaction costs, of RON 121,497,490.

On 14 January 2016 the Fund filed with the FSA an application for a buy-back tender offer, to accelerate the sixth buy-back programme, by acquiring 430 million shares or the equivalent number of GDRs corresponding to the shares of the Fund, from the Fund's shareholders. However this was withdrawn on 25 January 2016 due to material market volatility, which significantly impacted stock market prices and the value of portfolio holdings. In order to ensure that the tender offer is priced appropriately relative to the market price, to maximise value for the Fund's shareholders, the Fund Manager will continue to monitor market developments closely and is prepared to restart the process when market conditions are more supportive. On 28 January the Fund resumed the daily buy-backs of shares, as repurchasing shares at the current market price should have a more positive impact on the Fund's NAV per share and enhance shareholder value.

The Fund Manager considers that in the current market environment, it is important to stay prudent in cash management and limit the leverage of the Fund.

Limit of the GDR facility

On 22 January 2016 The Bank of New York Mellon, the depositary bank of the GDRs, has notified that total GDR holdings have reached the limit for GDR issuance, of one third of the Fund's issued share capital, as provided by the regulations in force. As a result, until further notice from The Bank of New York Mellon with respect to the GDR facility, no new GDRs may be issued.

Changes of the Investment Management Agreement – Addendum 4

The FSA issued Endorsement no. 1/ 7 January 2016 whereby it endorsed with comments the Addendum no. 4/ 2 November 2015 to the Investment Management Agreement concluded between the Fund and the Fund Manager on 29 April 2014, proposing a different wording related to the calculation of the distribution fee between 1 November 2015 and 31 March 2016, which will be added on the agenda of the next GSM.

The distribution fee rate applicable is 100 basis points for the period between 1 November 2015 and 6 January 2016 and 200 basis points for the period between 7 January 2016 and 31 March 2016.

AIFM Directive implementation updates

On 28 January 2016 the FSA issued Endorsements no. 25, respectively Endorsement no. 26, whereby it endorsed the following amendments brought to the Fund's registration documents, which were approved by the Fund's shareholders during the 29 October 2015 GSM:

- The amendments to the Constitutive Act of the Fund, effective as of 1 April 2016, approved by the EGM Resolution no. 13/29 October 2015, endorsed by the FSA's Endorsement no. 25/ 2016 with minor rewording proposals. The Fund Manager intends to put on the agenda of the next GSM the FSA's recommended wording.
- Addendum no. 5/ 2 November 2015 to the IMA concluded between the Fund and the Fund Manager on 29 April 2014, effective as of 1 April 2016, as approved by the OGM Resolution no. 8/ 29 October 2015 and endorsed by FSA's Endorsement no. 26/2016.

According to the FSA Board Resolution from 27 January 2016, the IMA signed between Fondul Proprietatea SA and FTIS, as its Alternative Investment Fund Manager and Sole Director, as approved by the OGM Resolution no. 8/ 29 October 2015 with effect as of 1 April 2016, does not require the FSA's endorsement prior to its entering into force. Furthermore, the FSA considers that Commission de Surveillance du Sector Financier of Luxemburg, as the competent authority of the AIFM home state member, has oversight obligations in respect to the management performed by FTIS, based on the notification sent regarding the new IMA.

Signatures:

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

Grzegorz Maciej Konieczny

Legal Representative

11 February 2016

Prepared by

Mihaela Moleavin

Financial Reporting Manager

Annex 1

FONDUL PROPRIETATEA SA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

Prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and applying the FSA Norm no. 39/ 28 December 2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by the FSA – Financial Investments and Instruments Sector

(This is a translation from the official Romanian version)

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To the Shareholders and Sole Director of,
Fondul Proprietatea S.A.
Bucharest, Romania

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

1. We have audited the accompanying financial statements of Fondul Proprietatea S.A. (the "Fund") which comprise the statement of financial position as of December 31, 2015, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and applying Financial Supervisory Authority Norm no. 39 / 28 December 2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorized, regulated and supervised by FSA – Financial Investments and Instruments Sector (referred here as "FSA Norm no.39/ 2015"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 assurances that 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 the management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fondul Proprietatea S.A. as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and applying FSA Norm no. 39/2015.

Other Matters

7. This report is made solely to the Fund's Sole Director and shareholders, as a body. Our audit work has been undertaken so that we might state to the Fund's Sole Director and shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund, the Fund's Sole Director and shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Report on the Administrators' Report

The administrators are responsible for the preparation and presentation of the Administrator's Report in accordance with the requirements of the FSA Norm no. 39/2015, articles 8-13, which does not contain material misstatements and for such internal control as management determines is necessary to enable the preparation of Administrator's Report that is free from material misstatement, whether due to fraud or error.

In accordance with the FSA Norm no. 39/2015, Section 3, article 14, point (e), we have read the Administrators' Report. The said report is not part of the financial statements and our opinion on the financial statements does not cover the Administrator's Report.

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. The Administrators' Report contains, in all material respects, the required information in accordance with the provisions of the FSA Norm no.39/2015 article 10, points (a)-(g).

Based on our knowledge and understanding concerning the Fund and its environment gained during the audit we have not identified information included in the Administrators' Report that contains a material misstatement of fact,

Ahmed Hassan, Audit Partner

<i>For signature, please refer to the original Romanian version.</i>
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*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
February 11, 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015
 (all amounts are in RON unless otherwise stated)

	<i>Note</i>	Year ended 31 December 2015	Year ended 31 December 2014
Gross dividend income	6	569,303,345	687,411,023
Net losses from equity investments at fair value through profit or loss	7	(1,240,768,384)	(604,219,630)
Impairment losses on equity investments available for sale	15	(90,504,867)	(344,087,673)
Interest income		3,901,282	20,896,979
Reversal of impairment losses on receivables, net		17,564,622	19,581,829
Gain on disposal of equity investments available for sale, net	8	344,844,397	645,546,303
Net foreign exchange gains / (losses)		641,280	(823,827)
Other income / (expenses), net		1,109,227	(6,072,824)
Net operating income/ (loss)		(393,909,098)	418,232,180
Operating expenses	9	(125,100,835)	(113,641,656)
Finance costs	10	(2,465,292)	-
Profit/ (Loss) before income tax		(521,475,225)	304,590,524
Income tax (expense)/ benefit	11	(43,641,076)	122,595,766
Profit / (Loss) for the period		(565,116,301)	427,186,290
Other comprehensive income			
Net change in fair value of available for sale equity investments		774,415,013	616,204,928
Deferred tax on other comprehensive income		(110,863,914)	7,806,738
Decrease in fair value reserve following the disposal of available for sale equity investments		(451,096,171)	(616,774,944)
Total other comprehensive income		212,454,928	7,236,722
Total comprehensive income for the period		(352,661,373)	434,423,012
Basic and diluted earnings per share		(0.0478)	0.0321

The financial statements were authorised for issue on 11 February 2016 by:

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

Grzegorz Maciej Konieczny
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

The notes on pages 84 to 123 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	31 December 2015	31 December 2014
Assets			
Cash and current accounts	12	648,858	6,879,129
Deposits with banks	13	197,825,552	109,424,930
Treasury bills	14	19,957,311	162,839,401
Government bonds	14	59,004,410	31,749,581
Equity investments	15	11,800,704,619	12,927,656,781
Deferred tax assets	16	-	152,678,949
Other assets		29,577,289	9,438,338
Total assets		12,107,718,039	13,400,667,109
Liabilities			
Other liabilities	17	54,625,824	52,794,086
Total liabilities		54,625,824	52,794,086
Equity			
Share capital	18	10,074,080,746	11,815,279,887
Fair value reserve on available for sale financial assets	18	4,232,810,400	4,020,355,472
Other reserves	18	527,397,886	610,197,299
Treasury shares	18	(308,039,345)	(1,189,918,464)
Retained earnings		(2,473,157,472)	(1,908,041,171)
Total equity		12,053,092,215	13,347,873,023
Total liabilities and equity		12,107,718,039	13,400,667,109

The notes on pages 84 to 123 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets	Other reserves	Treasury shares	Retained earnings / (Accumulated losses)	Total attributable to the equity holders of the Fund
Balance as at 1 January 2015	11,815,279,887	4,020,355,472	610,197,299	(1,189,918,464)	(1,908,041,171)	13,347,873,023
Comprehensive income for the period						
Loss for the period	-	-	-	-	(565,116,301)	(565,116,301)
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	774,415,013	-	-	-	774,415,013
Decrease in fair value following the disposal of available for sale equity investments	-	(451,096,171)	-	-	-	(451,096,171)
Deferred tax on other comprehensive income	-	(110,863,914)	-	-	-	(110,863,914)
Total other comprehensive income	-	212,454,928	-	-	-	212,454,928
Total comprehensive income for the period	-	212,454,928	-	-	(565,116,301)	(352,661,373)
Transactions with owners, recorded directly in equity						
Decrease of the nominal value of the shares	(609,213,933)	-	-	56,700,448	-	(552,513,485)
Acquisition of treasury shares	-	-	-	(389,605,950)	-	(389,605,950)
Cancellation of treasury shares	(1,131,985,208)	-	(82,799,413)	1,214,784,621	-	-
Total transactions with owners recorded directly in equity	(1,741,199,141)	-	(82,799,413)	881,879,119	-	(942,119,435)
Balance as at 31 December 2015	10,074,080,746	4,232,810,400	527,397,886	(308,039,345)	(2,473,157,472)	12,053,092,215

The notes on pages 84 to 123 are an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets	Other reserves	Treasury shares	Retained earnings / (Accumulated losses)	Total attributable to the equity holders of the Fund
Balance as at 1 January 2014	13,778,392,208	4,013,118,750	312,558,751	(1,095,093,250)	(2,283,751,148)	14,725,225,311
Comprehensive income for the period						
Profit of the period	-	-	-	-	427,186,290	427,186,290
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	616,204,928	-	-	-	616,204,928
Decrease in fair value following the disposal of available for sale equity investments	-	(616,774,944)	-	-	-	(616,774,944)
Deferred tax on other comprehensive income	-	7,806,738	-	-	-	7,806,738
Total other comprehensive income	-	7,236,722	-	-	-	7,236,722
Total comprehensive income for the period	-	7,236,722	-	-	427,186,290	434,423,012
Transactions with owners, recorded directly in equity						
Decrease of the nominal value of the shares	(676,904,370)	-	-	57,379,239	-	(619,525,131)
Transfer to other reserves	-	-	51,476,313	-	(51,476,313)	-
Acquisition of treasury shares	-	-	-	(1,192,250,169)	-	(1,192,250,169)
Cancellation of treasury shares	(1,286,207,951)	-	246,162,235	1,040,045,716	-	-
Total transactions with owners recorded directly in equity	(1,963,112,321)	-	297,638,548	(94,825,214)	(51,476,313)	(1,811,775,300)
Balance as at 31 December 2014	11,815,279,887	4,020,355,472	610,197,299	(1,189,918,464)	(1,908,041,171)	13,347,873,023

The notes on pages 84 to 123 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2015	Year ended 31 December 2014
Cash flows from operating activities		
Dividends received (net of withholding tax)	567,477,304	682,066,477
Proceeds from sale of equity investments	465,811,722	1,080,212,251
Disposals/ maturity of treasury bills and bonds	529,567,061	1,375,943,403
Maturity / (Creation) of bank deposits with original maturities of more than three months	25,000,000	(25,000,000)
Interest received	5,504,456	20,084,897
Acquisitions of treasury bills and bonds	(416,136,838)	(1,361,207,874)
Suppliers and other taxes and fees paid	(126,878,729)	(109,633,840)
Remunerations and related taxes paid	(1,147,016)	(1,130,718)
Subscriptions to share capital increase of portfolio companies	(2,579,970)	-
Income tax paid	-	(23,521,512)
Realised foreign exchange gains/ (losses) on cash and cash equivalents	572,093	(961,424)
Other receipts	259,401	1,301,247
Net cash flows from operating activities	1,047,449,484	1,638,152,907
Cash flows from financing activities		
Short term bank loans	450,000,000	-
Repayment of short term bank loans	(450,000,000)	-
Return of capital to shareholders	(522,788,030)	(589,890,948)
Acquisition of treasury shares	(392,343,790)	(1,188,701,549)
Payments to Central Depository in relation with 2015 return of capital to shareholders	(19,204,400)	-
Dividends paid (including related taxes)	(3,338,651)	(5,975,898)
Payment of interest and fees related to the short term bank loans	(2,465,292)	-
Net cash flows used in financing activities	(940,140,163)	(1,784,568,395)
Net increase/ (decrease) in cash and cash equivalents	107,309,321	(146,415,488)
Cash and cash equivalents at the beginning of the period	91,158,127	237,573,615
Cash and cash equivalents at the end of the period	198,467,448	91,158,127
	31 December 2015	31 December 2014
Cash	648,858	6,879,129
Bank deposits with original maturities of less than three months	197,818,590	84,278,998
	198,467,448	91,158,127

The notes on pages 84 to 123 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

1. General information

Fondul Proprietatea SA (referred to as “Fondul Proprietatea” or “the Fund”) is an undertaking for collective investment, in the form of a closed end investment company, established in accordance with Law 247/2005 regarding the reform in property and justice, as well as certain adjacent measures, 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, Buzzești Street, 7th Floor, District 1, Bucharest.

The Fund undertakes its activities in accordance with Law 247/2005, Law 297/2004 regarding the capital market, as subsequently amended (“Law 297/2004”), and Law 31/1990 regarding companies, republished as subsequently amended (“Law 31/1990”) and it is an entity authorised, regulated and supervised by the Financial Supervisory Authority (“FSA”), formerly known as the 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 Limited United Kingdom Bucharest Branch (“Fund Manager” or “FTIML”) was appointed on 29 September 2010 as the Fund Manager and Sole Administrator of the Fund and the mandate was renewed on 30 September 2014 for two years.

Considering the legal requirements to implement the Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFM Directive”) the shareholders of the Fund approved, on 29 October 2015, the change of the management structure and the termination of the current mandate of FTIML as Fund Manager and Sole Administrator, with the mutual consent of both parties, starting with 1 April 2016. Subsequent to the termination, the Fund appointed Franklin Templeton International Services S.À.R.L (“FTIS”) as its Sole Administrator and Fund Manager under AIFM Directive and local implementation regulations, and executed a new investment management agreement in order to reach AIFM Directive compliance (the FTIS mandate will commence on 1 April 2016). As part of the new management structure, FTIS will delegate the role of investment manager and certain administrative functions to FTIML.

From 25 January 2011, Fondul Proprietatea became a listed company on the spot regulated market managed by the Bucharest Stock Exchange in Tier I shares of the Equity Sector of the market (renamed as of 5 January 2015 as Premium Tier shares), under ISIN number ROFPTAACNOR5 with the market symbol “FP”.

From 29 April 2015, the Fund’s Global Depositary Receipts (“GDR”) have been listed on the London Stock Exchange – Specialist Fund Market, under ISIN number US34460G1067, with the market symbol “FP.”. The Bank of New York Mellon has been appointed by the Fund to act as depositary bank in relation to the GDR facility. The GDR facility is limited to one-third of the Fund’s subscribed share capital under the Romanian securities regulations, each GDR representing 50 shares, and the currency of the GDRs is US dollar.

2. Basis of preparation**(a) Statement of compliance**

These financial statements are the annual statutory financial statements of Fondul Proprietatea for the year ended 31 December 2015 prepared in accordance with the International Financial Reporting Standards as adopted by European Union (“IFRS”) and applying the FSA Norm no. 39 / 28 December 2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by FSA – Financial Investments and Instruments Sector (“Norm 39/2015”).

According to the provisions of Norm no. 39 /2015, IFRS became the official accounting regulations for the entities authorised, regulated and supervised by the FSA – Financial Investments and Instruments Sector, including Fondul Proprietatea, starting with the annual financial statements for the year ended 31 December 2015. For prior years the Fund prepared and published financial statements in accordance with IFRS, for information purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

2. Basis of preparation (continued)

For all annual periods up to and including the year ended 31 December 2014, the Fund prepared its statutory separate financial statements in accordance with Romanian accounting regulations, CNVM Regulation 4/2011 regarding accounting regulations compliant with EEC Directive IV, applicable to the entities authorised, regulated and supervised by the FSA (CNVM Regulation 4/2011).

Due to the application of the *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)* starting 1 January 2014, being an investment entity, the Fund no longer consolidates its subsidiaries and in consequence, the Fund no longer prepares consolidated financial statements, the separate financial statements being the Fund's only financial statements. The Fund has reassessed the criteria for being an investment entity for the year ended 31 December 2015 and continues to meet them.

(b) Basis of measurement

These financial statements have been prepared on a fair value basis for the main part of the Fund's assets (equity investments, treasury bills and short-term government bonds respectively), and on a historical cost or amortised cost basis for the rest of the items included in the financial statements.

(c) Functional and presentation currency

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

(d) Foreign currency

Transactions in foreign currency are translated into the functional currency of the Fund at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into the functional currency at the exchange rate at the date when the fair value was determined.

The exchange rates of the main foreign currencies, published by the National Bank of Romania at 31 December 2015 were as follows: 4.5245 RON/EUR, 4.1477 RON/USD and 6.1466 RON/GBP (31 December 2014: 4.4821 RON/EUR, 3.6868 RON/USD and 5.7430 RON/GBP).

(e) Use of estimates

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

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

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

- Note 4 – Financial risk management;
- Note 9 – Operating expenses;
- Note 15 – Equity investments;
- Note 16 – Deferred tax assets;
- Note 17 – Other liabilities;
- Note 19 – Contingencies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies

The accounting policies applied in these financial statements have been applied consistently to all periods presented in these financial statements.

(a) Subsidiaries and associates

Subsidiaries are entities controlled by the Fund. The Fund controls an investee when the Fund is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates are those entities in which the Fund has significant influence over the financial and operating policies, but not control or joint control. The existence of significant influence is assessed, in each reporting period, by analysing the ownership structure of the companies in which the Fund holds 20% or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee.

However, the Fund does not exercise significant influence in a number of companies in which it holds between 20% and 50% of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operate without regard to the views of the Fund.

Also, in situations where the Fund holds less than 20% of the voting power of an investee, but it is a significant shareholder and demonstrates that it has significant influence through Board representation and participates in the policy making decisions, the investee is considered an associate.

As at 31 December 2015 and 31 December 2014, there are four portfolio companies which met the criteria for classification as subsidiaries and three portfolio companies which met the criteria for classification as associates. The lists of subsidiaries and associates as at 31 December 2015 and 31 December 2014 are disclosed in note 20 (b) and (c).

(b) 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. The Fund applies trade date accounting.

Financial assets and liabilities are recognised initially at fair value plus, in case of financial assets and financial liabilities not measured at fair value through profit or loss, any directly attributable transaction costs (including brokerage fees).

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(e), (f), (g) and (h).

(iii) Derecognition

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

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

For equity investments, realised gains or losses on derecognition are determined using weighted average method and for treasury bills and government bonds using "first-in-first-out" (FIFO) method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(b) Financial assets and liabilities (continued)***(iv) Offsetting*

Financial assets and liabilities are offset and the net amount is presented in the Statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

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

When available, the Fund measures the fair value of an equity instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair values of equity instruments that are not traded in an active market are determined by independent valuers, using valuation techniques (for the main part of the portfolio).

The Fund uses a variety of methods and makes assumptions that are based on the market conditions existing at each reporting date. Valuation techniques used are recognised as standard within the industry and include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants, making maximum use of observable market inputs and relying as little as possible on entity-specific inputs. Some of the inputs to these models may not be observable in the market and are therefore estimated based on various assumptions.

The valuation techniques selected incorporate all the factors that market participants would take into account in pricing a transaction.

The output of a valuation model is always an estimate/ an approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Therefore, where appropriate, the valuations are adjusted to reflect additional factors, including model risk, liquidity risk and counterparty risk.

As part of the valuation process, the Fund is also analysing the information related to the portfolio companies, available for the period between the date of financial information used in the valuation reports and the end of the reporting period. If any significant change occurs, which may impact the fair values of the companies, the Fund requests the independent valuer to adjust the valuation so that the equity investments are reflected in the financial statements at their fair value as at the reporting date.

(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.

3. Significant accounting policies (continued)**(b) Financial assets and liabilities (continued)***(vii) Identification and measurement of impairment (continued)**Financial assets carried at amortised cost*

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial assets. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available for sale financial assets – equity investments

Impairment losses on available for sale equity investments are recognised by transferring the cumulative loss that has been recognised directly in equity (other comprehensive income) to profit or loss, which is calculated as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent period, the fair value of an impaired equity investment increases, the recovery is recognised in equity (other comprehensive income).

For assessing which equity investments are impaired, the Fund considers all relevant factors, such as: significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, any specific adverse events that may influence the issuer's operations, recent losses of the issuer, qualified independent auditor's report on the issuer's most recent financial statements, etc.

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are recorded in profit or loss. Subsequent measurement is at fair value and all changes in fair value are accounted for through profit or loss. Financial assets at fair value through profit or loss are not subject to the review for impairment.

The Fund being an investment entity has classified and measured its investments in subsidiaries and associates as financial assets at fair value through profit or loss. The other equity investments were classified as available for sale financial assets.

(d) Available for sale financial assets*Debt instruments*

The Fund's investments in short-term treasury bills and government bonds are classified as available for sale financial assets.

Equity investments

The Fund's investments in equity instruments, other than subsidiaries and associates, are classified as available for sale financial assets and are measured either at fair value (the main part of the portfolio) or at values considered to be equivalent to fair values, being the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM and reported monthly (only for an insignificant part of the portfolio). Changes therein, other than impairment losses, are recognised directly in equity (other comprehensive income).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(d) Available for sale financial assets (continued)**

Equity instruments that do not have a quoted market price in an active market, and whose fair value was not available, are measured at the values used in the calculation of the net asset value of the Fund, determined in accordance with the regulations issued by the FSA/CNVM and reported on monthly basis. These are estimated as follows:

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

(e) Cash and deposits with banks

Cash includes petty cash and current accounts held with banks. Deposits with banks include deposits with original maturities of less than three months and deposits with original maturities of more than three months and less than one year.

Cash and deposits with banks are carried at amortised cost.

Deposits with banks with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the Statement of cash flows.

(f) 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).

(g) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses and are amortised on a straight-line basis over the useful life of three years. The Fund's intangible assets consist of computer software licenses and software development and implementation costs. Cost includes the expenditure that is directly attributable to the acquisition of the asset. Amortisation method, useful lives and residual values are reviewed at each reporting date.

(h) 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.

(i) Treasury shares

The Fund recognises the treasury shares (repurchases of own shares) at trade date as a deduction in shareholders' equity (in an account with debit balance in shareholders' equity); treasury shares are recorded at acquisition cost, including brokerage fees and other costs directly related to the acquisition.

The GDRs bought back by the Fund are accounted for exactly as the own ordinary shares repurchased, as a deduction in shareholders' equity (in an account with debit balance in shareholders' equity). This is the result of the application of substance over form principle, due to the fact that buy-back via GDRs is only a technical/ legal form of the transaction, the substance of the transaction being that the Fund buys back its own shares, giving the same rights to both the holders of the Fund's ordinary shares and to the holders of the Fund's GDRs, to take part in the buy-back programmes carried out by the Fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(j) 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 estimated by discounting the expected future cash outflows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Dividend income

Dividend income related to listed equity investments is recognised in profit or loss on the ex-dividend date. Dividend distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared.

When the Fund receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

When bonus shares are received with no cash alternative and if only certain shareholders are granted additional shares, these are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Fund's interest is unaffected by the bonus share issue.

For overdue dividend receivables the Fund initiates legal recovery measures (conciliation, litigations etc.). The Fund is entitled to charge penalties for overdue amounts from net dividends, applying the legal penalty interest rate according to the legislation in force. Penalty income on dividends is recognised when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are separately recognised as income tax expense.

(l) Interest income and expense

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. Interest expense relates to the credit facility agreement concluded by the Fund in 2015.

(m) Gains and losses from sale of equity investments

Gains and losses from the disposal of equity investments are recognised in profit or loss at the date of derecognising the financial asset and are calculated as the difference between the carrying amount of the financial asset at disposal date and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been previously recognised in other comprehensive income (in case of available for sale financial assets).

The realised gains and losses from the disposal of equity investments classified as financial assets at fair value through profit or loss are presented in the Statement of comprehensive income as "Net gains/ (losses) from equity investments at fair value through profit or loss", together with the unrealised gains and losses from the change in fair value of these instruments.

(n) Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis and include the realised and unrealised foreign exchange differences.

(o) Expenses

All expenses are recognised in profit or loss on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(p) Income tax**

Income tax expense comprises current and deferred tax. Current tax includes also dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity (other comprehensive income), in which case it is recognised in equity (other comprehensive income).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the reporting period. Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of: (a) deductible temporary differences; and (b) the carryforward of unused tax losses. 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, which intend to settle current tax liabilities and assets on a net basis or whose tax assets and liabilities will be realised simultaneously.

Deferred tax is measured at the tax rates that are expected to be applied in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously recognised directly in equity (other comprehensive income), which are recognised in equity (other comprehensive income).

The applicable standard tax rate is 16%. The applicable dividend withholding tax was nil in case of holdings over 10% of the share capital of the issuer, held for an uninterrupted period of at least 1 year, and 16% in case of the other holdings.

(q) Board members' benefits

The Fund has no employees, but from the benefits point of view, the members of the Board of Nominees and the special administrator appointed in a portfolio company in insolvency have the same legal treatment as employees, even if they have mandate agreements (no labour agreements). During the normal course of business, the Fund makes payments due to the state health, pensions and unemployment funds related to the members of the Board of Nominees and for the special administrator in accordance with the regulations in force. All members of the Board of Nominees and the special administrator are members of the pension plan of the Romanian State. Such costs are recognised in profit or loss together with the related remunerations.

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

(r) Dividend payable

Dividends declared by the Fund are recorded as dividend payable at the date when these are approved by the Fund's General Shareholders Meeting, 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 outstanding uncollected dividends, which have remained unclaimed at least 3 years after the date when the respective dividend distribution commenced. Upon cancellation, the Fund records the value of these dividends as income in profit or loss. Also, after the cancellation, the shareholders are not entitled anymore to collect the respective dividend.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(s) Standards and Interpretations effective in the current period**

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) are effective for current financial period:

- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)”, resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments effective for annual periods beginning on or after 1 January 2015);
- IFRIC 21 “Levies” adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The Fund considers that the adoption of these standards, revisions and interpretations will have no material impact on its financial statements.

(t) 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 the IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)”, resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments effective for annual periods beginning on or after 1 February 2015);
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)”, resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Fund anticipates that the adoption of these standards, revisions and interpretations will have no material impact on its financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(u) 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 IASB except from the following standards, amendments to the existing standards and interpretations, which were not endorsed as at the date of authorisation of these financial statements:

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018);
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- IFRS 15 “Revenue from Contracts with Customers” and further amendments (effective for annual periods beginning on or after 1 January 2018);
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded);
- Amendments to IAS 7 “Statement of Cash Flows” - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IAS 12 “Income Taxes” - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

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.

IFRS 9 includes requirements for financial instruments regarding recognition, classification and measurement, impairment, derecognition and general hedge accounting:

- *Classification and measurement:* IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.
- *Impairment:* IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.
- *Hedge accounting:* IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.
- *Own credit:* IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognised in profit or loss.

The requirements of IFRS 9 with the most significant impact on the IFRS financial statements of the Fund are those related to classification and measurement. The Fund is still analysing the impact of this standard and will implement the necessary changes until the date it becomes applicable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

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 with the markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

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

(a) Market risk

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

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

The Fund's exposure to industries was as follows:

	31 December 2015	31 December 2014
Oil and gas	3,737,058,467	5,755,693,411
Power and gas utilities: transport, distribution, supply	3,545,600,000	3,449,421,000
Power utilities: generation	2,892,934,806	2,498,708,869
Infrastructure	720,217,481	488,604,858
Banks	518,797,001	365,374,794
Heavy industry	200,694,000	203,995,225
Aluminium	96,207,822	84,546,268
Postal services	58,698,000	55,896,000
Others	30,497,042	25,416,356
	11,800,704,619	12,927,656,781

As at 31 December 2015 the Fund has equity investments of RON 4,528,025,097 listed on the Bucharest Stock Exchange, which are included in the BET-BK index (31 December 2014: RON 6,417,755,342).

For these investments, a ten per cent increase in the BET-BK index at 31 December 2015 would have increased equity by RON 413,029,700 (31 December 2014: RON 599,484,456) out of which impact on other comprehensive income of RON 129,108,974 (31 December 2014: RON 167,993,808) and impact on profit or loss of RON 283,920,726 (31 December 2014: RON 431,490,648).

An equal change in the opposite direction as at 31 December 2015 would have decreased equity by RON 413,029,700 (31 December 2014: RON 599,484,456) out of which impact on other comprehensive income of RON 129,108,974 (31 December 2014: RON 167,993,808) and impact on profit or loss of RON 283,920,726 (31 December 2014: RON 431,490,648).

This analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

4. Financial risk management (continued)**(a) Market risk (continued)***(ii) Interest rate risk*

The Fund places cash into fixed rate bank deposits and short-term government securities with fixed interest rates and 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 2015	31 December 2014
Bank deposits with original maturities of more than three months and less than one year	-	25,000,000
Bank deposits with original maturities of less than three months	197,818,590	84,278,998
Treasury bills	19,901,686	161,603,202
Government bonds	56,394,090	30,536,430
	274,114,366	301,418,630

(iii) Currency risk

Fund's exposure to currency risk is insignificant. The Fund held current accounts with banks and receivables and payables denominated in foreign currencies (EUR, USD and GBP) but the balances were immaterial during the reporting period.

During 2015 the local currency depreciated compared to the EUR (from 4.4821 RON/EUR at 31 December 2014 to 4.5245 RON/EUR at 31 December 2015), to the USD (from 3.6868 RON/USD at 31 December 2014 to 4.1477 RON/USD at 31 December 2015) and to the GBP (from 5.7430 RON/GBP at 31 December 2014 to 6.1466 RON/GBP at 31 December 2015).

The Fund's exposure to currency risk was as follows:

	31 December 2015	31 December 2014
RON		
Monetary assets		
Petty cash	381	538
Current accounts with banks	643,960	6,876,550
Bank deposits with original maturities of more than three months and less than one year	-	25,000,000
Bank deposits with original maturities of less than three months	197,818,590	84,278,998
Interest accrued on bank deposits	6,962	145,932
Treasury bills	19,957,311	162,839,401
Government bonds	59,004,410	31,749,581
Other receivables	28,529,887	8,400,752
	305,961,501	319,291,752
Monetary liabilities		
Other liabilities	(54,573,797)	(52,649,875)
	(54,573,797)	(52,649,875)
	251,387,704	266,641,877

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

4. Financial risk management (continued)**(a) Market risk (continued)***(iii) Currency risk (continued)*

	31 December 2015	31 December 2014
EUR (in RON equivalent)		
Monetary assets		
Current accounts with banks	2,490	1,324
Other receivables	1,047,402	1,037,586
	1,049,892	1,038,910
Monetary liabilities		
Other liabilities	(52,027)	(51,540)
	(52,027)	(51,540)
	997,865	987,370

	31 December 2015	31 December 2014
USD (in RON equivalent)		
Monetary assets		
Current accounts with banks	1,036	381
GBP (in RON equivalent)		
Monetary assets		
Current accounts with banks	991	336
Monetary liabilities		
Other liabilities	-	(92,671)
	-	(92,671)
	991	(92,335)

A ten percent strengthening of the RON against the EUR, USD and GBP respectively as at 31 December 2015 and 31 December 2014 would have the following impact in profit or loss (the analysis assumes that all other variables remain constant), impact expressed in RON:

Profit or loss	31 December 2015	31 December 2014
EUR	(99,787)	(98,737)
USD	(104)	(38)
GBP	(99)	9,234

As at 31 December 2015 and 31 December 2014, the Fund did not hold any equity investment denominated in other currency than RON.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

4. Financial risk management (continued)**(b) Credit risk (continued)***(i) Cash and deposits with banks*

The Fund's maximum exposure to credit risk from cash and deposits with banks was RON 198,474,029 at 31 December 2015 (31 December 2014: RON 116,303,521). Cash and deposits are held with the following banks:

	31 December 2015	31 December 2014
Cash and deposits held with		
BCR	64,258,396	68,759,620
ING Bank	56,939,695	1,834
BRD - Groupe Societe Generale	44,271,938	22,396,694
Unicredit Bank	33,003,415	25,144,609
Raiffeisen Bank	332	370
Citi Bank	253	394
	198,474,029	116,303,521

Current accounts and deposits are held with banks in Romania. The Fund Manager implemented a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent has 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 19,957,311 as at 31 December 2015 (31 December 2014: RON 162,839,401).

As of 31 December 2015 the Fund held the following treasury bills with discount, denominated in RON:

	Value as at				
ISIN	31 December 2015	Settlement Date	No. of units	Interest rate	Maturity date
RO1516CTN0H6	19,957,311	7-Oct-15	4,000	1.17%	7-Mar-16
Total	19,957,311				

As of 31 December 2014, the Fund held the following treasury bills with discount denominated in RON:

	Value as at				
ISIN	31 December 2014	Settlement Date	No. of units	Interest rate	Maturity date
RO1415CTN057	24,897,280	01-Aug-14	5,000	1.70%	30-Mar-15
RO1415CTN024	10,921,447	08-Aug-14	2,187	1.80%	26-Jan-15
RO1415CTN0B1	40,331,220	11-Aug-14	8,169	2.09%	10-Aug-15
RO1415CTN081	27,762,769	08-Aug-14	5,600	1.95%	09-Jun-15
RO1415CTN073	58,926,685	30-Jul-14	11,866	1.70%	27-May-15
Total	162,839,401				

(iii) Government bonds

The Fund's maximum exposure to credit risk from government bonds was RON 59,004,410 as at 31 December 2015 (31 December 2014: RON 31,749,581).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

4. Financial risk management (continued)**(b) Credit risk (continued)***(iii) Government bonds (continued)*

As at 31 December 2015, the Fund held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2015	Settlement Date	No. of units	Coupon rate	Maturity date
RO1216DBN030	5,332,835	29-Oct-15	500	5.75%	27-Jan-16
RO1216DBN030	26,664,178	02-Nov-15	2,500	5.75%	27-Jan-16
RO1116DBN024	27,007,397	25-Nov-15	2,500	6.00%	30-Apr-16
Total	59,004,410				

As of 31 December 2014, the Fund held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2014	Settlement Date	No. of units	Coupon rate	Maturity date
RO1015DBN010	31,749,581	07-Aug-14	3,000	6.00%	30-Apr-15
Total	31,749,581				

(iv) Dividend receivable

The Fund has no credit risk from dividend receivable as at 31 December 2015 and 31 December 2014.

(c) Liquidity risk

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

The following are the residual maturities of the Fund's financial assets and financial liabilities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2015				
Financial assets				
Cash and current accounts	648,858	-	-	-
Deposits with banks	197,825,552	-	-	-
Treasury bills	-	19,957,311	-	-
Government bonds	31,997,013	-	27,007,397	-
Equity investments at fair value through profit and loss	-	-	-	3,349,024,657
Equity investments available for sale	-	-	-	8,451,679,962
Other receivables	29,128,201	-	449,088	-
	259,599,624	19,957,311	27,456,485	11,800,704,619
Financial liabilities				
Other liabilities	43,058,019	-	-	-
	43,058,019	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

4. Financial risk management (continued)**(c) Liquidity risk (continued)**

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity
31 December 2014				
Financial assets				
Cash and current accounts	6,879,129	-	-	-
Deposits with banks	84,280,694	25,144,236	-	-
Treasury bills	10,921,447	24,897,280	127,020,674	-
Government bonds	-	-	31,749,581	-
Equity investments at fair value through profit and loss	-	-	-	4,591,866,101
Equity investments available for sale	-	-	-	8,335,790,680
Other receivables	9,438,338	-	-	-
	111,519,608	50,041,516	158,770,255	12,927,656,781
Financial liabilities				
Other liabilities	41,396,403	-	-	-
	41,396,403	-	-	-

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

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

(d) Taxation risk

The Fund had to conform to European Union legislation from 1 January 2007 when Romania became a member of the European Union.

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015(all amounts are in RON unless otherwise stated)

4. Financial risk management (continued)**(e) Operating environment**

The ongoing uncertainty about the direction of European fiscal politics, responding central bank action and fears of a renewed possible breakup of the European Union, continue to add volatility to equity markets, especially for countries with strong links to Europe.

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

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

Management cannot predict all developments which could have an impact on the Romanian economy and consequently what effect, if any, they could have on the performance of the Fund and its financial statements.

Management cannot reliably estimate the effects on the Fund's financial statements of any further deterioration in the liquidity of the financial markets, devaluation of financial assets influenced by the increased volatility in the equity and currency markets.

(f) Operational risk

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

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

(g) Capital management

The 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 reserve, other reserves and retained earnings, net of treasury shares. The shareholders' equity was RON 12,053,092,215 at 31 December 2015 (31 December 2014: RON 13,347,873,023).

The Fund was not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities**Accounting classifications and fair values**

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

	Loans and receivables	Available for sale	At fair value through profit or loss	Other amortised cost	Total carrying amount	Fair value
31 December 2015						
Cash and current accounts	648,858	-	-	-	648,858	648,858
Deposits with banks	197,825,552	-	-	-	197,825,552	197,825,552
Treasury bills	-	19,957,311	-	-	19,957,311	19,957,311
Government bonds	-	59,004,410	-	-	59,004,410	59,004,410
Equity investments	-	8,451,679,962	3,349,024,657	-	11,800,704,619	11,800,704,619
Other receivables	29,577,289	-	-	-	29,577,289	29,577,289
Other liabilities	-	-	-	(43,058,019)	(43,058,019)	(43,058,019)
	228,051,699	8,530,641,683	3,349,024,657	(43,058,019)	12,064,660,020	12,064,660,020

	Loans and receivables	Available for sale	At fair value through profit or loss	Other amortised cost	Total carrying amount	Fair value
31 December 2014						
Cash and current accounts	6,879,129	-	-	-	6,879,129	6,879,129
Deposits with banks	109,424,930	-	-	-	109,424,930	109,424,930
Treasury bills	-	162,839,401	-	-	162,839,401	162,839,401
Government bonds	-	31,749,581	-	-	31,749,581	31,749,581
Equity investments	-	8,335,790,680	4,591,866,101	-	12,927,656,781	12,927,656,781
Other receivables	9,438,338	-	-	-	9,438,338	9,438,338
Other liabilities	-	-	-	(41,396,403)	(41,396,403)	(41,396,403)
	125,742,397	8,530,379,662	4,591,866,101	(41,396,403)	13,206,591,757	13,206,591,757

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

6. Gross dividend income

	Year ended 31 December 2015	Year ended 31 December 2014
Hidroelectrica SA	128,915,585	-
Romgaz SA	121,410,324	148,525,046
OMV Petrom SA	120,496,860	331,366,364
Electrica Furnizare SA	38,285,340	19,637,608
Electrica Distributie Muntenia Nord SA	24,653,096	23,212,248
GDF Suez Energy Romania SA	24,000,000	33,600,000
Enel Distributie Banat SA	20,673,963	-
Electrica Distributie Transilvania Sud SA	17,568,497	12,733,949
Electrica Distributie Transilvania Nord SA	16,701,520	11,666,197
Enel Distributie Dobrogea SA	10,504,831	-
Societatea Nationala a Sarii SA	10,234,109	19,808,540
CN Aeroporturi Bucuresti SA	10,232,630	12,318,257
Nuclearelectrica SA	8,222,514	33,164,141
Enel Energie SA	7,420,314	-
CN Administratia Porturilor Maritime SA	6,453,568	10,118,830
CN Administratia Canalelor Navigabile SA	235,450	175,612
Transelectrica SA	-	22,046,532
Conpet SA	-	8,773,485
Others	3,294,744	264,214
	569,303,345	687,411,023

The dividend income was subject to 16% withholding tax. In cases where the relevant shareholding of the Fund was larger than 10% of total issued shares of the company, for an uninterrupted period of at least one year prior to the dividend distribution, no withholding tax was due.

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

	Year ended 31 December 2015	Year ended 31 December 2014
Unrealised net gain / (loss) from equity instruments	(1,244,016,915)	(606,242,873)
Realised net gain / (loss) from equity instruments	3,248,531	2,023,243
Total	(1,240,768,384)	(604,219,630)

Realised net gain from equity investments at fair value through profit or loss was calculated as the difference between the proceeds from the disposals during the period of the relevant equity investments and the fair value of the equity investments disposed of at the beginning of the period.

The unrealised net loss from equity investments at fair value through profit or loss for year ended 31 December 2015 and 31 December 2014 was mainly generated by the negative change in fair value for the holding in OMV Petrom SA, because of the significant decreases of the price of the shares of this company during the respective periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

8. Gain on disposal of equity investments available for sale

In 2015, The Fund sold part of its holding in Romgaz SA and its entire holdings in SIFI CJ Agro SA, Forsev SA, Electroconstructia Elco Cluj SA and Petrotel Lukoil SA. The net gain on disposal of these equity investments was RON 344,844,397 representing the difference between the proceeds from disposals (RON 461,857,440) and the carrying values of the equity investments as at disposal date (RON 568,109,214), plus the net unrealised gain related to these investments disposed, recycled from other comprehensive income to profit or loss upon their derecognition (RON 451,096,171).

In 2014, the Fund sold its entire holdings in Erste Group Bank, Raiffeisen Bank, Resib SA, Severnav SA, Transelectrica SA, Transilvania Com SA, Turdapan SA and part of its holding in Conpet SA, Oil Terminal SA and Romgaz SA. The net gain on disposal of these equity investments was RON 645,546,303 representing the difference between the proceeds from disposals (RON 1,074,882,392) and the carrying values of the equity investments as at disposal date (RON 1,046,111,033), plus the net unrealised gain related to these investments disposed, recycled from other comprehensive income to profit or loss upon their derecognition (RON 616,774,944). In October 2014 Carbid Fox SA was erased from Romanian Trade Register, at the end of bankruptcy procedure.

9. Operating expenses

	Year ended 31 December 2015	Year ended 31 December 2014
Investment management and administration fees	68,323,328	56,479,028
Financial Supervisory Authority monthly fees	11,534,864	14,582,299
Depository fee	1,299,776	1,767,065
Remunerations and related taxes	1,154,285	1,120,313
Intermediaries fees related to disposal of portfolio holdings	3,364,569	11,756,815
Other expenses related to disposal of portfolio holdings	5,513,702	1,974,112
Third party services	29,082,579	22,023,450
Other operating expenses	4,827,732	3,938,574
	125,100,835	113,641,656

Investment management and administration fees increased in 2015 as compared to 2014 mainly due to the distribution fees which were payable by the Fund starting 20 March 2015 when the Amendment no. 2 to the current Investment Management Agreement in force, was partially endorsed by the FSA, but was also influenced by the change in the base fee rate starting September 2014 from 0.479% per year to 0.60% per year (when this Investment Management Agreement entered into force) and by the change in the notional value used in calculation of this fee. The total investment management and administration fees in 2015 included the base fee in amount of RON 53.4 million (2014: RON 56.5 million) and the distribution fee in amount of RON 14.9 million (2014: nil). The investment management and administration fees are invoiced and paid on a quarterly basis.

Financial Supervisory Authority monthly fees decreased, mainly due to the decrease of the FSA fee rate from 0.1% per year to 0.0936% per year (i.e. 0.0078% per month) and due to the decrease of the Fund's total NAV on which these fees are based.

Remunerations and related taxes included the remunerations paid to the members of the Board of Nominees and to the special administrator appointed in Hidroelectrica SA (portfolio company in insolvency) as required by the insolvency legislation in force and the related taxes and contributions payable to the Romanian state budget, as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

9. Operating expenses (continued)

	Year ended 31 December 2015	Year ended 31 December 2014
Members of the Board of Nominees	950,000	900,000
Special administrator appointed in portfolio companies in insolvency	15,948	13,360
Contributions to social security fund	137,977	159,349
Contributions to health fund	50,360	47,604
	1,154,285	1,120,313

Third party services increased in 2015 as compared to 2014, mainly due to the secondary listing expenses incurred during 2015.

Third party services included also the financial auditor's fees. The financial auditor of Fondul Proprietatea for the years 2015 and 2014 was Deloitte Audit SRL.

The total audit fees for the audit of the 2015 annual statutory financial statements, prepared in accordance with IFRS, are of approximately RON 417,920, excluding VAT. The audit fees are recorded in the period when the services are provided, respectively partially in 2015 and partially in 2016. In addition, in 2015 Deloitte Audit SRL provided other assurance services related to the secondary listing of the Fund on London Stock Exchange, charging fees of RON 1,307,089 and Deloitte Tax SRL provided tax advisory services, charging fees of RON 84,758.

The total audit fees for the audit of 2014 annual statutory financial statements, prepared in accordance with Romanian accounting regulations (CNVM Regulation 4/2011) were approximately RON 96,365, excluding VAT and for the audit of 2014 annual IFRS financial statements were approximately RON 355,950, excluding VAT. Audit fees were recorded in the period when the services are provided, respectively partially in 2014 and partially in 2015. In addition, in 2014, Deloitte Audit SRL provided other assurance services related to the secondary listing of the Fund on London Stock Exchange, charging fees of RON 507,114.

10. Finance costs

The finance costs category comprises the interest expense on the amounts drawn from the credit facility and the commitment fee on undrawn amounts.

On 4 May 2015, Fondul Proprietatea concluded a revolving committed credit facility of RON 500 million with Citibank Europe Plc, Dublin – Romania Branch. The purpose of the credit facility is for general corporate use, including share buy-backs, but excluding investments. It is intended to be a bridging loan.

The Fund used the credit facility during 2015, but as at 31 December 2015 there was no outstanding balance.

On 17 December 2015 the Fund and Citibank Europe Plc, Dublin - Romania Branch agreed to extend the revolving committed credit facility of RON 500 million. The availability period of the facility starts on 4 January 2016 and ends on 31 August 2016. The final reimbursement should take place on 30 September 2016, at the latest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
 (all amounts are in RON unless otherwise stated)

11. Income tax (expense)/ benefit

	Year ended 31 December 2015	Year ended 31 December 2014
Current tax expense		
Current tax (16%)	-	(16,627,992)
Dividend withholding tax	(1,826,041)	(5,306,263)
	(1,826,041)	(21,934,255)
Deferred tax related to:		
Equity investments	(151,138,411)	144,872,210
Fiscal loss	109,323,376	(342,189)
	(41,815,035)	144,530,021
Income tax (expense)/ benefit	(43,641,076)	122,595,766

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

	Year ended 31 December 2015	Year ended 31 December 2014
Reconciliation of effective tax rate		
Profit / (Loss) for the period	(565,116,301)	427,186,290
Income tax (expense)/ benefit	(43,641,076)	122,595,766
Profit /(Loss) before income tax	(521,475,225)	304,590,524
Income tax using the standard tax rate (16%)	83,436,036	(48,734,484)
Effect of:		
Taxation applied on dividend income	89,554,664	100,222,241
Gain on cancellation of treasury shares (taxable equity item)	(5,508,875)	(39,385,958)
Decrease of the nominal value of the treasury shares (taxable equity item)	(9,072,072)	(373,073)
Non-taxable income	76,762,267	157,420,659
Non-deductible expenses	(20,751,926)	(78,325,115)
Reversal of deferred tax previously recognised	(152,732,979)	-
Fiscal impact of the transition to IFRS	430,166,868	-
	(535,495,059)	-
Impact of non-recognition of deferred tax on fiscal loss		
Impact of non-recognition of deferred tax on change in fair value of equity investments	-	29,271,496
Sponsorship expenses	-	2,500,000
Income tax (expense)/ benefit	(43,641,076)	122,595,766

	Year ended 31 December 2015	Year ended 31 December 2014
Income tax recognised directly in equity:		
On equity investments carried at fair value	(110,863,914)	7,806,738

Please see note 16 for details regarding deferred tax computation and recognition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

12. Cash and current accounts

	31 December 2015	31 December 2014
Petty cash	381	538
Current accounts with banks	648,477	6,878,591
	648,858	6,879,129

The current accounts held with banks are not pledged as collateral for liabilities.

13. Deposits with banks

	31 December 2015	31 December 2014
Bank deposits with original maturities of more than three months and less than one year	-	25,000,000
Bank deposits with original maturities of less than three months	197,818,590	84,278,998
Interest accrued on bank deposits	6,962	145,932
	197,825,552	109,424,930

None of the deposits held with banks is pledged as collateral for liabilities.

14. Treasury bills and government bonds

In 2015 and 2014, the Fund acquired treasury bills with discount denominated in RON, issued by the Ministry of Public Finance of Romania. The treasury bills balance as at 31 December 2015 amounted RON 19,957,311 (31 December 2014: RON 162,839,401) and comprises treasury bills with original maturity of more than three months and less than one year, with an implicit interest rate (based on the yield to maturity for the respective issue) of 1.17% per year (31 December 2014: the interest rates ranging between 1.70% – 2.09% per year).

In 2015 and 2014, the Fund acquired government bonds with coupon, denominated in RON, issued by the Ministry of Public Finance of Romania. The government bonds as at 31 December 2015 amounted RON 59,004,410 (31 December 2014: RON 31,749,581), have original maturities of more than three months and less than one year and coupon rates ranging between 5.75% and 6.00% per year (31 December 2014: 6.00% per year).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

15. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance no. 209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure for granting compensations for the property abusively nationalised ("GEO 81/2007") came into force, in accordance with which:

- 32 new shareholdings were added to the Fund's portfolio as contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund's portfolio and transferred back to the Romanian state.

The valuation of the shares contributed by the Romanian state in December 2005 and June 2007 was performed in October 2007 by an independent valuer (Finevex S.R.L. Constanta), who followed the valuation methodology set forth by Law 247/2005. The value of the shareholdings, as determined by the valuer, represented the cost (initial value) of the equity investments.

The equity investments of the Fund are classified as financial assets at fair value through profit or loss (respectively Fund's associates and subsidiaries) or as financial assets available for sale (all the other equity investments) and are valued as follows:

- Either at fair value, determined by reference to published bid price quotations on the stock exchange where shares are traded (listed and liquid equity investments), or assessed by independent valuers, using valuation techniques in accordance with International Valuation Standards (unlisted equity investments);
- Or at values considered to be equivalent to fair values, being the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM (listed but illiquid and unlisted equity investments, for which fair values assessed by independent valuers were not available).

The movement in the carrying amounts of equity investments is presented below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2015	4,591,866,101	8,335,790,680	12,927,656,781
Subscriptions to share capital increase of portfolio companies	2,491,620	88,350	2,579,970
Disposals	(1,316,149)	(568,109,214)	(569,425,363)
Impairment losses	-	(90,504,867)	(90,504,867)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	774,415,013	774,415,013
Net loss from equity investments at fair value through profit or loss	(1,244,016,915)	-	(1,244,016,915)
31 December 2015	3,349,024,657	8,451,679,962	11,800,704,619
	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2014	5,127,828,720	9,184,400,405	14,312,229,125
Equity investments classified as investments in associates starting 2014	76,049,556	(76,049,556)	-
Shares contributions in kind by State	-	1,433,610	1,433,610
Disposals	(2,020,549)	(1,046,111,034)	(1,048,131,583)
Impairment losses	-	(344,087,673)	(344,087,673)
Return of share capital by portfolio companies	(3,748,753)	-	(3,748,753)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	616,204,928	616,204,928
Net loss from equity investments at fair value through profit or loss	(606,242,873)	-	(606,242,873)
31 December 2014	4,591,866,101	8,335,790,680	12,927,656,781

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

Subscriptions in share capital increases of portfolio companies

Following the share capital increase of GDF Suez Energy Romania SA, the Fund subscribed 8,835 new shares in the cash share capital increase performed by the company, at the nominal value of RON 10 per share (RON 88,350 in total). The capital increase became effective on 7 April 2015, when the registration with the Trade Register was completed.

In August 2015 the Fund contributed in cash with RON 991,620 to the share capital increase of Zirom SA, while in December 2015 the Fund contributed in cash with another RON 1,500,000 to the share capital increase of Zirom SA.

Disposals

In 2015, The Fund sold part of its holdings in Romgaz SA and Primcom SA and its entire holdings in SIFI CJ Agro SA, Forsev SA, Electroconstructia Elco Cluj SA and Petrotel Lukoil SA.

Impairment losses

In 2015, the Fund recorded impairment adjustments of RON 90,504,867 (2014: RON 344,087,673) 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.

The equity investments for which the Fund recorded impairment losses were the following:

Company	Year ended 31 December 2015	Year ended 31 December 2014
Complexul Energetic Oltenia SA	45,632,675	213,440,365
Nuclearelectrica SA	36,179,063	94,832,999
Alro SA	8,017,319	12,370,750
CN Administratia Porturilor Dunarii Fluviale SA	675,810	-
Conpet SA	-	10,649,104
BRD Groupe Societe Generale SA	-	6,346,864
Posta Romana SA	-	4,895,274
CN Administratia Porturilor Dunarii Maritime SA	-	1,344,716
Salubriserv SA	-	207,601
Total	90,504,867	344,087,673

The structure of the Fund's portfolio was the following:

	31 December 2015	31 December 2014
Equity investments at fair value through profit or loss		
OMV Petrom SA	3,120,007,974	4,389,528,460
Societatea Nationala a Sariei SA	177,419,000	142,882,000
Zirom SA	23,275,000	39,338,000
Primcom SA	14,280,358	12,345,176
Other	14,042,325	7,772,465
	3,349,024,657	4,591,866,101

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

Equity investments available for sale	31 December 2015	31 December 2014
Hidroelectrica SA	2,654,133,000	2,178,094,000
Enel Distributie Banat SA	624,000,000	640,491,000
Romgaz SA	613,168,512	1,362,879,066
E.ON Distributie Romania SA	510,400,000	441,456,000
CN Aeroporturi Bucuresti SA	497,841,000	332,286,000
Enel Distributie Muntenia SA	455,400,000	465,769,000
GDF Suez Energy Romania SA	446,100,000	461,321,000
Enel Distributie Dobrogea SA	401,200,000	396,895,000
BRD Groupe Societe Generale SA	307,188,218	222,140,240
Electrica Distributie Muntenia Nord SA	253,900,000	235,600,000
Electrica Distributie Transilvania Sud SA	222,300,000	206,500,000
Electrica Distributie Transilvania Nord SA	215,600,000	201,600,000
Banca Transilvania SA	211,608,784	143,234,554
Nuclearelectrica SA	175,961,806	212,140,869
Administratia Porturilor Maritime SA	175,109,000	132,594,000
Electrica Furnizare SA	149,600,000	126,368,000
E.ON Energie Romania SA	126,500,000	133,900,000
Alro SA	96,207,822	84,546,268
Enel Energie SA	76,600,000	74,377,000
Enel Energie Muntenia SA	64,000,000	65,144,000
Complexul Energetic Oltenia SA	62,840,000	108,474,000
Posta Romana SA	58,698,000	55,896,000
Other	53,323,820	54,084,683
	8,451,679,962	8,335,790,680
Total equity investments	11,800,704,619	12,927,656,781

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

Fair value hierarchy

The table below presents the 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

As at 31 December 2015:

	Level 1	Level 2	Level 3	Total
Equity investments	4,528,025,097	-	7,201,015,000	11,729,040,097
Treasury bills	19,957,311	-	-	19,957,311
Government bonds	59,004,410	-	-	59,004,410
	4,606,986,818	-	7,201,015,000	11,808,001,818

As at 31 December 2014:

	Level 1	Level 2	Level 3	Total
Equity investments	6,417,755,342	-	6,443,756,000	12,861,511,342
Treasury bills	162,839,401	-	-	162,839,401
Government bonds	31,749,581	-	-	31,749,581
	6,612,344,324	-	6,443,756,000	13,056,100,324

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 adjustments based on unobservable inputs, that financial instrument is classified in Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset. The assessment of what constitutes observable requires significant judgment 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 investments valuation was performed by independent valuers, based on financial information provided by the Fund, using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, under the supervision and review of the Fund's Management, who ensures that all underlying data used in the report is accurate, and appropriate inputs are used in the valuation.

As the valuation reports were prepared as at 30 September 2015 or 31 August 2015, in case of the holdings in Electrica Distributie Muntenia Nord SA, Electrica Distributie Transilvania Sud SA, Electrica Distributie Transilvania Nord SA and Electrica Furnizare SA (for 31 December 2014: as at 30 September 2014), based on financial information available for the companies under valuation as at the respective dates, the Fund's management has analysed, based on the available information, the period between the date of the valuation reports and the reporting date. There was no information known or available to the Fund's management which may have significant impact on the fair values of the equity investments as at the reporting date, as they are presented in these financial statements.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties to the extent that the Fund believes that a third party market participant would take into account these factors in pricing a transaction.

As a result of strong volatility in the capital market and severe restrictions in the credit markets both globally and in Romania, notwithstanding any potential economic stabilisation measures that may be put into place by the Romanian State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, future development of the market and demand for goods and services they produce. The economic uncertainties are expected to continue in the foreseeable future and, as a consequence, there is a possibility that assets of the Fund are not recovered at their carrying amount in the ordinary course of business. A corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of these financial statements.

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(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

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

As at 31 December 2015, the equity investments included equity investments valued at values used in the calculation of the net asset value of the Fund as at that date, calculated in accordance to the regulations issued by the FSA/CNVM, in amount of RON 71,664,522 (31 December 2014: RON 66,145,439).

As at 31 December 2015, unlisted equity investments with a carrying amount of RON 7,201,015,000 (31 December 2014: RON 6,443,756,000) were classified into Level 3 of the fair value hierarchy. Out of this, an amount of RON 3,619,032,941 represents the total net change in fair value recognised in equity (other comprehensive income) as at 31 December 2015 (31 December 2014: RON 2,836,777,204). The fair values for these equity investments were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards.

The following table sets out information about significant unobservable inputs used at 31 December 2015 and 31 December 2014 in measuring equity instruments categorised as Level 3 in the fair value hierarchy:

Financial assets	Fair value as at 31 December 2015	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	7,201,015,000			
Unlisted equity instruments	6,875,297,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.19 to 10.45 (6.75) Discount for lack of marketability: 15% or 20% (17%)	The higher EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	202,606,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 10.81% to 14.31% (13.98%) Discount for lack of marketability ranging from 12% to 16.7% (14.9%) Discount for lack of control ranging from 0% to 22.96% (20%) Long-term revenue growth rate: 1.5% (1.5%)	The lower the weighted average cost of capital, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. The lower discount for lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	62,840,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.93 (0.93) Discount for lack of marketability: 20% (20%)	The higher Revenue multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	58,698,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price Earnings value: 10.29 (10.29) Discount for lack of marketability: 24% (24%)	The higher Price /Earnings multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	1,574,000	Market approach - comparable companies (based on Price/ Book value multiple)	Price/ Book value: 0.48 (0.48) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

Financial assets	Fair value as at 31 December 2014	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	6,443,756,000			
Unlisted equity instruments	6,094,675,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 3.88 to 9.36 (6.66) Discount for lack of marketability: 15% or 20% (17%)	The higher EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	108,474,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 1 (1) Discount for lack of marketability: 20% (20%)	The higher Revenue multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	240,607,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 12.17% to 16.26% (15%) Discount for lack of marketability ranging from 0% to 15% (12%) Discount for lack of control ranging from 0% to 20% (17%) Long-term revenue growth rate ranging from 1.5% to 2.5% (1.6%)	The lower the weighted average cost of capital, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. The lower discount for lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.

Significant unobservable inputs are the following:

Revenue multiple: is a tool used to appraise businesses based on market comparison to similar public companies. Revenue based business value estimation may be preferred to earnings multiple valuation whenever there is uncertainty or doubt regarding some of the company's expenses. The most common tendency is to value a firm based on its sales whenever this number is the most direct indication of the company's earning capacity.

EBITDA multiple: represents the most relevant multiple used when pricing the investments and it is calculated using information from comparable public companies (similar geographic location, industry size, target markets and other factors that valuers consider to be reasonable). The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount for lack of marketability: represents the discount applied to the comparable market multiples to reflect the liquidity differences between a portfolio company relative to the comparable peer group. Valuers estimate the discount for lack of marketability based on professional judgement after considering market liquidity conditions and company-specific factors.

Discount for lack of control: represents the discount applied to reflect the absence of the control power and it was considered under the discounted cash flow method, in order to derive the value of a minority shareholding in the equity of the subject companies.

Weighted average cost of capital: represents the calculation of a company's cost of capital in nominal terms (including inflation), based on the "Capital Asset Pricing Model". All capital sources – shares, bonds and any other long-term debts - are included in a weighted average cost of capital calculation.

Price / Earnings multiple: the P/E ratio is a market prospect ratio that calculates the market value of an investment relative to its earnings by comparing the market price per share by the earnings per share. It shows what the market is willing to pay for an investment based on its current earnings. Investors often use this ratio to evaluate what an investment's fair market value should be by predicting future earnings per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

Price /book value multiple: often expressed simply as "price-to-book", measures a company's market price in relation to its book value (net assets). It reflects how many times the book value per share investors are ready to pay for a share. The Price/book ratio varies dramatically between industries. A company that requires more assets (e.g. a manufacturing company with factory space and machinery) will generally post a drastically lower price to book than a company whose earnings come from the provision of a service (e.g. a consulting firm).

16. Deferred tax assets

	31 December 2015	31 December 2014
Temporary differences on equity investments	(683,271,099)	954,243,433
Fiscal loss carried forward	683,271,099	-
Recognised deferred tax asset (16%)	-	152,678,949

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

The movement in the deferred tax position is presented in the below tables:

	Balance at 1 January 2015	Recognised in profit or loss	Recognised in equity (other comprehensive income)	Balance at 31 December 2015
31 December 2015				
Equity investments	152,678,949	(151,138,411)	(110,863,914)	(109,323,376)
Fiscal loss carried forward	-	109,323,376	-	109,323,376
	152,678,949	(41,815,035)	(110,863,914)	-

	Balance at 1 January 2014	Recognised in profit or loss	Recognised in equity (other comprehensive income)	Balance at 31 December 2014
31 December 2014				
Equity investments	-	144,872,211	7,806,738	152,678,949
Fiscal loss carried forward	342,189	(342,189)	-	-
	342,189	144,530,022	7,806,738	152,678,949

The recognition of deferred tax assets as at 31 December 2014 in amount of RON 152,678,949 has been made based on the Fund's assessment regarding the recoverability of such deferred tax asset position out of future taxable profit of the Fund, in accordance with the Romanian fiscal legislation applicable at that date.

As at 31 December 2014, in the context of applying IFRS as statutory accounting regulation starting 1 January 2015, the Fund recognised only the net deferred tax asset generated by the equity investments at fair value through profit or loss, considering that the negative changes in the fair value of these equity investments (tax deductible expenses) are due to temporary market conditions and are expected to be reversible in the foreseeable future, and, consequently, will be offset by future positive changes in fair value (taxable income). The deferred tax asset recognised by the Fund as at 31 December 2014 was reversed in 2015 due to the change of the Romanian fiscal legislation provisions regarding the tax treatment of the unrealised changes in fair value recognised through profit or loss for holdings over 10% of the share capital of the issuer, held for an uninterrupted period of at least 1 year, which, starting 1 January 2016, are no longer considered taxable income/ deductible expenses, so would no longer generate deferred tax.

As at 31 December 2015, the net deferred tax position is nil due to the fact that the Fund recognised a deferred tax asset for the unused tax losses carried forward, only to the level of the deferred tax liability arising from the taxable temporary differences (recognised either in profit or loss or other comprehensive income, depending on the nature of the corresponding item).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

16. Deferred tax assets (continued)

The deferred tax assets not recognised as at 31 December 2015 and 31 December 2014 are presented in the table below:

	31 December 2015	31 December 2014
Deductible temporary differences on equity investments	(683,271,099)	2,689,939,004
Fiscal loss carried forward	4,030,115,216	-
Total	3,346,844,117	2,689,939,004
Total deferred tax asset (16%)	535,495,059	430,390,241
Out of which:		
Total net recognised deferred tax	-	152,678,949
Not recognised deferred tax asset	535,495,059	277,711,292

The Fund can carry forward the 2015 unused fiscal loss for a maximum period of seven years starting with 1 January 2016, after which the fiscal loss expires and can no longer be used to reduce tax liability.

17. Other liabilities

	31 December 2015	31 December 2014
Investment management and administration fees	13,878,424	16,064,203
Payable to shareholders related to the return of capital	22,972,691	11,434,904
Provision for litigations	11,567,805	11,397,683
Prior years dividends payable	1,349,398	5,455,306
Payables related to treasury shares under settlement	848,468	3,468,114
Financial Supervisory Authority fees	905,581	1,164,865
Other liabilities	3,103,457	3,809,011
	54,625,824	52,794,086

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

18. Shareholders' equity

(a) Share capital

As at 31 December 2015, the subscribed share capital was RON 10,074,080,745.90 (31 December 2014: RON 11,815,279,886.85) representing 11,193,423,051 shares (31 December 2014: 12,437,136,723 shares) with a nominal value of RON 0.90 per share (31 December 2014: RON 0.95 per share), out of which 363,812,350 shares were unpaid (31 December 2014: 363,812,350 unpaid shares).

The following changes in share capital were recorded during 2015:

- In January 2015, the paid in share capital of the Fund decreased by RON 240,215,153.20 following the cancellation of 252,858,056 treasury shares acquired by the Fund in the third buy-back programme carried on in 2014.
- In May 2015, the paid in share capital of the Fund decreased by RON 591,023,315.85 following the reduction of the nominal value of the shares from RON 0.95 to RON 0.90 per share.
- In August 2015, the paid in share capital of the Fund decreased by RON 891,770,054.40 following the cancellation of 990,855,616 treasury shares acquired by the Fund in the fourth buy-back programme carried on in 2014 and 2015.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

18. Shareholders' equity (continued)

(a) Share capital (continued)

Following all these changes, the paid in capital of the Fund decreased from RON 11,469,658,154.35 as at 31 December 2014 to RON 9,746,649,630.90 as at 31 December 2015 (divided in 10,829,610,701 shares with a nominal value of RON 0.90 per share) and the subscribed share capital of the Fund decreased from RON 11,815,279,886.85 as at 31 December 2014 to RON 10,074,080,745.90 as at 31 December 2015 (divided in 11,193,423,051 shares with a nominal value of RON 0.90 per share).

Unpaid share capital as at 31 December 2015, in amount of RON 327,431,115 (31 December 2014: RON 345,621,733), represents the net value of certain contributions due to the Fund by the Romanian State represented by the Ministry of Public Finance as shareholder, that were recorded in previous years as paid in share capital (based on Law 247/2005) and subsequently were considered unpaid following the results of several litigations that took place in the past. Holders of unpaid shares are not entitled to vote or to receive dividends, until the matters are legally clarified.

The Fund recorded an impairment adjustment for the entire receivable related to the unpaid share capital from Ministry of Public Finance.

As at 31 December 2015, the Romanian State's share in the Fund's subscribed share capital was 3.29% (31 December 2014: 2.96%) and the share in the Fund's paid in share capital was of 0.04% (31 December 2014: 0.04%).

The movements in share capital components are presented below:

	Share capital paid in	Share capital unpaid	Total share capital
31 December 2013	13,413,137,586	365,254,622	13,778,392,208
Shares contributions in kind by State	1,433,610	(1,433,610)	-
Decrease of the nominal value of the shares	(658,705,091)	(18,199,279)	(676,904,370)
Cancellation of treasury shares	(1,286,207,951)	-	(1,286,207,951)
31 December 2014	11,469,658,154	345,621,733	11,815,279,887
Decrease of the nominal value of the shares	(591,023,315)	(18,190,618)	(609,213,933)
Cancellation of treasury shares	(1,131,985,208)	-	(1,131,985,208)
31 December 2015	9,746,649,631	327,431,115	10,074,080,746

(b) Fair value reserve on available for sale financial assets

The fair value reserve of RON 4,232,810,400 as at 31 December 2015 (31 December 2014: RON 4,020,355,472) comprised of the cumulative net change in the fair value of available for sale financial assets recognised in other comprehensive income until the investments are derecognised or impaired, net of the related deferred tax recognised through equity.

(c) Other reserves

	31 December 2015	31 December 2014
Legal reserve	243,735,507	243,735,507
Other reserves	283,662,379	366,461,792
	527,397,886	610,197,299

As required by the Romanian law, a minimum 5% of the statutory profit for the year must be transferred to the legal reserve until the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

18. Shareholders' equity (continued)

(c) Other reserves (continued)

Given the fact that according to the statutory financial statements prepared in accordance with the IFRS, the Fund recorded an accounting loss for the year ended 31 December 2015, in 2015 there was no allocation to legal reserve. In 2014, RON 51,476,313 representing 5% of the 2014 statutory gross profit of RON 1,029,526,257 (in accordance with Romanian accounting regulations) was transferred to legal reserve.

Other reserves comprise the part of 2006 and 2007 profit allocated to other reserves, in amount of RON 120,299,557 (31 December 2014: RON 120,299,557) and the reserves related to the gain on cancellation of treasury shares acquired at an acquisition value lower than the nominal value, in amount of RON 163,362,822 (31 December 2014: RON 246,162,235).

(d) Treasury shares

The third buy-back programme

At the General Shareholders Meeting ("GSM") in November 2013, the shareholders approved the 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 of Romania, within the price range of RON 0.2 per share to RON 1.5 per share, to be cancelled upon completion of the buy-back programme. The execution of the third buy-back programme started on 25 March 2014 and until 23 July 2014, all 252,858,056 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 205,784,683. The cancellation of the shares acquired within this buy-back programme was effective on 27 January 2015.

The fourth buy-back programme

In the 28 April 2014 GSM, the shareholders approved the fourth buy-back programme, for a maximum number of (i) 990,855,616 shares or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser, starting with the date when the third buy-back programme is completed.

The programme could be executed within 18 months of the date when the shareholders' resolution was published in the Official Gazette of Romania within the price range of RON 0.2 per share to RON 2 per share, to be cancelled upon completion of the buy-back programme. The execution of the fourth buy-back programme started on 1 October 2014 and until 2 February 2015, all 990,855,616 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 1,060,874,423. The cancellation of the shares acquired within this buy-back programme was effective on 12 August 2015.

The fifth buy-back programme

On 19 November 2014 the Fund's shareholders approved the fifth buy-back programme that refers to the acquisition of a maximum number of (i) 227,572,250 shares or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser, until August 2016. The buy-back could be performed within the price range of RON 0.2 per share to RON 2 per share, to be cancelled upon completion of the buy-back programme. The execution of the fifth buy-back programme started on 10 February 2015 and until 29 July 2015, all 227,572,250 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 193,699,522. During the GSM held on 29 October 2015, the Fund's shareholders approved the decrease of the share capital through the cancellation of the shares repurchased by the Fund within the fifth buy-back programme. As at 31 December 2015, the share capital decrease process was ongoing.

The sixth buy-back programme

During the 27 April 2015 GSM, the shareholders approved a new buy-back programme for a maximum number of (i) 891,770,055 shares or the equivalent number of global depositary receipts corresponding to the shares of Fondul Proprietatea or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser, until 15 November 2016. The buy-back shall be performed at a price that is neither lower than RON 0.2 per share nor higher than RON 2 per share. The buy-back transactions can only be applied for fully paid shares. The shares repurchased will be cancelled. The implementation of this buy-back programme is subject to the availability of the necessary cash. The execution of the six buy-back programme started on 9 September 2015 and until 31

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

18. Shareholders' equity (continued)

(d) Treasury shares (continued)

December 2015, the total number of shares repurchased was 149,649,624 (111,074,924 ordinary shares and 38,574,700 equivalent shares of the GDRs repurchased, where 1 GDR represents 50 ordinary shares), at a total acquisition value, including transaction costs, of RON 121,497,490.

For further updates regarding the sixth buy-back programme, please see note 21 Subsequent events.

The seventh buy-back programme

On 29 October 2015 the Fund's shareholders approved the seventh buy-back programme that refers to the acquisition of a maximum number of shares computed so that all the outstanding treasury shares (acquired during this programme and/or previous ones) will not exceed 10% of the issued share capital at the relevant time, starting with the date when the share capital decrease regarding the cancellation of the shares repurchased within the fifth buy-back programme is effective, for a maximum period of 18 months as of the date when this shareholders' resolution is published in the Official Gazette of Romania. The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The transaction can only have as object fully paid shares, global depositary receipts or depositary interests corresponding to the shares of the Fund. The buy-back programme is aimed at the share capital decrease. This buy-back programme implementation will be subject to the availability of the necessary cash.

(e) Return of capital to shareholders

At the 21 January 2015 GSM, the Fund's shareholders approved the return to shareholders of RON 0.05 per share, following the share capital decrease through the reduction of the nominal value of Fund's share from RON 0.95 to RON 0.90. The shareholders resolution was published in the Official Gazette of Romania on 4 February 2015 and the endorsement by the FSA of the new Constitutive Act reflecting the share capital decrease was received on 21 May 2015.

The shareholders registered in the shareholders' registry with the Central Depositary on 24 June 2015 have the right to receive RON 0.05 per share, proportionally with their participation to the paid in share capital of the Fund. The payment started on 29 June 2015 and by 31 December 2015, shareholders had collected over 96% of the total distribution of RON 534,322,868.

(f) Dividends

According to the provisions of Norm no. 39 /2015, IFRS became the official accounting regulations for the entities authorised, regulated and supervised by the FSA – Financial Investments and Instruments Sector, including Fondul Proprietatea, starting with the annual financial statements for the year ended 31 December 2015.

Under IFRS, Fondul Proprietatea incurred an accounting loss of RON 565,116,301 in 2015. The main factor behind the accounting loss in 2015 was the unrealised negative net change in fair value related to equity investments classified at fair value through profit or loss, principally related to OMV Petrom SA, as a result of the negative evolution of the share price of this company in 2015. The current and retained accounting losses are expected to be covered from the accounting profits of future financial years.

Although due to this situation there will be no distributable profits according to the Fund's 2015 statutory annual financial statements (prepared under IFRS), the Fund Manager remains committed to ensuring annual cash distributions to the Fund's shareholders.

The Fund Manager has already recommended 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, submitted to shareholders' approval in the 27 January 2016 GSM. Based on our current understanding of Romanian tax law, no Romanian tax will arise for the Fund or its shareholders on this distribution. For further updates regarding shareholders' approval of the cash distribution, please see note 21 Subsequent events.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

18. Shareholders' equity (continued)

(f) Dividends (continued)

As at 31 December 2014, because the Fund's shareholders' equity as per statutory financial statements of RON 9,339,030,996 (for that period the statutory financial statements being prepared in accordance with Romanian accounting regulations, respectively CNVM Regulation 4/2011, as subsequently amended) was lower than the share capital of the Fund of RON 11,815,279,887, dividend distributions could not be made to shareholders, according to the requirements of article 69 in Law 31/1990 related to profit distribution.

For this reason, the Fund Manager recommended and the shareholders approved in the 21 January 2015 GSM, 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. For further details, please see note 18 (e) above.

19. Contingencies

1. Litigations

As at 31 December 2015 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 has disclosed in these financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

- One former minority shareholder of the Fund has filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders Meetings. 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 FTIML as the administrator of the Fund.

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

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new changes and versions of the Constitutive Act were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, the 3 February 2014 GSM, the 28 April 2014 GSM, the 23 September 2014 GSM, the 19 November 2014 GSM, the 21 January 2015 GSM, the 27 April 2015 GSM and the 29 October 2015 GSM;
- new resolutions passed during the 25 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, the 3 February 2014 GSM, the 28 April 2014 GSM, the 23 September 2014 GSM, the 19 November 2014 GSM, the 21 January 2015 GSM, the 27 April 2015 GSM and the 29 October 2015 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);
- FTIML was appointed for a new 2-year mandate as Sole Director and Fund Manager of Fondul Proprietatea starting with 30 September 2014.

As at 31 December 2015 the litigant is no longer a shareholder of Fondul Proprietatea.

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 with the Investment Management Agreement in force.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

19. Contingencies (continued)

1. Litigations (continued)

In June 2014, in another case started by the Fund against the shareholder mentioned above, the court confirmed the shareholder's circumstantiated abuse of procedural rights against the Fund. Also, there are several court decisions confirming the fact that this shareholder did not prove a legitimate interest to promote certain annulment actions, and in one of these cases the decision is final – the Bucharest Court of Appeal issued the final decision in November 2014. In other files in December 2014 and February 2015 the Bucharest Court of Appeal issued irrevocable decisions maintaining as legal and valid the shareholders' resolutions approved by shareholders in November 2012, April and November 2013, which were challenged initially in these files.

The outcome of the ongoing cases cannot be determined with certainty at this stage; however, the Fund Manager intends to defend the interests of the Fund and its shareholders in all these cases in accordance with the applicable laws.

2. Other contingencies

Other contingencies of the Fund included the receivables from World Trade Center București SA as follows:

Title II, Article 4 of Government Emergency Ordinance no. 81/2007 stipulates the transfer from the Authority for State Assets Recovery to the Fund of receivables from World Trade Center București SA amounting to USD 68,814,198 (including the original principal and related interest and penalties) on 29 June 2007.

Until 31 December 2015, the Fund recovered from World Trade Center București 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 București SA, the above amounts were recognised on receipt basis in the Fund's financial statements.

In August 2013, World Trade Center București 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 26 February 2016, the Ministry of Public Finance being also a party in this case.

Currently, World Trade Center București SA is the object of insolvency procedure, but the Fund is not a creditor in this file, while the Ministry of Public Finance is a creditor in accordance with article IV of Law no. 10/2015 *"Beginning with the date when this law is in force the receivable mentioned at article 4 of Title II from Emergency Ordinance of the Government no. 81/2007 [...] will be transferred from Fondul Proprietatea to Ministry of Public Finance together with additional interests"*.

20. Related parties

(a) Key management

Remunerations

	Year ended 31 December 2015	Year ended 31 December 2014
Members of the Board of Nominees	950,000	900,000

There were no loans to or other transactions between the Fund and the members of the Board of Nominees during 2015 and 2014.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

20. Related parties (continued)

(a) Key management (continued)

Transactions	Year ended 31 December 2015	Year ended 31 December 2014
Investment management and administration fees	68,323,328	56,479,028
Rental expense	67,395	86,289
Operating cost	24,837	22,951
	68,415,560	56,588,268

During 2015, the Fund recorded also an amount of RON 3,186,689 representing expenses incurred by the Fund Manager on its behalf (2014: RON 2,986,573). These expenses were primarily related to promotional activities for the Fund (investor relations) and valuation of unlisted holdings. 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 2015, the Fund owed an amount of RON 15,050,105 to the Fund Manager (31 December 2014: RON 17,189,421).

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 2015	31 December 2014
Ownership interest		
Alcom SA	72%	72%
Comsig SA	70%	70%
Primcom SA	68%	69%
Zirom SA	100%	100%

On 13 February 2015, Primcom SA finalised the registration with the Romanian Central Depository of its share capital decrease by RON 19,237 through the cancellation of 192,372 shares according with the resolution of the General Shareholders Meeting held on 17 July 2014. The number of shares owned by Fondul Proprietatea in Primcom SA, respectively 1,427,188 shares did not change, but the holding percentage increased from 69% to 76%. In December 2015 the Fund sold 152,156 shares in Primcom SA, at the price of RON 30 per share, within the buy-back programme carried by this company. Following this transaction Fund's holding percentage decreased from 76% to 68%.

In August and December 2015, the Fund participated in the cash share capital increases of Zirom SA subscribing 99,162 and 150,000 new shares respectively, at the nominal value of RON 10 per share (in total of RON 991,620 and RON 1,500,000 respectively).

During 2014, the Fund carried out the following transactions with its subsidiaries: (1) in January 2014, Primcom SA performed a capital return to its shareholders following the decrease of its share capital by reducing the nominal value of the shares from RON 2.5 to RON 0.1 and (2) in June 2014, the Fund sold part of its holding in Primcom SA in a buy-back programme carried out by this company.

The fair value of investments in subsidiaries is presented in the table below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

20. Related parties (continued)

(b) Subsidiaries (continued)

	31 December 2015	31 December 2014
Zirom SA	23,275,000	39,338,000
Primcom SA	14,280,358	12,345,176
Alcom SA	10,409,423	4,399,976
Comsig SA	1,720,902	1,538,490
	49,685,683	57,621,642

As at 31 December 2015, the Fund has no commitment or intention to provide financial or other support to its subsidiaries, including commitments or intentions to assist the subsidiaries in obtaining financial support. Also, no significant financial or other support was provided by the Fund during the reporting periods.

As at 31 December 2015 and 31 December 2014, there is no restriction on the ability of any of the subsidiaries to transfer funds to Fondul Proprietatea in any form of distributions.

During 2015, the Fund recorded and received a dividend of RON 104,524 from Alcom SA (2014: nil).

(c) Associates

As at 31 December 2015 and 31 December 2014, the Fund had three associates, all of them incorporated in Romania:

	31 December 2015	31 December 2014
Ownership interest		
OMV Petrom SA	19%	19%
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

During 2015, the Fund recorded and collected from OMV Petrom SA a dividend of RON 120,496,860 (2014: RON 331,366,364) and from Societatea Nationala a Sarii SA a dividend of RON 10,234,109 (2014: RON 19,808,540).

21. Subsequent events

Decisions of the 27 January 2016 GSM

On 10 December 2015 the Fund Manager announced the calling of a new Extraordinary General Meeting of Shareholders ("EGM") for 27 January 2016.

The main decisions of the shareholders during 27 January 2016 GSM were the following:

- The approval of the decrease of the subscribed share capital of the Fund from RON 9,869,265,720.90 to RON 9,320,973,180.85 through the reduction of the nominal value of the shares of the Fund from RON 0.90 to RON 0.85 and the approval of the payment to the shareholders registered as such with the Central Depository on 6 June 2016 of RON 0.05 per share, proportionally with their participation in the paid-in share capital of the Fund. The start payment date approved by shareholders was 27 June 2016;
- The ratification and the approval of all resolutions of the EGM and of all legal acts (including resolutions, decisions, notices for convening all EGM and contracts) concluded, adopted and issued in the name of Fondul Proprietatea SA through FTIML, between 6 September 2010 and 26 January 2016 and the approval and ratification of any implementation acts, facts and operations based on such, including the management of the Fund under an unitary system, as well as the approval of all the changes to the Constitutive Act approved by all the EGM between 6 September 2010 and 26 January 2016, as endorsed by FSA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in RON unless otherwise stated)

21. Subsequent events (continued)

Updates on the sixth buy-back programme

The execution of the sixth buy-back programme started on 9 September 2015 and until 31 December 2015, the total number of shares repurchased was 149,649,624 (111,074,924 ordinary shares and 38,574,700 equivalent shares of the GDRs repurchased), at a total acquisition value, including transaction costs, of RON 121,497,490.

On 14 January 2016 the Fund filed with the FSA an application for a buy-back tender offer, to accelerate the sixth buy-back programme, by acquiring 430 million shares or the equivalent number of GDRs corresponding to the shares of the Fund, from the Fund's shareholders. However this was withdrawn on 25 January due to material market volatility, which significantly impacted stock market prices and the value of portfolio holdings. In order to ensure that the Tender Offer is priced appropriately relative to the market price, to maximise value for the Fund's shareholders, the Fund Manager will continue to monitor market developments closely and is prepared to restart the process when market conditions are more supportive. On 28 January the Fund resumed the daily buy-backs of shares, as repurchasing shares at the current market price should have a more positive impact on the Fund's NAV per share and enhance shareholder value.

The Fund Manager considers that in the current market environment, it is important to stay prudent in cash management and limit the leverage of the Fund.

Limit of the Global Depositary Receipts facility

On 22 January 2016 The Bank of New York Mellon, the depositary bank of the GDRs, has notified that total GDR holdings have reached the limit for GDR issuance, of one third of the Fund's issued share capital, as provided by the regulations in force. As a result, until further notice from The Bank of New York Mellon with respect to the GDR facility, no new GDRs may be issued.

Changes of the Investment Management Agreement – Addendum 4

The FSA issued Endorsement no. 1/ 7 January 2016 whereby it endorsed with comments the Addendum no. 4/ 2 November 2015 to the Investment Management Agreement concluded between the Fund and the Fund Manager on 29 April 2014, proposing a different wording related to the calculation of the distribution fee between 1 November 2015 and 31 March 2016, which will be added on the agenda of the next GSM.

The distribution fee rate applicable is 100 basis points for the period between 1 November 2015 and 6 January 2016 and 200 basis points for the period between 7 January 2016 and 31 March 2016.

Annex 2 Statement of Assets and Obligations of Fondul Proprietatea SA as at 31 December 2015, prepared in accordance with CNVM Regulation 4/2010

(Annex no. 4)

Item	31 December 2014				31 December 2015				Differences
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
I. Total assets	100.4265%	100.0000%		13,293,182,958.63	100.4517%	100.0000%		12,148,082,016.47	(1,145,100,942.16)
1 Securities and money market instruments, out of which:*	49.3065%	49.0972%		6,526,570,470.26	38.6935%	38.5198%		4,679,379,747.81	(1,847,190,722.45)
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	49.3065%	49.0972%	-	6,526,570,470.26	38.6935%	38.5198%	-	4,679,379,747.81	(1,847,190,722.45)
1.1.1 listed shares traded in the last 30 trading days	49.0112%	48.8033%	-	6,487,488,092.22	38.1175%	37.9464%	-	4,609,725,698.56	(1,877,762,393.66)
1.1.2 listed shares not traded in the last 30 trading days	0.0554%	0.0551%	-	7,332,797.35	0.0881%	0.0877%	-	10,649,639.24	3,316,841.89
1.1.3 government bonds	0.2399%	0.2388%	-	31,749,580.69	0.4879%	0.4857%	-	59,004,410.01	27,254,829.32
1.1.4 allotment rights not admitted at trading on a regulated market	-	-	-	-	-	-	-	-	-
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-	-	-	-	-	-	-	-
1.2.1 listed shares traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.2.2 listed shares not traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.3. securities and money market instruments admitted on a stock exchange from a non-member state or negotiated on another regulated market from a non-member state, that operates on a regular basis and is recognised and opened to the public, approved by the FSA	-	-	-	-	-	-	-	-	-
2 New issued securities	-	-	-	-	-	-	-	-	-
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	48.9398%	48.7321%	-	6,478,030,691.25	59.7075%	59.4391%	-	7,220,693,259.75	742,662,568.50
- shares not admitted at trading on a regulated market	48.9398%	48.7321%	-	6,478,030,691.25	59.7075%	59.4391%	-	7,220,693,259.75	742,662,568.50
4 Bank deposits, out of which:	0.8267%	0.8232%	-	109,424,929.82	1.6358%	1.6286%	-	197,825,552.00	88,400,622.18
4.1. bank deposits made with credit institutions from Romania	0.8267%	0.8232%	-	109,424,929.82	1.6358%	1.6286%	-	197,825,552.00	88,400,622.18
- in RON	0.8267%	0.8232%	-	109,424,929.82	1.6358%	1.6286%	-	197,825,552.00	88,400,622.18
- in EUR	-	-	-	-	-	-	-	-	-
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:	0.0520%	0.0517%	-	6,879,128.79	0.0053%	0.0053%	-	648,858.28	(6,230,270.51)
- in RON	0.0520%	0.0517%	-	6,877,087.90	0.0053%	0.0053%	-	644,341.11	(6,232,746.79)
- in EUR	0.0000%	0.0000%	EUR 295.30	1,323.57	0.0000%	0.0000%	EUR 550.27	2,489.70	1,166.13
- in USD	0.0000%	0.0000%	USD 103.36	381.07	0.0000%	0.0000%	USD 249.87	1,036.39	655.32
- in GBP	0.0000%	0.0000%	GBP 58.55	336.25	0.0000%	0.0000%	GBP 161.24	991.08	654.83
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:	1.2302%	1.2250%	-	162,839,401.16	0.1650%	0.1643%	-	19,957,310.85	(142,882,090.31)
- Treasury bills with discount, with original maturities of less than 1 year	1.2302%	1.2250%	-	162,839,401.16	0.1650%	0.1643%	-	19,957,310.85	(142,882,090.31)
8 Participation titles of OCII and/or of UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.0713%	0.0708%	-	9,438,337.35	0.2446%	0.2429%	-	29,577,287.78	20,138,950.43
- receivable representing the amount transferred to Central Depository for 2015 return of capital and not yet paid to / collected by shareholders until the end of the period	-	-	-	-	0.1588%	0.1580%	-	19,207,349.00	19,207,349.00
- dividend withholding tax to be recovered from Austrian Tax Authorities	0.0078%	0.0078%	EUR 231,495.58	1,037,586.34	0.0087%	0.0086%	EUR 231,495.58	1,047,401.75	9,815.41
- tax on dividends to be recovered from the State Budget	0.0011%	0.0011%	-	149,764.00	0.0056%	0.0056%	-	681,562.00	531,798.00
- tax on profit to be recovered from the State Budget	0.0554%	0.0551%	-	7,330,440.00	0.0606%	0.0602%	-	7,330,440.00	-
- intangible assets	0.0063%	0.0063%	-	837,387.74	0.0066%	0.0065%	-	796,412.31	(40,975.43)
- other receivables, out of which:	0.0003%	0.0002%	-	38,531.79	0.0038%	0.0037%	-	452,263.51	413,731.72
- in RON	0.0003%	0.0002%	-	38,531.79	0.0038%	0.0037%	-	452,263.51	413,731.72
- prepaid expenses	0.0004%	0.0003%	-	44,627.48	0.0005%	0.0003%	-	61,859.21	17,231.73
II. Total liabilities	0.4265%	0.4249%		56,482,344.50	0.4517%	0.4497%		54,625,823.74	(1,856,520.76)
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1213%	0.1208%	-	16,064,203.32	0.1148%	0.1142%	-	13,878,424.02	(2,185,779.30)
2 Liabilities related to the fees payable to the depository bank	0.0015%	0.0015%	-	201,047.17	0.0007%	0.0007%	-	84,979.19	(116,067.98)
3 Liabilities related to the fees payable to intermediaries	0.0000%	0.0000%	-	-	0.0037%	0.0037%	-	446,715.00	446,715.00
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
5 Interest payable	-	-	-	-	-	-	-	-	-
6 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-
7 Liabilities in relation with the fees/commissions to FSA	0.0088%	0.0088%	-	1,164,864.63	0.0075%	0.0075%	-	905,580.70	(259,283.93)
8 Liabilities related to audit fees	-	-	-	-	-	-	-	-	-
9 Other liabilities, out of which:	0.2949%	0.2938%	-	39,052,229.38	0.3250%	0.3236%	-	39,310,124.83	257,895.45
- liabilities related to the return of capital	0.0863%	0.0860%	-	11,434,903.60	0.1900%	0.1891%	-	22,972,690.65	11,537,787.05
- dividends payable	0.0412%	0.0410%	-	5,455,306.19	0.0111%	0.0111%	-	1,349,397.52	(4,105,908.67)
- provisions	0.1139%	0.1135%	-	15,085,941.78	0.0956%	0.0952%	-	11,567,804.85	(3,518,136.93)
- liabilities related to buybacks under settlement	0.0262%	0.0261%	-	3,468,113.79	0.0070%	0.0070%	-	848,468.13	(2,619,645.66)

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Item	31 December 2014				31 December 2015				Differences
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
- remunerations and related contributions	0.0002%	0.0002%	-	25,420.00	0.0003%	0.0003%	-	32,689.00	7,269.00
- VAT payable to State Budget	0.0038%	0.0038%	-	499,696.28	0.0011%	0.0011%	-	132,207.55	(367,488.73)
- other liabilities, out of which:	0.0233%	0.0232%	-	3,082,847.74	0.0199%	0.0198%	-	2,406,867.13	(675,980.61)
- in RON	0.0222%	0.0221%	-	2,938,636.95	0.0195%	0.0194%	-	2,354,839.90	(583,797.05)
- in EUR	0.0004%	0.0004%	EUR 11,499.00	51,539.67	0.0004%	0.0004%	EUR 11,499.00	52,027.23	487.56
- in GBP	0.0007%	0.0007%	GBP 16,136.36	92,671.12	-	-	-	-	(92,671.12)
III. Net Asset Value (I - II)	100.0000%	99.5751%		13,236,700,614.13	100.0000%	99.5503%		12,093,456,192.73	(1,143,244,421.40)

* = Includes also the value of holdings in companies admitted to trading on Rasdaq market and AeRo market (alternative trading system)

Note: the difference in amount of RON 5,610,064.40 between the total Net Asset Value as at 31 December 2015 of RON 12,093,456,192.73 presented in this report prepared based on IFRS records for non-portfolio items, and the total Net Asset Value as at 31 December 2015 of RON 12,087,846,128.33 reported in Annex 5 (according to CNVM Regulation no 4/2010, as subsequently amended) prepared based on Romanian Accounting Regulations (CNVM Regulation no 4/2011) records for non-portfolio items, represents the value of a provision for taxes on bonus shares (included in Total Liabilities) recorded according to Romanian Accounting Regulations, but not recognised under IFRS.

Unitary Net Asset Value

Item	31 December 2015	31 December 2014	Differences
Net Asset Value	12,093,456,192.73	13,236,700,614.13	(1,143,244,421.40)
Number of outstanding shares	10,452,388,827	10,915,975,273	(463,586,446)
Unitary net asset value	1.1570	1.2125	(0.0555)

Detailed statement of investments as at 31 December 2015

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

1.1 listed shares traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alro Slatina SA	ALR	30/Dec/2015	72,884,714	0.5	1.3200	96,207,822.48	10.21%	0.7920%	0.7955%	Closing price
Banca Transilvania SA	TLV	30/Dec/2015	87,081,804	1	2.4300	211,608,783.72	2.87%	1.7419%	1.7498%	Closing price
BRD-Groupe Societe Generale SA	BRD	30/Dec/2015	25,387,456	1	12.1000	307,188,217.60	3.64%	2.5287%	2.5401%	Closing price
Conpet SA	COTE	30/Dec/2015	524,366	3.3	77.0000	40,376,182.00	6.05%	0.3324%	0.3339%	Closing price
IOR SA	IORB	29/Dec/2015	2,622,273	0.1	0.3600	944,018.28	2.81%	0.0078%	0.0078%	Reference price - Average price
Oil Terminal SA	OIL	30/Dec/2015	36,796,026	0.1	0.1055	3,881,980.74	6.31%	0.0320%	0.0321%	Closing price
OMV Petrom SA	SNP	30/Dec/2015	10,758,648,186	0.1	0.2900	3,120,007,973.94	18.99%	25.6831%	25.7991%	Closing price
Palace SA	PACY	30/Dec/2015	5,832,482	0.1	0.1120	653,237.98	15.42%	0.0054%	0.0054%	Reference price - Average price
Primcom SA	PRIB	30/Dec/2015	1,275,032	0.1	11.2000	14,280,358.40	67.93%	0.1176%	0.1181%	Reference price - Average price
Romaero SA	RORX	18/Dec/2015	1,311,691	2.5	19.4000	25,446,805.40	20.99%	0.2095%	0.2104%	Reference price - Average price
Romgaz SA	SNG	30/Dec/2015	22,542,960	1	27.2000	613,168,512.00	5.84%	5.0475%	5.0703%	Closing price
Nuclearelectrica SA	SNN	30/Dec/2015	27,408,381	10	6.4200	175,961,806.02	9.09%	1.4485%	1.4550%	Closing price
Total						4,609,725,698.56		37.9464%	38.1175%	

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	27/Jul/2015	89,249	2.5	116.6335	10,409,423.24	71.89%	0.0857%	0.0861%	Fair value / share (Shareholders' equity as of 31 December 2014 adjusted with dividends declared/ share)
Mecon SA	MECP	14/Jul/2015	60,054	11.6	4.0000	240,216.00	12.51%	0.0020%	0.0020%	Fair value / share (last trading price)
Total						10,649,639.24		0.0877%	0.0881%	

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

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	67.9649	1,573,999.12	20.00%	0.0130%	0.0130%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	81.6466	2,613,997.55	20.00%	0.0215%	0.0216%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
BAT Service SA	194,022	19/Jul/2005	656,686	0.0000	0.00	33.00%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Cetatea SA	354,468	19/Jul/2005	118,840	0.9504	336,886.39	20.43%	0.0028%	0.0028%	Unlisted companies, in function	Shareholders' equity as of 31 December 2014/ share
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	81.0905	16,474,345.98	20.00%	0.1356%	0.1362%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2014 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	0.0000	0.00	20.00%	0.0000%	0.0000%	Unlisted companies, in function	Fair value/share: Nil
CN Administratia Porturilor Dunarii Maritime SA	56,675	19/Jul/2005	1,706,051	20.4381	1,158,329.32	7.70%	0.0095%	0.0096%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2014 adjusted with dividends declared/ share)
CN Administratia Porturilor Maritime SA	2,651,113	19/Jul/2005	65,441,294	66.0511	175,108,929.87	19.99%	1.4415%	1.4480%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
CN Aeroporturi Bucuresti SA **	2,875,443	5/Feb/2010	131,168,263	173.1354	497,840,973.98	20.00%	4.0981%	4.1166%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	2.2944	62,838,889.54	21.55%	0.5173%	0.5196%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Cornig SA	75,655	19/Jul/2005	132,633	22.7467	1,720,901.59	69.94%	0.0142%	0.0142%	Unlisted companies, in function	Shareholders' equity as of 31 December 2014/ share
E.ON Distributie Romania SA*****	56,749,014	19/Jul/2005	169,541,165	8.9939	510,394,957.01	18.34%	4.2014%	4.2204%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
E.ON Energie Romania SA	9,903,524	19/Jul/2005	45,765,358	12.7732	126,499,692.76	13.39%	1.0413%	1.0460%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Electrica Distributie Muntenia Nord SA	7,796,022	19/Jul/2005	165,221,141	32.5678	253,899,285.29	21.99%	2.0900%	2.0995%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 August 2015)
Electrica Distributie Transilvania Nord SA	8,167,813	19/Jul/2005	113,299,904	26.3962	215,599,225.51	22.00%	1.7748%	1.7828%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 August 2015)
Electrica Distributie Transilvania Sud SA	9,327,282	19/Jul/2005	125,918,629	23.8333	222,299,910.09	21.99%	1.8299%	1.8382%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 August 2015)
Electrica Furnizare SA ***	1,366,412	22/Jul/2011	17,819,672	109.4838	149,599,978.13	22.00%	1.2315%	1.2370%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 August 2015)
Enel Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	67.6742	623,999,706.18	24.12%	5.1366%	5.1598%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Enel Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	59.4095	401,199,898.51	24.09%	3.3026%	3.3175%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Enel Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	139.8478	455,399,816.53	12.00%	3.7487%	3.7657%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	144.1266	63,999,993.24	12.00%	0.5268%	0.5292%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	45.5952	76,599,936.00	12.00%	0.6306%	0.6334%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
GDF Suez Energy Romania SA	2,390,698	19/Jul/2005	62,610,812	186.5982	446,099,943.54	11.99%	3.6722%	3.6888%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,378,235	19/Jul/2005	3,107,667,996	29.6955	2,654,131,377.44	19.94%	21.8482%	21.9468%	Judicial reorganisation	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Plafar SA	132,784	28/Jun/2007	3,160,329	14.3993	1,911,996.65	48.99%	0.0157%	0.0158%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	3.9468	58,696,600.42	25.00%	0.4832%	0.4854%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Romplumb SA	1,595,520	28/Jun/2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Salubriserv SA	43,263	19/Jul/2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Insolvency	Priced at zero
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	88.4492	177,418,835.09	48.99%	1.4605%	1.4671%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	0.0000	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero
World Trade Hotel SA	17,912	19/Jul/2005	17,912	0.0000	0.00	19.90%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (lack of annual financial statements for the year-ended 31 December 2014)
Zirom SA	4,985,083	28/Jun/2007	49,638,072	4.6689	23,274,854.02	100.00%	0.1916%	0.1925%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Total			5,326,739,164		7,220,693,259.75		59.4391%	59.7075%		

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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" SA and S.N. "Aeroportul International Bucuresti Baneasa - Aurel Vlaicu" SA

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

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

***** = on 31 December 2014, E.ON Moldova Distribuție SA (absorbed company) merged into E.ON Gaz Distribuție SA (absorbing company) and the name of the combined entity became E.ON Distribuție România SA

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 issue	No. of instruments	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
RO1516CTN0H6	4,000	7/Oct/2015	7/Mar/2016	19,901,685.60	646.81	55,625.25	19,957,310.85	0.1643%	0.1650%	Raiffeisen Bank	Acquisition price cumulated with the related interest since the acquisition date
Total							19,957,310.85	0.1643%	0.1650%		

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 Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Ministry of Finance	RO1116DBN024	12/Jun/2015	2,500	25/Nov/2015	30/Apr/2016	30/Apr/2016	25,000,000.00	4,098.36	1,008,196.72	-	10,399.68	27,007,396.72	0.2223%	0.2233%	
Ministry of Finance	RO1216DBN030	6/Oct/2015	500	28/Oct/2015	27/Jan/2016	27/Jan/2016	5,000,000.00	787.67	267,020.55	-	10,131.63	5,332,835.55	0.0439%	0.0441%	Closing price (Gross price)
Ministry of Finance	RO1216DBN030	6/Oct/2015	2,500	2/Nov/2015	27/Jan/2016	27/Jan/2016	25,000,000.00	3,938.36	1,335,102.74	-	10,131.63	26,664,177.74	0.2195%	0.2205%	
Total												59,004,410.01	0.4857%	0.4879%	

Bank deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
BRD Groupe Societe Generale	23/Dec/2015	4/Jan/2016	RON 30,000,000.00	RON 125.00	RON 1,125.00	RON 30,001,125.00	0.2470%	0.2481%	
Unicredit Tiriac Bank	23/Dec/2015	4/Jan/2016	RON 33,000,000.00	RON 366.67	RON 3,300.00	RON 33,003,300.00	0.2717%	0.2729%	
ING BANK	28/Dec/2015	4/Jan/2016	RON 56,900,000.00	RON 347.72	RON 1,390.89	RON 56,901,390.89	0.4684%	0.4705%	
Banca Comerciala Romana	29/Dec/2015	4/Jan/2016	RON 64,200,000.00	RON 356.67	RON 1,070.00	RON 64,201,070.00	0.5285%	0.5309%	
BRD Groupe Societe Generale	31/Dec/2015	4/Jan/2016	RON 9,156,015.27	RON 25.43	RON 25.43	RON 9,156,040.70	0.0754%	0.0757%	
BRD Groupe Societe Generale	31/Dec/2015	4/Jan/2016	RON 4,562,574.71	RON 50.70	RON 50.70	RON 4,562,625.41	0.0376%	0.0377%	
TOTAL						RON 197,825,552.00	1.6286%	1.6358%	Bank deposit value cumulated with the daily related interest for the period from starting date

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

	31 December 2013	31 December 2014	31 December 2015
Net Asset	15,013,742,081.74	13,236,700,614.13	12,093,456,192.73
NAV/share	1.2436	1.2125	1.1570

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

Grzegorz Konieczny
Legal representative

Marius Nechifor
Compliance Officer

BRD Groupe Societe Generale

Claudia Ionescu
Director

Victor Strâmbei
Manager Depositary Department

Annex 3

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 2015 prepared for:

Entity: Fondul Proprietatea SA

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 SA, undertake the responsibility for the preparation of the annual financial statements on 31 December 2015 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 SA for the year 2015, includes an accurate overview of the developments and performance of Fondul Proprietatea SA, 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 SA

Grzegorz Maciej Konieczny
Legal Representative

Mihaela Moleavin
Financial Reporting Manager

Annex 4 The Investment Management Agreement in force as at 31 December 2015

MANAGEMENT AGREEMENT DATED2014

FONDUL PROPRIETATEA S.A. and FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

THIS AGREEMENT is made on2014

BETWEEN:

1. **FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED** of the Adelphi, 1-11 John Adam Street, London WC2N 6HT, United Kingdom, acting through its Romanian branch having its registered office at Premium Point, 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania (the “**Fund Manager**”) (“S.A.I.” in Romanian language); and
2. **FONDUL PROPRIETATEA S.A.** of Buzesti St. 78-80, 1st District, Bucharest municipality, Romania (the “**Customer**”).

WHEREAS:

- (A) The Customer wishes to appoint the Fund Manager as a discretionary investment fund manager (“*administrator al portofoliului*” in Romanian language) of the Portfolio on the terms and subject to the conditions of this Management Agreement.
- (B) the Fund Manager wishes to accept such appointment, on the terms and subject to the conditions of this Management Agreement.
- (C) The Fund Manager is authorised and regulated by the United Kingdom Financial Conduct Authority (FCA) and the FSA and its Romanian branch is registered with the FSA under No. PJM05SSAM/400001/14.09.2009.

1. INTERPRETATION

In this Management Agreement, unless the context otherwise requires, it is agreed that:

- words in the singular include the plural, words in the plural include the singular, words importing the masculine gender include the feminine, and words importing the feminine gender include the masculine;
- headings and paragraphs are for the purpose of organization only and shall not be used to interpret this Management Agreement;
- references to “this Management Agreement” include its Recitals and Annex (which are incorporated herein by reference and are integrated within the body of this Management Agreement) and this Management Agreement, unless otherwise stated;
- references in this Management Agreement to Recitals, Sections, Articles, Clauses, Sub-Clauses and Annex are to the preamble, recitals, sections, articles, clauses and sub-clauses of, and annex to, this Management Agreement, unless otherwise stated.

2. DEFINITIONS

In this Management Agreement, the following capitalised terms shall, unless the context otherwise requires or it is otherwise provided, have the following meanings:

Account means the account maintained by the depositary and sub-custodian(s), as the Customer has notified in writing to the Fund Manager;

Affiliate means, with respect to any person, any other person directly or indirectly controlling, directly or indirectly controlled by, or under common control with such person;

AOPC means the collective investment undertakings other than the undertakings for collective investment in transferable securities (OPCVM) which are established as closed-end investment funds or closed-end investment companies as defined by art. 114 para. (1) of Law no. 297/2004;

Associated Company (when used in relation to the Fund Manager) means any company which is an Affiliate of the Fund Manager;

BoN means the Board of Nominees ("*Comitetul Reprezentantilor*" in Romanian language) which supervises the Fund Manager, appointed by the GSM and under direct supervision of the GSM;

BoN Review Report has the meaning ascribed to such term in clause 9.5;

Central Depository means a legal person established as a joint-stock company, authorised and supervised by the FSA, performing deposit, registration, clearing and settlement services for transactions with financial instruments and related activities;

CNVM means the Romanian National Securities Commission, having the duties established in the Government Emergency Ordinance no. 25/2002 on the approval of the By-laws of the National Securities Commission, approved with amendments by Law no. 514/2002, as subsequently amended; in April 2013 the CNVM was reorganized as the FSA;

Companies Law means Law no. 31/1990 on companies;

Constitutive Act means the Articles of Incorporation of the Customer;

Control means, in relation to any person, the power of another person, directly or indirectly, to secure that the affairs of such person are conducted in accordance with the wishes of that other person, (a) by means of the holding of shares or the possession of voting power in relation to that or any other person, or (b) by virtue of any powers conferred by the constitutional or corporate documents, or by contract or any other document or other legal relationship, or by applicable law, regulating that or any other person;

Customer means „Fondul Proprietatea” S.A., a closed - end investment company established in 2005 by the Romanian Government in accordance with, among others, Law no. 247/2005, as amended and operating in accordance with the Constitutive Act;

Damages mean any and all losses, claims, liabilities, damages, taxes or expenses;

Delegate means any entity to which the Fund Manager delegates or outsources any of its obligations under this Management Agreement;

Depository is that credit institution in Romania, authorized by Romania's National Bank, according to banking legislation, or a branch in Romania of a credit institution, authorized in a Member State, endorsed by the CNVM / FSA to hold and safeguard financial assets in compliance with the provisions of Law no. 297/2004 and the GEO No. 32/2012, in the deposit of which are entrusted for safekeeping all assets of the Customer;

Discount Objective has the meaning ascribed to such term in the IPS;

Dispute has the meaning ascribed to such term in clause 19.2(a);

EGM means the Extraordinary General Meeting of the Customer's Shareholders;

Force Majeure Event means, in relation to any party, any act, event or circumstance, the cause of which is not of such party's making nor within that party's reasonable control, including without limitation (to the extent not of

that party's making nor within that party's reasonable control) act of God, war, hostilities (whether or not war has been declared), terrorist acts, acts of any civil or military authority, governmental or regulatory direction or restriction, suspension or withdrawal of licences or consents, currency restrictions, , market conditions affecting the execution or settlement of transactions or the value of assets, failure or breakdown in communications, the failure of any relevant exchange or clearing house, riot, insurrection, civil commotion, public demonstration, sabotage, acts of vandalism, fire, flood, earthquake, extreme weather conditions, epidemic or pandemic, explosion, aircraft crashes or things falling from aircraft, release of ionising radiation or contamination by radioactivity, chemical or biological contamination, the order of any court or governmental or regulatory authority, delay in transportation or communications, breakage of or accidental damage to equipment, any strike, lock-out or other industrial trade dispute (not involving solely the employees of that party), structural shift or subsidence;

FSA means the Romanian Financial Supervisory Authority, having the duties established in the Government Emergency Ordinance no. 93/2012, as subsequently amended;

Fund Manager means Franklin Templeton Investment Management Limited, an asset management company and a foreign legal person, which is set up as an English private company authorized by the competent authority in its home Member State to carry out the role of a discretionary investment manager and which has set up a branch on Romania's territory, and which is registered with the FSA Registry. The Fund Manager is designated as sole director of the Customer according to the provisions of this Management Agreement and of the Constitutive Act;

GEO no. 81/2007 means the Emergency Government Ordinance no. 81/2007 for the acceleration of the procedure on granting damages in relation to assets abusively taken, published in the Official Gazette No. 446 of 29 June 2007, Part I;

GEO no. 32/2012 means the Emergency Government Ordinance no. 32/2012 published in the Official Gazette No. 435 of 30.06.2012, Part I;

GSM means the General Meeting of the Customer's Shareholders;

Indemnified Party means the Customer, its officers (but not the Sole Director), employees, agents and representatives;

IPS means the "Investment Policy Statement", i.e. the investment objectives and parameters governing investment decisions over the Portfolio which the Fund Manager has proposed and the GSM has approved;

Law No. 297/2004 means the Capital Market Law no. 297/2004, published in the Official Gazette of Romania No. 571 of 29 June 2004, Part I, as further amended and completed;

Law No. 247/2005 means the Law no. 247/2005 regarding the Property and Judicial Reform, as well as Adjacent Measures, published in the Official Gazette No. 653 of 22 July 2005, Part I, as further amended and completed;

Member State means the Member States of the European Union and the other States which belong to the European Economic Area;

Management Agreement means this Management Agreement entered into between the Customer and the Fund Manager;

NAV means the net asset value of the Customer, which is determined according to CNVM Regulation no. 4/2010, as subsequently amended, supplemented directly or indirectly or replaced;

NAV Objective has the meaning ascribed to such term in the IPS;

New Appointment Date means, in relation to the appointment of a new fund manager and sole director, or, in the event the Customer becomes a self-managed fund, new directors of the Customer following termination of this Management Agreement, the later of: (i) the date when the new or, if decided by the Customer, interim, fund manager and sole director, or, as the case may be, new directors, are registered with the Trade Registry or any

other competent authority as per the applicable legal provisions; and (ii) the date when the FSA issues its approval in relation to the appointment of the new, or, if decided by the Customer, interim, sole director and fund manager as the case may be, new directors, and, (iii) the date when all other mandatory legal requirements for the replacement of the Fund Manager have been satisfied, and, in each of the cases under paragraphs (i), (ii) and (iii), being effective on the date that the Fund Manager received notice (or ought reasonably to have received notice) of the event;

October GSM has the meaning ascribed to such term in clause 9.2;

OGM means the Ordinary General Meeting of the Customer's Shareholders;

OPCVM means undertakings for collective investment in transferable securities; meaning open-end investment funds and investment companies as defined by Art. 5 of GEO no. 32/2012;

Party means any of the Customer or the Fund Manager;

Performance Objectives has the meaning ascribed to such term in clause 9.1;

Performance Report has the meaning ascribed to such term in clause 9.3;

Portfolio means the portfolio of assets of the Customer, including uninvested cash designated from time to time by the Customer as subject to the management of the Fund Manager pursuant to this Management Agreement;

Reporting Period has the meaning ascribed to such term in clause 9.3;

Sole Director means the legal person appointed by the GSM to manage the Customer, within the limits provided by the applicable Romanian law, the Constitutive Act and the decisions of the GSM. For the purposes of this Management Agreement, any reference to the Sole Director is a reference to the Fund Manager;

Soft Dollar Practices mean arrangements under which assets or services, other than execution of securities transactions, are obtained by a fund manager from or through a broker in exchange for the fund manager directing to the respective broker trades concluded on behalf of the undertaking for collective investment managed by that fund manager;

Termination Notice means a termination notice given by the Customer or the Fund Manager, as per clause 13;

Termination Notice Date means the date when a Termination Notice is given, as per clause 13.

3. SCOPE OF THE AGREEMENT

The scope of this Management Agreement is to appoint the Fund Manager as the Sole Director of the Customer, and discretionary investment manager of the Customer and to establish the parties' rights and obligations in relation to such appointment.

4. APPOINTMENT OF THE FUND MANAGER

By this Management Agreement, the Customer appoints the Fund Manager as the Sole Director of the Customer and also as its discretionary investment manager for the Portfolio.

5. ACCEPTANCE OF APPOINTMENT

The Fund Manager accepts its appointment as Sole Director of the Customer and as discretionary investment manager for the Portfolio upon the terms of this Management Agreement.

6. OBLIGATIONS OF THE FUND MANAGER. MANAGEMENT SCOPE AND OBJECTIVES

6.1. The obligations and the competencies of the Fund Manager as Sole Director of the Customer are set forth by the Companies Law, Law no. 297/2004, GEO no. 32/2012 and the related regulations, as well as the Constitutive Act, which may be subject to further amendments according to the law, as well as the provisions of this Management Agreement. The Fund Manager undertakes to:

- (i) establish a reference date for shareholders entitled to vote within the GSM, under the law, and draft the text of the announcement on the convocation of the GSM, after obtaining the prior approval of the BoN and after it added to the agenda the matters requested by the BoN;
- (ii) upon the written request of any shareholder submitted before the date of the GSM, provide answers, after obtaining the prior approval of the BoN, in connection with the aspects concerning the business of the Customer;
- (iii) ensure that, if requested by any of the shareholders, a copy of the minutes of the GSM shall be given to them and also, after the calling of the annual OGM is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors;
- (iv) prepare the annual financial statements, draft the annual activity report, the Performance Report, examine the financial auditors' report, present them to the BoN before submitting such documents to the GSM for approval and making proposals on the distribution of the profit, after obtaining the prior approval of the BoN;
- (v) manage the relationship with the Central Depository with regard to its shareholders register functions;
- (vi) prepare an annual report on the management and the business policy of the Customer, to be presented to the BoN for approval prior to its submission to the GSM;
- (vii) propose for the prior approval of the BoN and further, of the GSM, the annual income and expenditure budget and business plan;
- (viii) propose for the prior approval of the BoN and further, of the GSM of the Customer, the general strategy in accordance with the IPS of the Customer. The Fund Manager is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the portfolio of the Customer. The Fund Manager must inform the Customer periodically on the significant changes in relation to the activities of the Customer and to the Portfolio structure;
- (ix) approve the outsourcing of certain activities, within the limits of the approved budget, respectively delegate the performance of certain activities, subject to the prior endorsement by FSA, where required by applicable legislation;
- (x) based on the proposal of the BoN, submit to the approval of the EGM any agreement / document which may create binding obligations to the Customer (including but not limited to the purchase, sale, conversion or encumbrance of the non-current assets of the Customer) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- (xi) entering into any agreement / document which may create binding obligations to the Customer (the purchase, sale, conversion or encumbrance of the non-current asset of the Customer) whose value does not exceed, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables, without prior approval of the OGM or the EGM;
- (xii) subject to the provisions of the Constitutive Act, IPS and applicable legislation, take all decisions at its sole discretion in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of the Customer;
- (xiii) propose to the GSM the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the BoN, as well as approving the procedure of internal audit and the audit plan;
- (xiv) change the location of the registered office of the Customer, with the prior notification of BoN, provided that the registered office shall at all times be registered in Romania;
- (xv) prepare and making available to the BoN the reports, information as well as any other documents necessary for exercising the monitoring duties, as may be required by the BoN in line with the Constitutive Act and the applicable legislation;
- (xv) inform at once the BoN on any litigation or infringement of legislation regarding the Fund Manager, on any operation which might be an infringement to the investment policy and about the plans/correction measures for addressing these matters;
- (xvi) ask for the calling of the GSM in order for the latter to decide whenever an issue appears on which the BoN has a disagreement with the Fund Manager, which cannot be resolved amicably by the two bodies; and
- (xvii) propose to BoN the recommendation for the EGM for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a

company be appointed related to the admission to trading of the Customer on another market than the Bucharest Stock Exchange.

(xviii) any other responsibilities set according to the Constitutive Act and applicable legislation;

6.2. The Fund Manager shall perform its duties under this Management Agreement in line with the Customer's best interest and the highest standards of professional conduct and integrity, including without limitation with respect to responding to public offerings or other corporate actions relating to the securities in the Portfolio.

6.3. Without limiting the generality of the foregoing (and so that none of the following provisions shall be deemed to limit the generality of any other of the following provisions), the Fund Manager undertakes to do the following:

a) at all times make all reasonable efforts to avoid conflicts of interest, provided that the Customer understands that the services the Fund Manager provides to the Customer are not exclusive and that the Fund Manager may provide similar services to other customers. Where a conflict arises, the Fund Manager will promptly disclose this to the Customer and use all reasonable efforts to resolve the conflict fairly;

b) will not effect any transaction in relation to the Portfolio knowingly and intentionally acting as agent for any of the Fund Manager's or other clients of its Associated Companies unless the Fund Manager shall have obtained the prior written consent of the Customer to such transaction, having given the Customer all material information relating thereto;

c) shall comply with all applicable laws and regulations, including the FCA Handbook (and overseas equivalents) insofar as they are relevant to this Management Agreement, the Fund Manager's performance of its functions under it in any countries in which it performs its duties and carries out its activities pursuant to this Management Agreement and shall procure that all its employees and Delegates, and shall use all reasonable steps to procure that all its agents, shall comply with such laws, regulations and rules as are applicable to them in relation to their involvement with the affairs of the Customer;

d) shall not enter into any transaction in relation to the Portfolio where the officers or employees by which the Fund Manager acts for the purposes of this Management Agreement are aware or ought reasonably to be aware that the Fund Manager or any Associated Company has a material interest in such transaction, unless it obtains the prior written consent of the Customer to such transaction, having first given the Customer all material information relating thereto, and for the purposes of this paragraph a **material interest** means a direct or indirect pecuniary interest, whether present or expected (other than a pecuniary interest consisting of a normal commission, rate or price differential or similar remuneration receivable in the ordinary course of business for effecting securities, deposit or foreign exchange transactions) which might reasonably be expected to influence a person, knowingly having that interest, to enter into or refrain from entering into such transaction;

e) shall account to the Customer for all advantages and benefits received from third parties resulting from bulk dealing involving the assets in the Portfolio and other securities and investments as are attributable (using a pro rata basis of calculation) to the assets in the Portfolio; and

f) shall account to the Customer for all allowances, rebates, discounts and refunds received (if any) in respect of any transaction involving the assets of the Portfolio from commission brokerage or other charges which are made to the Fund Manager of the Customer in any transaction and will not authorise any other person on behalf of the Customer to retain such.

6.4. The Fund Manager shall at all times use reasonable efforts to be expected of a diligent professional investment manager acting in good faith to stay informed of all facts concerning rights arising in respect of securities held in the Portfolio and in this regard shall in particular monitor on a continuing basis all sources of information reasonably available, including without limitation press reports and screen-based information services.

6.5. The Fund Manager agrees to communicate whenever necessary or desirable with the Depositary to ensure a full flow of information in respect of rights arising in relation to the securities held in the Portfolio.

6.6. All foreign exchange transactions relating to the Account shall be carried out at competitive rates by the Fund Manager using a third party bank (which may include the Depositary, if a bank).

6.7. When entering into transactions on behalf of the Customer in accordance with this Clause 6, the Fund Manager will ensure that brokers' and dealers' terms of business and terms and conditions with other third parties

entered into with or by the Fund Manager and applicable to transactions in listed securities for the Portfolio (whether or not such terms and conditions are specifically intended to apply to transactions for the Portfolio) do not:

- (a) disapply or waive best execution or other regulatory protections normally applicable to professional clients (as defined in the EU Markets in Financial Instruments Directive) for the Customer;
- (b) confer liens, rights of retention or security over the Portfolio or any assets or monies of the Customer (except (i) in respect of margin for on exchange margined transactions or (ii) in respect of non-fulfilment of the obligations of the Customer under such agreement with brokers and dealers, but only if the part of the Portfolio subject to such liens, rights of retention or security is not disproportionate with the Customer's obligations and it is market practice to confer them or (iii) as otherwise permitted under this Management Agreement and as otherwise consented to in writing by the Customer) or as may be required by applicable laws; or
- (c) allow the Customer's monies or assets to be mixed with, set off against obligations or utilised for the benefit of any other person except where that is in accordance with standard market practice; or
- (d) give any representations or warranties on the Customer's behalf without the Customer's prior written consent other than representations or warranties given in the ordinary course of business and which the Fund Manager has reason to believe are true and correct; or
- (e) confer any onerous and unusual obligations on the Customer.

7. AUTHORIZED TRANSACTIONS

The transactions to be effected in relation to the Portfolio are subject to the legal regulations in force, including the Companies Law no. 31/1990, Law no. 297/2004, GEO no. 32/2012 and secondary regulations issued by the FSA as well as Law no. 247/2005, GEO no. 81/2007, the Constitutive Act of as well as any other applicable legislation.

8. ASSET CUSTODY AND THE DEPOSITARY

8.1. The Fund Manager will place the assets of the Customer in custody according to all applicable legal provisions. The Depositary will be appointed by the Fund Manager after consultation with the BoN, with sufficient time in advance, on the identity of the proposed Depositary and the terms and conditions of its appointment.

8.2. All payments due for receipt by the Customer, such as dividends, interests, sale proceeds, or any with other title, shall be paid directly to the Depositary and in the Customer's account opened at the Depositary. The Fund Manager shall not be entitled at any time and in any form to hold cash or other assets from the Portfolio belonging to the Customer in any form.

9. FUND MANAGER PERFORMANCE OBJECTIVES. ANNUAL REPORTING

9.1. For the duration of the Management Agreement, the Fund Manager must manage the Portfolio in accordance with, and must comply with, all the obligations undertaken under the IPS and seek to achieve the objectives therein, including (without limitation) the Discount Objective and the NAV Objective (together the **Performance Objectives**). The Customer and the Fund Manager acknowledge and agree that there is no guarantee that the Performance Objectives will be achieved and the Fund Manager does not warrant, undertake or represent that it will achieve them.

9.2. For the purpose of reviewing the performance of the Fund Manager each year (including, but not limited to, whether the Performance Objectives have been achieved), each year in October the Customer will hold a GSM starting in October 2015 (the **October GSM**).

9.3. Not later than 30 days before the deadline for publication of the October GSM documentation as required by the law, the Fund Manager must submit to the BoN a report on its activities and performance in the relevant period (the **Performance Report**). The first Reporting Period shall be 1st October 2014 until June 30 2015 and every subsequent year shall be from 1st July until 30th June of the next year (the **Reporting Period**).

- 9.4. The Performance Report must include, among others:
- the report on the fulfilment of the Discount Objective (as such term is defined in the IPS);
 - report on the fulfilment of the NAV Objective (as such term is defined in the IPS);
 - summary of the regulatory issues affecting the performance during the Reporting Period;
 - summary of market conditions affecting the performance during the Reporting Period;
 - such other matters as the Fund Manager wishes to bring to the attention of the shareholders in relation to its activities and performance in the relevant period.

9.5. Following receipt of the Performance Report, the BoN must prepare and submit for the information of shareholders at the October GSM a review of the Performance Report (the **BoN Review Report**), evaluating the performance of the Fund Manager, as well as any other factors that it considers to be relevant for the decision of the October GSM regarding the continuation or termination of the Management Agreement and the Fund Manager's mandate.

9.6. The Performance Report, together with the BoN Review Report will be reviewed by the shareholders in the October GSM. The agenda of each October GSM will allow the shareholders the opportunity to vote on (i) the continuation or termination of this Management Agreement and the Fund Manager's mandate, any proposed termination ensuring the simultaneous termination of the Fund Manager's mandate and the Management Agreement and (ii) the procedure for the selection of a new Sole Director and Fund Manager, in case the shareholders vote for the termination of the Management Agreement and of the Fund Manager's mandate. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its inclusion in the language of the draft resolution of the October GSM.

10. FUND MANAGER REMUNERATION AND EXPENSES

As remuneration for its services under this Management Agreement, the Fund Manager shall receive the fees set forth in the Annex to this Management Agreement.

10.2. Save as expressly provided otherwise in this Management Agreement, all costs and expenses incurred by the Fund Manager in the performance of its functions shall not be for the account of the Customer, but shall be borne by the Fund Manager.

10.3. The Customer shall bear, or shall reimburse the Fund Manager where the Fund Manager has incurred them in advance, the following expenses:

- expenses related to the payment of fees owed to the Depositary;
- expenses related to intermediaries;
- expenses related to taxes and fees owed to the FSA or other public authorities, according to the applicable legislation;
- expenses related to the financial audit performed on the Customer and any other audits or valuations required by the legislation in force applicable to the Customer;
- expenses related to the admission to trading of the financial instruments issued by the Customer, and any subsequent issues or offerings; expenses with intermediaries and professional advisors in relation to arranging and maintaining the listing; expenses related to investor relations and public relations in the interest of protecting and promoting the Customer's image and that of its securities; expenses related to ongoing reporting and disclosure obligations according to legislation in force;
- expenses related to the organising of GSM and communications with the shareholders and to the payment of fees for registrar services rendered by the Central Depositary;
- expenses related to the payment of taxes and fees owed to the Bucharest Stock Exchange and any other exchange on which the financial instruments of the Customer shall be admitted to trading;
- expenses related to the registration with the Trade Registry or documents issued by the Trade Registry;
- expenses related to the payment of fees owed to the banks for banking services performed for the Customer, with the exception of the expenses mentioned in letter a);
- expenses related to appointing legal advisers and other advisors to act on behalf of the Customer;
- expenses related to contracts with external service providers existing as of execution of this Management Agreement until the expiry or termination of the contract;
- expenses related to remuneration, transport and accommodation of the members of the BoN (in relation to

their services and attendance at meetings, in accordance with the Constitutive Act, the mandate agreements and any applicable internal regulations) and for independent persons (not employees of the Fund Manager or its affiliates) acting as representatives of the Customer on the corporate bodies of companies in the Portfolio, where appropriate;

- m) expenses relating to printing costs for the Customer's documentation;
- n) expenses or charges imposed to the Customer by any tax authority related to the above expenses or otherwise applicable to the running of the business of the Customer;
- o) other expenses with an annual value that does not exceed EURO 100,000 related to the activity of the Customer;
- p) other expenses approved by the BoN for the Customer in accordance with the Constitutive Act (if their annual value exceeds EURO 100,000).

10.4. Save as provided above, the Fund Manager shall be liable for the following out of pocket expenses incurred when performing its duties hereunder, including, but not limited to:

- (i) expenses in connection with mailing and telephone, except for letters to shareholders;
- (ii) expenses in connection with business travel and accommodation, except the expenses related to all investor relations activities and Board of Nominees meetings;
- (iii) expenses in connection with salaries, bonuses and all other remunerations granted by the Fund Manager to its employees and collaborators;
- (iv) all other expenses necessary to the functioning of the Fund Manager or its Romanian branch.

10.5. In performing its obligations under this Management Agreement, the Fund Manager shall not use Soft Dollar Practices. All transactions in connection to the Portfolio shall be consistent with the principles of best execution.

10.6. Any director's fees and other fees received by the Fund Manager's officers, employees, agents or representatives from any of the Portfolio companies will be either paid over to the Customer or deducted from the management fee. For the avoidance of doubt, the reference to "fees" in the previous sentence does not apply to payments by Portfolio companies to arrange commercially reasonable insurance coverage on behalf of such persons for any liabilities arising from acting as a director or officer of the Portfolio company's board and, where Portfolio companies fail to arrange such insurance, this shall be arranged by the Fund Manager, acting on behalf of the Fund, at the Fund's expense.

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

11. PROVISION OF INFORMATION TO THE CUSTOMER AND ITS REPRESENTATIVES

11.1. In addition to the obligations under clause 9.3., the Fund Manager will provide the Customer with such analysis of performance and periodical tabular presentations in connection to the Portfolio as reasonably requested by the Customer. At least twice in a calendar year the Fund Manager will make a presentation to the Customer in respect of the Portfolio for the previous six months and the Customer may request any documents with a view to discussing market factors, the Portfolio and the operation of this Management Agreement.

11.2. The Fund Manager shall provide to the Customer, quarterly and/or upon request, written documents/presentations evidencing the transactions entered into between the Fund Manager, on behalf of the Customer, and third parties in connection with the Portfolio.

11.3. The Fund Manager shall keep accurate and detailed records of all investments, receipts, disbursements and other transactions relating to the Portfolio which it shall send to the Customer in a monthly report.

11.4. The Fund Manager shall supply on demand to the Customer copies of all accounts entries and other records relating to the Portfolio. The Fund Manager will extend its normal working hours as and when reasonably requested by the Customer and will provide, without unnecessary delay, all necessary facilities and assistance to the Customer's auditors and other authorised representatives, including representatives of its shareholders and/or of the BoN, to audit and verify records of the Fund Manager relating to the securities, papers and other assets in

the Portfolio, according to the applicable legislation. The scope of the audit shall not be limited by the Fund Manager and may include the examination of the Fund's accounting system, procedures, records, internal controls, and any other documents or information in the Fund Manager's possession to the extent relevant to the Customer (and subject to redaction to the extent required to respect the confidentiality of other clients) that the Customer or the auditor deems necessary acting reasonably to verify in order to facilitate formulation by the Customer of any opinion on the costs, both direct and indirect, or other amounts billed to the Customer and the performance of the Portfolio and the Fund Manager. The Fund Manager shall co-operate as necessary and facilitate the performance of any such audits, including securing for the aforementioned auditors and other authorised representatives assistance from the Fund Manager's compliance officer and internal auditors.

11.5. The Fund Manager shall report to the Customer within two business days of its discovery of any non-compliance with / breach of the provisions of this Management Agreement (including the Annex) and shall take all steps required to make good such non-compliance as soon as possible.

11.6. The Fund Manager will liaise as necessary with the Depositary to enable the Depositary, on the Customer's behalf, to fulfil any obligations to disclose shareholdings in companies in which the Portfolio is invested in accordance with relevant legislation and will provide timely information to the Depositary for this purpose.

12. CONFIDENTIALITY AND ACTS WITH FISCAL CONSEQUENCES

12.1. The Fund Manager will, except only in so far as:

- a) otherwise required by laws or regulations; or
- b) necessary for effecting settlement and the performance of operations with the Depositary and any sub-custodian for the assets of the Portfolio; or
- c) reasonably required for the proper performance of the services and for the enforcement of its rights and obligations under this Management Agreement; or
- d) otherwise permitted in writing by the Customer; or
- e) necessary for the purpose of setting up foreign exchange facilities (disclosure in this case shall be limited to credit and compliance departments of the banks),

ensure that all matters relating to the Portfolio will be kept strictly confidential. Before the Fund Manager discloses confidential information under let. a), it shall inform the Customer to this end.

12.2. The Fund Manager shall not disclose information relating to the Portfolio to other companies of the Franklin Templeton financial group who carry on to a material extent any activities other than investment management outside those members of staff engaged in investment management functions, except in circumstances permitted in clause 12.1. a)-d). The Fund Manager shall in any event operate confidentiality procedures which oblige its staff only to disclose information relating to the Portfolio within the Fund Manager on a "need to know" basis and to observe strictest confidentiality in relation to price sensitive information.

12.3. The Fund Manager shall not knowingly take or omit to take any action which might prejudice the interests of the Customer with respect to the applicable tax legislation. Without prejudice to the generality of the foregoing, the Fund Manager may (i) create any new taxable presence of the Customer, (ii) subject the Customer to new tax filing or reporting obligations, or (iii) expose the Customer to any significant tax charge outside the ordinary course of business, in each case only if the Fund Manager, after due diligence and careful investigation, considers it to be in the best interests of the Customer.

13. TERMINATION

13.1 This Management Agreement may be terminated according to its provisions and the applicable legislation.

13.2. The Customer may unilaterally and at its sole discretion terminate this Management Agreement, at any time, on three months' prior written notice to the Fund Manager, based on an OGM resolution for approving the simultaneous termination of the mandate and of the Management Agreement. For the avoidance of any doubt,

termination of the mandate and the Management Agreement in accordance with this clause 13.2 will not entitle the Fund Manager to any Damages or the payment of any amounts other than the fees to be paid in accordance with Clause 13.6 below. This is without prejudice to clause 17.4(c) but, for the avoidance of any doubt, such clause 17.4(c) will never extend to Damages for termination in accordance with this clause 13.2.

13.3 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director with six months' prior written notice. Not later than five business days following the Termination Notice Date, but subject to timely approval of the GSM agenda by the BoN, the Fund Manager will call the OGM having on the agenda the approval of the procedure for the selection of a new Sole Director and Fund Manager. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its inclusion in the language of the draft resolution of the OGM.

13.4 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director by as much prior written notice to the Customer as is reasonably practicable, if:

- (a) the termination has been required by, or as a result of, a binding decision issued by any competent regulatory authority; or
- (b) if material obligations under this Management Agreement can no longer be fulfilled due to changes in the applicable law compared to the date of signing this Agreement, provided that the Fund Manager has used reasonable endeavours to comply with or (if it is not possible for the Fund Manager to do so) to propose a reasonable alternative arrangement involving an Affiliate which would comply with the relevant law, in accordance with clause 14.3 below, but despite those efforts compliance would not be possible; or
- (c) if the Customer becomes the subject of any definitive winding up order.

13.5 In any event a Termination Notice is sent (except under clause 13.4) or in the event of expiry of this Management Agreement, the Fund Manager shall (except to the extent otherwise required in writing by the Customer) continue to carry out all such acts as it is empowered and required to do by any part of this Management Agreement until the New Appointment Date provided that this obligation is subject to the continuing satisfaction of the following conditions:

- (a) the terms of the Management Agreement (including, without limitation, all authorisations from the Customer to the Fund Manager and all terms of remuneration and indemnity in favour of the Fund Manager) shall continue to apply;
- (b) the shareholders at GSM approve resolutions proposed by the Fund Manager to ratify and approve, to the extent legally possible:
 - (i) the Fund Manager's mandate as sole director and fund manager of the Customer, with effect until the New Appointment Date and
 - (ii) all legal acts (including decisions and contracts) concluded, adopted and issued on behalf of the Customer by the Fund Manager and any implementation acts, facts and operations based on such, including the management of the Customer under a unitary system, but, in each case, without prejudice to any grounds for termination given by the Customer in any prior Termination Notice and to any rights of the Customer under clause 17 hereunder; for the avoidance of any doubt, the condition under this paragraph (b) will not apply in the event that the ratification from the GSM is requested for acts performed by the Manager in breach of its legal and/or contractual obligations as Fund Manager and Sole Director;
- (c) the BoN shall use all reasonable endeavours to ensure that the New Appointment Date occurs as soon as possible; and
- (d) the mandate as Sole Director does not end between the Termination Notice Date and the New Appointment Date, unless such ending is caused by deliberate actions of the Fund Manager, in which case the condition under this paragraph (d) will not apply.

13.6 Termination of this Management Agreement shall not terminate rights and obligations which are capable of surviving termination, including in particular, duties of the Fund Manager to report to the Customer, to provide information to the Customer and to keep matters confidential and for the Customer to indemnify the Fund Manager in accordance with clause 17.4(c), which, for the avoidance of any doubt, will never extend to Damages for termination in accordance with this clause 13. Transactions in progress shall be dealt with in accordance with the Customer's instructions or, in the absence of such instructions, having regard to the best interests of the Portfolio.

13.7. In the event a Termination Notice is sent, the Fund Manager shall be paid in respect of its services

hereunder on a pro rata basis with the duration of the provision of these services in accordance with clause 13.5 above, in compliance with the Annex to this Management Agreement, up to the New Appointment Date. For the avoidance of doubt, in such a case, the Fund Manager's pro rata remuneration will be for a period of at least 3 months (regardless of whether the New Appointment Date is sooner).

13.8. In case of

- (i) fraud, wilful default or negligence by the Fund Manager in performing the obligations assumed under this Management Agreement or
- (ii) material breach by the Fund Manager of obligations assumed under this Management Agreement that may bring a serious loss to the Customer and that, if capable of remedy, have not been remedied within 10 business days of a notice of breach, this Management Agreement may be terminated by the Customer with full right with immediate prior notice but without any court intervention.

13.9. In no circumstances shall the Fund Manager be obliged to continue its mandate as a Fund Manager and compliance with this Management Agreement beyond the date twelve months from the Termination Notice Date, unless otherwise expressly agreed in writing by the Parties or required by law.

14. AMENDMENT OF THE MANAGEMENT AGREEMENT AND ASSIGNMENT OF RIGHTS

14.1. This Management Agreement may be amended at any time by an addendum signed by the legal representatives of the Fund Manager and of the Customer, with the prior approval of the GSM and the endorsement of the FSA, if required by applicable law.

14.2. This Management Agreement is concluded in consideration of the person of the Fund Manager and is personal to the Fund Manager. The Fund Manager shall not be entitled to assign or to transfer any of its rights or obligations hereunder save as expressly provided herein. The Fund Manager may delegate to a company under the Control of the Fund Manager or its parent company, to perform on its behalf the investment management services which the Fund Manager has agreed to render to the Customer, provided that such performance shall be on the terms and be subject to the conditions contained in this Management Agreement, and without prejudice to the responsibilities of the Fund Manager to the Customer under this Management Agreement. The Fund Manager shall be responsible for the acts or omissions of its Associated Companies in performing such services. Any such delegation by the Fund Manager shall not involve any additional cost to the Customer, unless expressly authorised in writing by the Customer, and the appointment shall be subject to the prior written approval of the BoN and the prior endorsement of FSA where required by applicable legislation. The Fund Manager remains liable towards the Customer with respect to any further sub-delegations.

14.3 To the extent that changes in the applicable law or regulation following the signing of this Management Agreement (including, without limitation, the future provisions implementing the Directive 2011/61/EU on Alternative Investment Fund Managers under Romanian legislation) impose requirements on the Fund Manager in the performance of this Management Agreement with which the Fund Manager cannot comply, the Fund Manager undertakes to use reasonable endeavours to continue performance of the services to the extent legally possible and, to the extent not legally possible, to procure that a reputable Affiliate shall agree to provide the same services on substantially the same terms to the Customer. For the avoidance of any doubt, the appointment of such Affiliate, as well as the implementation of any amendments to this Management Agreement or any other alternative arrangement proposed by the Fund Manager are subject to consent by the Customer, at its full discretion and nothing in this Management Agreement shall be construed as an expressed prior consent in this respect.

15. DURATION OF THE AGREEMENT

15.1. Subject to the provisions of clause 13, the duration of this Management Agreement and of the Fund Manager and the Sole Director mandates is **two years** simultaneously starting as of 30 September 2014.

16. COMMUNICATIONS, INSTRUCTIONS, NOTIFICATIONS

16.1. Subject to a GSM resolution to the contrary, as regards the relationship between the Customer and the Fund Manager/ Sole Director under or in relation to this Management Agreement, any reference in this Management Agreement to the Customer shall be deemed a reference to the BoN acting as the representative of the Customer towards the Fund Manager/ Sole Director. For the avoidance of doubt, any right or benefit of the Customer under this Management Agreement in relation to or against the Fund Manager/ Sole Directors shall be exercised by the BoN acting in the name and on behalf of the Customer.

16.2. All notifications and other communications from the Customer shall be made by BoN to the Fund Manager.

16.3. For the purpose of any communication between the Customer and the Fund Manager in relation to this Management Agreement, the Customer shall be represented by BoN.

16.4. The Fund Manager shall be entitled to rely on any notification or communication given by the BoN above without further enquiry, provided the instruction, notification or communication is given in one of the ways permitted in this Management Agreement and provided that oral instructions may not be relied upon by the Fund Manager.

16.5. All notices or any other communication to be given under this Management Agreement must be in writing, in Romanian or English, and must be: (i) personally delivered; (ii) delivered by fax; (iii) sent by courier with return receipt; or (iv) by e-mail.

16.6. The Parties details for transmitting notifications or any other communications related to the present Management Agreement are the following:

If addressed to the Fund Manager:

Address:

Premium Point Building

78-80 Buzzești Street, 7th -8th floor, Bucharest

District 1, Postal Code 011017

Fax: (021) 200 96 31/32

To the attention of: Mr. Grzegorz Maciej Konieczny

If addressed to the Customer:

At the contact details provided by the representative of the Customer appointed in accordance with Section 15.1.

17. PARTIES' LIABILITIES

17.1. The Fund Manager is liable for any Damages suffered by the Customer as a result of:

- a) infringement of the applicable legislation;
- b) infringement of Customer's internal rules, including the investment restrictions under the IPS;
- c) fraud;
- d) wilful default in performing the Agreement;
- e) negligence in the performance of this Management Agreement's obligations; or
- (f) material breach of the Agreement.

17.2. The Fund Manager shall also be liable for the negligence, wilful default, fraud or material breach of this Management Agreement by its Delegates, or its or their employees. As exception, the Fund Manager shall not be liable if it can show that the Damage arose from events beyond its and its Delegates' (or its or their employees') reasonable control provided it maintains reasonable back up and disaster recovery systems. The Fund Manager shall make reasonable efforts to resume normal performance of the services following, and to mitigate the consequences of, an event beyond its and its Delegates' reasonable control.

17.3. The Fund Manager shall not be liable for the actions of brokers (not being Associated Companies of the Fund Manager) save to the extent that the Fund Manager has acted negligently in selecting, contracting or monitoring or using such persons. Without prejudice to clause 6.6 above, in selecting a broker for a particular transaction, the Fund Manager shall attempt to obtain best execution for the Customer. Notwithstanding this responsibility, the Fund Manager will pursue counterparties on the Customer's behalf and account to the Customer for all recoveries against such counterparties.

17.4. a) The Fund Manager agrees to indemnify and hold harmless each Indemnified Party from and against any and all Damages, to which the Indemnified Party may become subject under law, including allegations of negligence or breach of fiduciary duty, or otherwise, insofar as such Damages are caused by or arise out of: (i) the wilful misconduct of the Fund Manager or any of its Delegates (or its or their employees); ii) the breach by the Fund Manager or any of its Delegates (or its or their employees) of any representation or warranty made to the Customer relating to the services hereunder; (iii) the breach or non-fulfilment by the Fund Manager or any of its Delegates (or its or their employees) of any obligation pursuant to this Management Agreement or the investment restrictions under the IPS; (iv) any untrue statement of a material fact contained in information furnished to an Indemnified Party by the Fund Manager or any of its Delegates (or its or their employees) or the omission to state a material fact necessary in order to make the statements not misleading in light of the circumstances under which they were made; (v) the breach by the Fund Manager or any of its Delegates (or its or their employees) of any fiduciary duty or infringement of applicable law.

b) The Fund Manager shall indemnify and shall hold harmless each Indemnified Party for all Damages incurred by an Indemnified Party, in connection with any investigation, claim, action, suit, proceeding, demand or judgment, which is subject to the above indemnities.

c) Save to the extent arising from Fund Manager's or its employees' negligence, fraud, wilful default or breach of this Management Agreement, the investment restrictions under the IPS or the applicable legislation or that of any of its employees or Delegates, Associated Companies or their respective employees, the Customer agrees to indemnify the Fund Manager from and against Damages arising from following the Customer's specific instructions (including, for the avoidance of doubt, informed decisions of the GSM in addition to instructions from the BoN), provided that:

(i) the Fund Manager notifies the Customer in writing by fax or email (to such fax or email address as the BoN shall have notified the Fund Manager), as soon as reasonably practicable, but no later than 3 business days after becoming aware of the relevant Damage;

(ii) the Fund Manager does not make any admission of liability or agree to any settlement or compromise of any claim for which indemnity is sought without the prior written consent of the Customer;

(iii) On a prompt and timely basis the Fund Manager shall have provided all such documents, information and assistance and have done all such acts and things as the Customer may have reasonably required in order to assist the Customer in relation to such claims; and

(iv) the Fund Manager will provide evidence that it has taken all reasonable steps necessary to mitigate such Damages, including by advising the Customer in writing against such instructions, prior to the notification mentioned at point (i) above.

17.5. The Fund Manager will maintain the following insurance:

a) Professional Liability to provide against, any failure to duly perform this Management if that failure is due to a wrongful act, negligent act, error, omission for an insured amount of at least EUR 50 million;

b) Fidelity Bond to provide against any failure to account to the Customer for any money or investments if that failure is due to: (i) dishonest or fraudulent act of any employee; (ii) forgery of instructions, cheques, security or currency and damage caused to office premises and contents due to burglary or vandalism; and (iii) electronic and computer crime for an insured amount of at least EUR 50 Million.

17.6. Upon request of the Customer, the Fund Manager shall provide to the Customer evidence that the premium for the insurance described at pt. 17.5 above has been paid.

18. FORCE MAJEURE

18.1 If a party (the "**Affected Party**") is, or could reasonably be expected to be, materially prevented, hindered or delayed from performing any of its obligations under this Management Agreement by reason of a Force

Majeure Event, such obligations of the Affected Party and any corresponding or related obligations of the other party shall remain in effect but shall be suspended without liability and without there having occurred by virtue of the Force Majeure Event a breach of this Agreement for a period equal to the duration of the Force Majeure Event, provided that:

- (i) as soon as reasonably practicable after the start of the Force Majeure Event, to the extent permitted by the applicable law, the Affected Party notifies the other party in writing of the act, event or circumstance relied on, the date on which such act, event or circumstance commenced and the effect of the Force Majeure Event on the Affected Party's ability to perform its obligations under the Management Agreement; and
- (ii) the Affected Party makes all reasonable efforts to mitigate the effects of the Force Majeure Event on the performance of its obligations under this Management Agreement and to the extent permitted by the applicable law furnishes written reports every 10 Business Days to the other party on its progress in doing so, and to the extent permitted by the applicable law provides any information relating to the Force Majeure Event and its effects that the other party may reasonably request.

18.2 Immediately after the end of the Force Majeure Event, the Affected Party, to the extent permitted by the applicable law, shall notify the other party in writing that the Force Majeure Event has ended and shall resume performance of its obligations under this Management Agreement.

18.3 No party shall be released from any of its obligations under this Management Agreement as a result of a Force Majeure Event, including, without limitation, the Customer's obligations to any counterparty or broker for any transaction effected by the Fund Manager pursuant to this Management Agreement, and this Management Agreement shall remain in effect for the duration of the Force Majeure Event.

18.4 If any Force Majeure Event shall substantially impair the ability of the Fund Manager to carry out its duties under this Management Agreement, the Customer shall be entitled to appoint a replacement manager until such event is rectified. If the Fund Manager remains unable to deliver (whether through Delegates or outsourcees or otherwise) substantially all its services under this Management Agreement after three months from the appointment of the relevant replacement manager have elapsed, the Customer shall be entitled to terminate the appointment of the Fund Manager on immediate notice.

18.5 For the avoidance of doubt, no Party may rescind, terminate or treat as void, voidable or unenforceable this Management Agreement on the basis of any non-performance by any other Party arising from a Force Majeure Event.

19. APPLICABLE LAW AND JURISDICTION

19.1. This Management Agreement is governed by and shall be construed in accordance with the laws of England & Wales.

19.2. Dispute Resolution

- a) Any dispute or difference arising out of or in connection with the Management Agreement, including without limitation any disputes regarding its valid conclusion, existence, interpretation, nullity, breach, amendment, termination in any way of this Management Agreement (each a "Dispute"), that cannot be resolved by amicable negotiations within a reasonable period of time from the notice served by any of the Parties relating to the potential Dispute shall be finally resolved by the LCIA (London Court of International Arbitration) under the LCIA Rules of Arbitration. The Party requesting the initiation of the arbitration proceedings shall serve the other Party with a written notice that such proceedings will be initiated.
- b) The place of the arbitration shall be London, the language of the arbitration shall be English, and the tribunal shall consist of three (3) arbitrators appointed in accordance with the LCIA Rules.
- c) Any award of the arbitral tribunal rendered in accordance with this clause shall be final and binding on the Parties.
- d) The award shall be voluntarily executed by the Parties in any jurisdiction, or else award enforcement proceedings may be instituted in any court in the country where the recognition of such arbitration award is requested.
- e) In the event of a Dispute, the Party prevailing in such Disputes shall be entitled to recover all expenses, including without limitation reasonable legal fees and expenses and arbitral and court-related costs, incurred in

ascertaining such Party's rights under this Management Agreement and preparation of application and enforcement of such Party's rights, as determined by the arbitration tribunal, whether or not it was necessary for such Party to institute any enforcement proceedings to achieving the enforcement of its rights.

19.3. Notwithstanding the above, the Fund Manager acknowledges that any decision of the Customer to terminate the Fund Manager's mandate as Sole Director will take effect pursuant to the provisions of clause 13.1. above.

20. REPRESENTATIONS

20.1. The Fund Manager represents and warrants to the Customer that:

- (i) the Fund Manager has full power and authority to execute, deliver and to carry out the terms of this Management Agreement and that this Management Agreement constitutes a legal, valid and binding obligation of the Fund Manager;
- (ii) the Fund Manager is duly incorporated in Romania or in an EU Member State and has validly opened a branch in Romania with all applicable regulatory approvals and/or passports;
- (iii) the Fund Manager has the legal capacity, as per the law applicable in its home country and Romania, as the case may be, and has received all relevant authorisations and approvals by the relevant authority to provide investment management services of the type contemplated under this Management Agreement to an entity such as the Customer;
- (iv) the Fund Manager has special knowledge and skill relevant to the services for which it is engaged under this Management Agreement;
- (v) the Fund Manager is not the subject of any regulatory or governmental actions, claims or investigations relevant to its investment management activities which could impair its ability to carry out the terms of this Management Agreement;
- (vi) neither the Fund Manager nor any of its subsidiaries, Associated Companies, divisions or other affiliates involved with the affairs of the Customer has ever had its registration revoked, suspended or its activities restricted;
- (vii) the Fund Manager maintains adequate back up and disaster recovery systems and procedures, conflicts of interest policies, risk management policies and any other policies or procedures required by the applicable legislation with respect to the activity carried out by the Fund Manager as regards the Customer;
- (viii) the Fund Manager takes investment decisions solely with reference to the interests of its clients;
- (ix) its financial statements are subject to regular audit by financial auditors; and
- (x) to the best of the Fund Manager's knowledge, neither the execution, delivery, nor performance of this Management Agreement by the Fund Manager will violate any law, statute, order, rule, or regulation of, or judgment, order or decree by, any federal, state, local, or foreign court or governmental authority, domestic or foreign, to which the Fund Manager is subject nor will the same constitute a breach of, or default under, provisions of any agreement or contract to which it is a party or by which it is bound. The Fund Manager shall notify the Customer forthwith of any event or matter which would, if these warranties were repeated, render them untrue, inaccurate or misleading.

20.2. Subject to clause 21.2., the Fund Manager shall promptly notify the Customer in writing of changes in the Portfolio managers primarily responsible for the Portfolio or in senior staff responsible for setting the investment and business policy of the Fund Manager. The Fund Manager will provide on annual basis, within 30 days from the beginning of the calendar year, a list with portfolio managers, the main persons with responsibilities in respect to the Portfolio, and senior staff responsible for setting the business and investment policy within the Fund Manager. In case of a need to change a portfolio manager or a main person with responsibilities in respect of the Portfolio, the replacement shall have equal or superior qualifications and professional experience and similar time allocation for the Customer.

20.3 By this Management Agreement, the Customer represents and certifies that it is the legal owner of the assets comprised in the Portfolio, as at the signing date of this Management Agreement.

20.4. The Customer warrants that on the date this Management Agreement is signed, the Portfolio is free from any charge, lien, pledge or encumbrance other than those resulting from normal custody and settlement arrangements or through action or omission of the Fund Manager under its previous mandate with the Customer.

If the Customer shall create in the future or be informed about the creation of any charge, lien, pledge or encumbrance (other than through action of the Fund Manager) which may affect the Fund Manager's freedom to trade in such securities, it undertakes that it will inform the Fund Manager of such action as soon as reasonably practicable.

20.5. The Customer, in the form of its BoN and shareholders, represents that it took all reasonable steps to approve and execute all such documents and to give all authorizations and consents as are reasonably necessary to have the necessary capacity and authority to enter into this Management Agreement. This representation is subject to all information publicly available as regards the corporate decisions taken by the Customer as of its incorporation.

21. TRANSITORY AND FINAL PROVISIONS

21.1. If any of the provisions of this Management Agreement is held to be invalid or unenforceable, or impossible to perform, such invalidity, unenforceability or impossibility shall not affect any other provisions of this Management Agreement, and this Management Agreement shall be construed and enforced as if such invalid, unenforceable or impossible to perform provisions had not been included.

21.2. For the duration of this Management Agreement and irrespective of any replacement of the Fund Manager to which the Customer may consent, the Fund Manager undertakes (and must ensure that any entity in its group with which the Fund Manager may be replaced undertakes) that (i) it will not, without the prior express written approval of the BoN, change, replace or dismiss, save as a result of misconduct by the employee, Mr. Grzegorz Maciej Konieczny from acting in his capacity as the Fund Manager's and the Sole Director's representative with respect to the Customer, nor do any similar acts or things or do anything which may have a similar effect, and (ii) it will use all reasonable efforts to procure that Mr. Grzegorz Maciej Konieczny must, for the duration of his employment by the Fund Manager (or any replacement to whom investment discretion is allocated) in the course of this Management Agreement, devote the necessary time for the management of the Portfolio.

22. SIGNATORIES

This Management Agreement will be signed in the English language and executed in 3 originals, one for the Fund Manager and two for the Customer. The Fund Manager will prepare Romanian language translations to be submitted with the GSM and the necessary authorities.

Signed by and for the **Fund Manager**

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED

[...]

Signed by and for the **Customer**

FONDUL PROPRIETATEA S.A.

[...]

Annex

The fees due to the Fund Manager in accordance with clause 10 of this Management Agreement shall be calculated and paid in RON by the Customer in compliance with the following provisions.

The fee shall be calculated based on a (i) Base Fee, and (ii) a Distribution Fee.

1. The Base Fee is applied to the notional amount according to the following formula:
the Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days of payment, divided by 365,
where

the Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001; and

the notional amount is the market capitalization of the Customer which is defined as the number of the Customer's paid shares, minus the weighted average number of the Customer's settled own shares held in treasury over the calculation period, then multiplied by the weighted average market price of the Customer's shares calculated for the corresponding quarter. The weighted average market price is computed based on the daily average market prices of the Customer's shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section. If the number of shares relevant for the computation of the Base Fee (described above) changes over the calculation period, the Base Fee will be an aggregation of the computation for each sub-period.

2. It is recognized that distributions beneficial to shareholders would reduce the notional amount upon which the Base Fee is calculated; to reward the Fund Manager for arranging such distributions, a Distribution Fee shall be payable as follows:

- 200 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available up to and including 31 October 2015; and

- 100 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available from and including 1 November 2015.

Reference is made to distributions being "made available" to clarify that any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of, these distributions will not result in any adjustment of the calculation of the Distribution Fee due to the Fund Manager. The calculation of the Distribution Fee shall be made when such distributions become available to shareholders (e.g. payment start date). In case of repurchase of own shares, the calculation of the Distribution Fee shall be made at the date when the own shares repurchase transactions are settled.

3. The Base Fee shall be paid to the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is made. The Distribution Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter in which the relevant date for calculating the distribution amount occurred. The calculation of the first payment period shall cover all non-dividend distributions made available from the date when this Addendum was endorsed by the FSA up to the end of the relevant period.

The invoices for the Base Fee and the Distribution Fee shall be submitted to the Depositary of the Customer's assets.

The Fund Manager shall provide to the BoN quarterly and on an annual basis and upon reasonable request of the BoN a detailed report regarding the fees collected under this Management Agreement, in the form reasonably required by the BoN.

4. The payment of fees (Base Fee and Distribution Fee) shall be arranged by the Fund Manager only after the verification and certification by the Depositary of the correctness of the calculation: notional amount, value of distributions, all the other items used in calculation of the fees, as well as the modalities for determining the fees. The payment shall be done within 30 business days since receipt of the invoice.

Annex 5 New Investment Management Agreement in force starting 1 April 2016

MANAGEMENT AGREEMENT

DATED2015

FONDUL PROPRIETATEA S.A. and FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L

THIS AGREEMENT is made on2015

BETWEEN:

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l., a *société à responsabilité limitée* qualifying as an alternative investment fund manager (“**AIFM**”) under Article 101-1 of the Luxembourg law of 17 December 2010 on undertakings for collective investment, as amended (“**UCI Act**”), whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg and which is registered with the Luxembourg Registre de Commerce et des Sociétés under number 36.979 and in the Register kept by the Romanian Financial Supervisory Authority (the “**Fund Manager**”) (“Administrator” in Romanian language); and

FONDUL PROPRIETATEA S.A. of Buzesti St. 78-80, 1st District, Bucharest municipality, Romania (the “**Customer**”).

WHEREAS:

(A) The Customer wishes to appoint the Fund Manager as the AIFM of the Customer on the terms and subject to the conditions of this Management Agreement.

(B) The Fund Manager wishes to accept such appointment, on the terms and subject to the conditions of this Management Agreement.

(C) The Customer qualifies as an alternative investment fund within the meaning of the Directive 2011/61/EU of the EU Parliament and of the Council on Alternative Investment Fund Managers, as amended (the “**AIFMD**”) and Law 74/2015 on managers of alternative investment funds in Romania (“**AIFM Law**”). The Customer wishes to appoint the Fund Manager as its AIFM in the meaning of the AIFM Law and to entrust it with certain functions accordingly, including, without limitation, all functions relating to risk management and portfolio management.

(D) The Fund Manager qualifies as an AIFM under Chapter 2 of the Luxembourg law of 12 July 2013 on alternative investment fund managers (the “**AIFM Act**”), and is entitled to carry out services in Romania in accordance with the AIFM Law being registered with the registry kept by the Romanian Financial Supervisory Authority under no.[•] and is authorised to carry out the management of a fund such as the Customer (including, without limitation, risk management and portfolio management).

(E) The general assembly of shareholders of the Customer approved on [29 October 2015] the appointment of the Fund Manager as the external alternative investment manager and sole director of the Customer subject to the terms and conditions of this Management Agreement.

1. INTERPRETATION

1.1 In this Management Agreement, unless the context otherwise requires, it is agreed that:

(a) words in the singular include the plural, words in the plural include the singular, words importing the masculine gender include the feminine, and words importing the feminine gender include the masculine;

(b) headings and paragraphs are for the purpose of organization only and shall not be used to interpret this Management Agreement;

(c) references to “this Management Agreement” include its Recitals and Annexes (which are incorporated herein by reference and are integrated within the body of this Management Agreement) and this Management Agreement, unless otherwise stated;

(d) references in this Management Agreement to Recitals, Sections, Articles, Clauses, Sub-Clauses and Annexes are to the preamble, recitals, sections, articles, clauses and sub-clauses of, and Annexes to, this Management Agreement, unless otherwise stated; and

(e) references to any provisions of legislation, delegated legislation, regulations or rules shall be construed as references to such provisions as replaced, re-enacted, extended or amended from time to time (whether before or after the date hereof).

1.2 Notwithstanding anything to the contrary in this Management Agreement, the Parties agree that none of the limitations of liability or responsibility which the Parties may agree *vis-à-vis* each other pursuant to this Management Agreement or otherwise may be construed as a limitation of the obligations, liabilities or responsibilities imposed by the Compulsory Rules.

2. DEFINITIONS

In this Management Agreement, the following capitalised terms shall, unless the context otherwise requires or it is otherwise provided, have the following meanings:

Account means the account maintained by the depositary and sub-custodian(s), as the Customer has notified in writing to the Fund Manager;

Affiliate means, with respect to any person, any other person directly or indirectly controlling, directly or indirectly controlled by, or under common control with such person;

AIFM Act means the Luxembourg Act of 12 July 2013 on alternative investment fund managers for implementing the AIFMD;

AIFMD means Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers;

AIFM Law means Law no. 74/2015 on managers of alternative investment funds implementing the AIFMD in Romania;

AIFM Rules means the set of rules formed by (a) the AIFMD, (b) the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing the AIFMD, (c) any binding guideline or other delegated act and regulation issued from time to time by the EU relevant authorities pursuant to any national laws and regulations (such as the AIFM Act or AIFM Law), and (d) any national laws and regulations enacted in connection with the implementation of the rules listed in paragraphs (a) to (c) above which are applicable to this Management Agreement;

Associated Company(when used in relation to the Fund Manager) means any company which is an Affiliate of the Fund Manager;

BoN means the Board of Nominees (“*Comitetul Reprezentantilor*” in Romanian language) which monitors the activity of the Fund Manager, appointed by the GSM and under direct supervision of the GSM;

BoN Review Report has the meaning ascribed to such term in clause 9.6;

Calculation Period means a calendar quarter, each consisting of a three-month period ; the four calendar quarters that make up the year shall be: January, February and March (the first quarter, or **Q1**); April, May and June (the second quarter, or **Q2**); July, August and September (the third quarter, or **Q3**); and October, November and December (the fourth quarter, or **Q4**);

Central Depositary means a legal person established as a joint-stock company, authorised and supervised by the FSA, performing deposit, registration, clearing and settlement services for transactions with financial instruments and related activities;

CNVM means the Romanian National Securities Commission, having the duties established in the Government Emergency Ordinance no. 25/2002 on the approval of the By-laws of the National Securities Commission; in April 2013 the CNVM was reorganized as the FSA;

Companies Law means Law no. 31/1990 on companies;

Compulsory Rules means prescriptive rules of law (referred to in Luxembourg law as "*règles d'ordre public*" and in Romania as "*reguli de ordine publica*") from which the Parties may not be relieved by way of agreement, whether or not these rules result from the AIFM Rules and irrespective of their national or EU origin and nature;

Constitutive Act means the Articles of Incorporation of the Customer;

Control means, in relation to any person, the power of another person, directly or indirectly, to secure that the affairs of such person are conducted in accordance with the wishes of that other person, (a) by means of the holding of shares or the possession of voting power in relation to that or any other person, or (b) by virtue of any powers conferred by the constitutional or corporate documents, or by contract or any other document or other legal relationship, or by applicable law, regulating that or any other person;

CSSF means *Commission de Surveillance du Secteur Financier*, the Luxembourg financial supervisory authority;

Customer means „Fondul Proprietatea” S.A., a closed - end investment company established in 2005 by the Romanian Government in accordance with, among others, Law no. 247/2005, and operating in accordance with the Constitutive Act;

Damages mean any and all losses, claims, liabilities, damages, taxes or expenses;

Delegate means any entity to which the Fund Manager delegates or outsources any of its obligations under this Management Agreement, including, without limitation, the Investment Manager;

Data Protection Laws mean the set of rules formed by (a) the Data Protection Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data, (b) Law 677/2001 on protection of individuals with regard to the processing of personal data and on the free movement of such data implementing in Romania Directive 95/46/EC, (c) any binding guideline or other delegated act and regulation issued from time to time by the EU relevant authorities or competent national authorities pursuant to any national laws and regulations (such as Law 677/2001) and (d) any national laws and regulations enacted in connection with the implementation of the rules listed under (a) to (c) above or other legislation which replaces or amends the same, which are applicable to this Management Agreement;

DCM has the meaning ascribed to such term in clause 9.2;

Depositary is the entity or branch of an entity registered with the FSA, authorised to hold and

safeguard financial assets of collective investment undertakings in accordance with the provisions of the AIFM Law, appointed by the Customer and in the deposit of which are entrusted for safekeeping all assets of the Customer;

Discount means, in respect of a day, an amount calculated by subtracting the closing price of the Fund's shares on the Bucharest Stock Exchange on REGS for such day from the NAV per share then most recently published by the Fund Manager and dividing the result by such most recently published NAV per share;

Discount Objective has the meaning ascribed to such term in the IPS;

Dispute has the meaning ascribed to such term in clause 19.2(a);

EGM means the Extraordinary General Meeting of the Customer's Shareholders;

Force Majeure Event means, in relation to any party, any act, event or circumstance, the cause of which is not of such party's making nor within that party's reasonable control, including without limitation (to the extent not of that party's making nor within that party's reasonable control) act of God, war, hostilities (whether or not war has been declared), terrorist acts, acts of any civil or military authority, governmental or regulatory direction or restriction, suspension or withdrawal of licences or consents from other reasons than the negligence of the Fund Manager, currency restrictions, market conditions affecting the execution or settlement of transactions or the value of assets, failure or breakdown in communications, the failure of any relevant exchange or clearing house, riot, insurrection, civil commotion, public demonstration, sabotage, acts of vandalism, fire, flood, earthquake, extreme weather conditions, epidemic or pandemic, explosion, aircraft crashes or things falling from aircraft, release of ionising radiation or contamination by radioactivity, chemical or biological contamination, the order of any court or governmental or regulatory authority, delay in transportation or communications, breakage of or accidental damage to equipment, any strike, lock-out or other industrial trade dispute (not involving solely the employees of that party), structural shift or subsidence;

FSA means the Romanian Financial Supervisory Authority, having the duties established in the Government Emergency Ordinance no. 93/2012;

Fund Manager's Group means the Fund Manager and its Associated Companies.

GEO no. 81/2007 means the Emergency Government Ordinance no. 81/2007 for the acceleration of the procedure on granting damages in relation to assets abusively taken;

GEO no. 32/2012 means the Emergency Government Ordinance no. 32/2012;

GSM means the General Meeting of the Customer's Shareholders;

Indemnified Party means the Customer, its officers (but not the Sole Director), employees, agents and representatives;

Investment Manager means Franklin Templeton Investment Management Ltd. of the Adelphi, 1-11 John Adam Street, London WC2N 6HT, United Kingdom, acting through its Romanian branch having its registered office at Premium Point, 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania;

IPS means the "Investment Policy Statement", i.e. the investment objectives and parameters governing investment decisions over the Portfolio which the Fund Manager has proposed and the GSM has approved;

Law no. 297/2004 means the Capital Market Law no. 297/2004;

Law no. 247/2005 means the Law no. 247/2005 regarding the Property and Judicial Reform, as well as Adjacent Measures;

Member State means the Member States of the European Union and the other States which belong to the European Economic Area;

Management Agreement means this Management Agreement entered into between the Customer and the Fund Manager;

NAV means the net asset value of the Customer, which is determined according to CNVM Regulation no. 4/2010;

NAV Objective has the meaning ascribed to such term in the IPS;

New Appointment Date means, in relation to the appointment of a new fund manager and sole director, or, in the event the Customer becomes an internally managed alternative investment fund, new directors of the Customer following termination of this Management Agreement, the later of: (i) the date when the new or, if decided by the Customer, interim, fund manager and sole director, or, as the case may be, new directors, are registered with the Trade Registry or any other competent authority as per the applicable legal provisions; and (ii) the date when the FSA issues its approval in relation to the appointment of the new, or, if decided by the Customer, interim, sole director and fund manager as the case may be, new directors, if such approval is legally required and, (iii) the date when all other mandatory legal requirements for the replacement of the Fund Manager have been satisfied, and, in each of the cases under paragraphs (i), (ii) and (iii), being effective on the date that the Fund Manager received notice (or ought reasonably to have received notice) of the event;

October GSM has the meaning ascribed to such term in clause 9.3;

OGM means the Ordinary General Meeting of the Customer's Shareholders;

OPCVM means undertakings for collective investment in transferable securities; meaning open-end investment funds and investment companies as defined by Art. 5 of GEO no. 32/2012;

Party means any of the Customer or the Fund Manager;

Performance Objectives has the meaning ascribed to such term in clause 9.1;

Performance Report has the meaning ascribed to such term in clause 9.4;

Portfolio means the portfolio of assets of the Customer, including uninvested cash designated from time to time by the Customer as subject to the management of the Fund Manager pursuant to this Management Agreement;

Reporting Period has the meaning ascribed to such term in clause 9.4;

RMS has the meaning ascribed to such term in Annex 2 (*Specific duties and obligations*);

Sole Director means the legal person appointed by the GSM to manage the Customer, within the limits provided by the applicable Romanian law, the Constitutive Act and the decisions of the GSM. For the purposes of this Management Agreement, any reference to the Sole Director is a reference to the Fund Manager;

Soft Dollar Practices mean arrangements under which assets or services, other than execution of securities transactions, are obtained by a fund manager from or through a broker in exchange for the fund manager directing to the respective broker trades concluded on behalf of the undertaking for collective investment managed by that fund manager;

Termination Notice means a termination notice given by the Customer or the Fund Manager, as per clause 13;

Termination Notice Date means the date when a Termination Notice is given, as per clause 13;

Trading Day means any day on which trading in shares may be carried out on Bucharest Stock Exchange, in accordance with the rules of the Bucharest Stock Exchange.

3. SCOPE OF THIS MANAGEMENT AGREEMENT

The scope of this Management Agreement is to appoint the Fund Manager as the Sole Director of the Customer and AIFM of the Customer and to establish the parties' rights and obligations in relation to each such appointment.

4. APPOINTMENT OF THE FUND MANAGER

By this Management Agreement, the Customer appoints the Fund Manager as the Sole Director of the Customer and also as its alternative investment fund manager.

5. ACCEPTANCE OF APPOINTMENT

The Fund Manager accepts its appointment as Sole Director of the Customer and as alternative investment fund manager upon the terms of this Management Agreement.

6. OBLIGATIONS OF THE FUND MANAGER, MANAGEMENT SCOPE AND OBJECTIVES

6.1. The obligations and the competencies of the Fund Manager as Sole Director and alternative investment fund manager of the Customer are set forth by the Companies Law, Law no. 297/2004, and the related regulations, as well as the Constitutive Act, the AIFM Rules (which may be subject to further amendments according to the law), and the provisions of this Management Agreement. The Fund Manager undertakes to comply at all times with all AIFM Rules and any other applicable law.

6.2. The Fund Manager shall exercise its obligations and duties in accordance with the decisions of, and under the control of, the general meeting of the shareholders and the monitoring of the BoN.

6.3. In addition to the duties provided by applicable law, the Fund Manager shall propose for the prior approval of the BoN and further, of a GSM, the general strategy in accordance with the investment policy of the Customer. The Fund Manager shall be solely responsible for the implementation of the investment policy in respect of the Portfolio and for achieving a proper balance between the profits and the risks related to the Portfolio.

6.4. The Fund Manager shall inform periodically in accordance with the applicable legislation and clause 11 of this Management Agreement the BoN on any significant changes in the activities of the Customer and within the structure of the Portfolio.

6.5. In addition to any duties or obligations imposed by any applicable law, the Fund Manager shall be liable to:

6.5.1. identify, analyse, quantify, manage and mitigate all risks affecting the Customer, the Portfolio and all other risk management functions provided by the AIFM Rules and prepare an annual report for the Customer indicating how risks affecting the Customer have been identified, analysed, quantified,

managed or mitigated;

6.5.2. carry out all portfolio management functions provided in the AIFM Rules;

6.5.3. establish a reference date for shareholders entitled to vote within the GSM, under the law, and draft the text of the announcement to convene the GSM, after obtaining the prior approval of the BoN and after adding to the agenda the matters requested by the BoN;

6.5.4. upon the written request of any shareholder submitted before the date of the GSM, provide answers, after obtaining the prior approval of the BoN, in connection with the aspects concerning the business of the Customer;

6.5.5. ensure that, if requested by any of the shareholders, a copy of the minutes of the GSM shall be given to them and also, after the calling of the annual OGM is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors;

6.5.6. prepare the annual financial statements, the annual activity report, the semi-annual report, and the quarterly reports (preparing each of the foregoing in accordance with the law and regulations in force at the applicable time), the Performance Report, examine the financial auditors' report, present all such reports to the BoN before submitting such documents to the GSM for approval, and making proposals on the distribution of the profit, after obtaining the prior approval of the BoN, if required;

6.5.7. manage the relationship with the Central Depositary with regard to its shareholders register functions;

6.5.8. prepare an annual report on the management and the business policy of the Customer, to be presented to the BoN for approval prior to its submission to the GSM;

6.5.9. propose for the prior approval of the BoN and further, of the GSM, the annual income and expenditure budget and business plan;

6.5.10. approve the outsourcing of certain activities, within the limits of the approved budget, respectively delegate the performance of certain activities, subject to the corporate approvals required under the Constitutive Act, to the observance of all conditions and limitations regarding delegation included in the AIFM Rules and in this Management Agreement and to the prior endorsement by the CSSF or other applicable competent authorities, where required by applicable legislation;

6.5.11. based on the proposal of the BoN, submit to the approval of the EGM any agreement / document which may create binding obligations to the Customer (including but not limited to the purchase, sale, conversion or encumbrance of the non-current assets of the Customer) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;

6.5.12. entering into any agreement / document which may create binding obligations to the Customer (the purchase, sale, conversion or encumbrance of the non-current asset of the Customer) whose value does not exceed, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables, without prior approval of the OGM or the EGM;

6.5.13. subject to the provisions of the Constitutive Act, IPS and applicable legislation, take all decisions at its sole discretion in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of the Customer;

6.5.14. propose to the GSM the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the BoN, as well as approving the procedure of internal audit and the audit plan;

6.5.15. change the location of the registered office of the Customer, with the prior notification of BoN, provided that the registered office shall at all times be registered in Romania;

6.5.16. prepare and making available to the BoN the reports, information as well as any other documents necessary for exercising the monitoring duties, as may be required by the BoN in line with the Constitutive Act and any applicable legislation including, for the avoidance of any doubt, the AIFM Act and the AIFM Rules;

6.5.17. inform at once the BoN on any litigation or infringement of legislation regarding the Fund Manager, on any operation which might be an infringement to the investment policy and about the plans/correction measures for addressing these matters;

6.5.18. ask for the calling of the GSM in order for the latter to decide whenever an issue appears on which the BoN has a disagreement with the Fund Manager, which cannot be resolved amicably by the two bodies;

6.5.19. propose to BoN the recommendation for the EGM for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a company be appointed related to the admission to trading of the Customer on another market than the Bucharest Stock Exchange;

6.5.20. duly notify the FSA or other regulatory authorities in any relevant Member State and inform the shareholders of the Customer according to the provisions of the AIFM Rules of any major holding and control of non-listed companies acquired by the Customer;

6.5.21. perform all the duties and obligations to which it is required by, and otherwise comply with, the AIFM Rules applicable to it in connection with its appointment as the AIFM of the Customer; and

6.5.22. any other responsibilities set according to the Constitutive Act and any applicable legislation.

The following activities to be carried out by the Fund Manager based on the aforementioned paragraphs qualify for the purpose of AIFM Rules as administration activities, respectively (a) legal and fund management accounting services in the case of sub-clauses 6.5.3, 6.5.6, 6.5.8, 6.5.9, 6.5.10, 6.5.11, 6.5.12, 6.5.14, 6.5.15, 6.5.18 and 6.5.19; (b) customer inquiries in the case of sub-clauses 6.5.4, 6.5.5, 6.5.16 and 6.5.17, and (c) maintenance of unit/ shareholder register in the case of sub-clause 6.5.7.

6.6. The Fund Manager shall perform its duties under this Management Agreement in line with the Customer's or the shareholders of the Customer's best interest in accordance with the AIFM Rules and the highest standards of professional conduct and integrity, including without limitation with respect to responding to public offerings or other corporate actions relating to the securities in the Portfolio.

6.7. Without limiting the generality of the foregoing (and so that none of the following provisions shall be deemed to limit the generality of any other of the following provisions), the Fund Manager undertakes to do the following:

(a) at all times make all reasonable efforts to avoid conflicts of interest, provided that the Customer understands that the services the Fund Manager provides to the Customer are not exclusive and that the Fund Manager may provide similar services to other customers. Where a conflict arises, the Fund Manager will promptly disclose this to the Customer and use all reasonable efforts to resolve the conflict fairly;

(b) will not effect any transaction in relation to the Portfolio knowingly and intentionally acting as agent for any of the Fund Manager's or other clients of its Associated Companies unless the Fund Manager shall have obtained the prior written consent of the Customer to such transaction, having given the Customer all material information relating thereto;

(c) shall comply with all applicable laws and regulations, including without limitation the AIFM Rules insofar as they are relevant to this Management Agreement, the Fund Manager's performance of its functions under it in any countries in which it performs its duties and carries out its activities pursuant to this Management Agreement and shall procure that all its employees and Delegates, and shall use all reasonable steps to procure that all its agents, shall comply with such laws, regulations and rules as are applicable to them in relation to their involvement with the affairs of the Customer;

(d) shall not enter into any transaction in relation to the Portfolio where the officers or employees by which the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 acts for the purposes of this Management Agreement are aware or ought reasonably to be aware that the Fund Manager or any Associated Company has a material interest in such transaction, unless it obtains the prior written consent of the Customer to such transaction, having first given the Customer all material information relating thereto, and for the purposes of this paragraph a "**material interest**" means a direct or indirect pecuniary interest, whether present or expected (other than a pecuniary interest consisting of a normal commission, rate or price differential or similar remuneration receivable in the ordinary course of business for effecting securities, deposit or foreign exchange transactions) which might reasonably be expected to influence a person, knowingly having that interest, to enter into or refrain from entering into such transaction;

(e) shall account to the Customer for all advantages and benefits received by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 from third parties resulting from bulk dealing involving the assets in the Portfolio and other securities and investments as are attributable (using a pro rata basis of calculation) to the assets in the Portfolio; and

(f) shall account to the Customer for all allowances, rebates, discounts and refunds received (if any) in respect of any transaction involving the assets of the Portfolio from commission brokerage or other charges which are made to the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 in any transaction and will not authorise any other person on behalf of the Customer to retain such.

6.8. The Fund Manager shall at all times use reasonable efforts to be expected of a diligent professional investment manager acting in good faith to stay informed of all facts concerning rights arising in respect of securities held in the Portfolio and in this regard shall in particular monitor on a continuing basis all sources of information reasonably available, including without limitation press reports and screen-based information services.

6.9. The Fund Manager agrees to communicate whenever necessary or desirable with the Depositary to ensure a full flow of information in respect of rights arising in relation to the securities and cash held in the Portfolio.

6.10. All foreign exchange transactions relating to the Account shall be carried out at competitive rates by the Fund Manager using a third party bank (which may include the Depositary, if a bank).

6.11. When entering into transactions on behalf of the Customer in accordance with this Clause 6, the Fund Manager will (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will) ensure that brokers' and dealers' terms of business and terms and conditions with other third parties entered into with or by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 and applicable to transactions in listed securities for the Portfolio (whether or not such terms and conditions are specifically intended to apply to transactions for the Portfolio) do not:

(a) disapply or waive best execution or other regulatory protections normally applicable to professional clients (as defined in the EU Markets in Financial Instruments Directive) for the Customer;

- (b) confer liens, rights of retention or security over the Portfolio or any assets or monies of the Customer (except (i) in respect of margin for on exchange margined transactions or (ii) in respect of non-fulfilment of the obligations of the Customer under such agreement with brokers and dealers, but only if the part of the Portfolio subject to such liens, rights of retention or security is not disproportionate with the Customer's obligations and it is market practice to confer them or (iii) as otherwise permitted under this Management Agreement and as otherwise consented to in writing by the Customer) or as may be required by applicable laws; or
- (c) allow the Customer's monies or assets to be mixed with, set off against obligations or utilised for the benefit of any other person except where that is in accordance with standard market practice; or
- (d) give any representations or warranties on the Customer's behalf without the Customer's prior written consent other than representations or warranties given in the ordinary course of business and which the Fund Manager has reason to believe are true and correct; or
- (e) confer any onerous and unusual obligations on the Customer.

6.12. In relation to the Portfolio's management function, the Fund Manager will perform the day-to-day management of the Customer's assets in order to implement the Customer's investment objective, policy and strategy as such are described in the IPS, as well as the portfolio management duties and obligations constituting portfolio management under the AIFM Rules in each case, in consideration of the Customer's specific features including without limitation those described in Annex 2 (*Specific duties and obligations*).

6.13. Without prejudice to Clause 6.5.1, in relation to the Customer's and the Portfolio's risk management function, the Fund Manager will establish, implement, regularly (at least annually) review, and as the case may be adapt such risk management system (including the liquidity management system) which is necessary in order to identify, measure, manage and monitor appropriately all risks (including the liquidity risk) which are relevant to the Customer's investment strategy and to which the Customer is or may be exposed, as well as the risk management duties and obligations to which the Fund Manager is compelled by the AIFM Rules in view of the Customer's specific features, including without limitation those described in Annex 2 (*Specific duties and obligations*).

6.14. In addition to the duties and obligations listed in this Clause 6, the Fund Manager will perform the duties and obligations, which are described in Annex 2 (*Specific duties and obligations*) in consideration of the Customer's specific features.

6.15. In the performance of its duties and obligations under this Management Agreement and the AIFM Rules, the Fund Manager will observe and comply with the provisions of the Constitutive Act and the IPS, as well as with any requests from the BoN or instructions contained in resolutions of the Customer's shareholders which do not conflict with the Fund Manager's duties or obligations under applicable law or any Compulsory Rules.

6.16. The Fund Manager may delegate part (but not all) of its duties under this Management Agreement, including the investment management functions, in each case in accordance with Clause 14.3 to an Associated Company duly authorised under applicable law to carry out the relevant activities.

6.17. The Fund Manager will maintain at all times the capital requirements and insurance required under AIFM Rules.

7. AUTHORIZED TRANSACTIONS

The transactions to be effected in relation to the Portfolio are subject to the legal regulations in force, including the Companies Law no. 31/1990, Law no. 297/2004, the AIFM Rules and other applicable regulations, as well as Law no. 247/2005, GEO no. 81/2007, the Constitutive Act as well as any other applicable legislation or regulation replacing, amending or completing the same.

8. ASSET CUSTODY AND THE DEPOSITARY

8.1. The Fund Manager will place the assets of the Customer in custody according to all applicable legal provisions, including without limitation the AIFM Law and the AIFM Rules. The Depositary will be appointed by the Fund Manager after consultation with the BoN, with sufficient time in advance, on the identity of the proposed Depositary and the terms and conditions of its appointment.

8.2. The relationship between the Customer (acting through the Fund Manager) and the Depositary shall be governed by a written depositary agreement and the Fund Manager shall ensure that such agreement includes clauses addressing those matters and imposing those obligations, which are required by the applicable AIFM Rules, Romanian legislation applicable to the Customer, the Constitutive Act and the IPS.

8.3. All payments due for receipt by the Customer, such as dividends, interests, sale proceeds, or any with other title, shall be paid directly to the Depositary and in the Customer's account opened at the Depositary. The Fund Manager shall not be entitled at any time and in any form to hold cash or other assets from the Portfolio belonging to the Customer in any form.

9. FUND MANAGER PERFORMANCE OBJECTIVES, ANNUAL REPORTING

9.1. For the duration of this Management Agreement, the Fund Manager must manage the Portfolio in accordance with, and must comply with, all the obligations undertaken under the IPS and seek to achieve the objectives therein, including (without limitation) the Discount Objective and the NAV Objective (together the **"Performance Objectives"**). The Customer and the Fund Manager acknowledge and agree that there is no guarantee that the Performance Objectives will be achieved and the Fund Manager does not warrant, undertake or represent that it will achieve them.

9.2. The Fund Manager will call a BoN meeting to discuss the Discount Control Mechanism (**"DCM"**) strategy if the Discount stays above 15% for more than half of the Trading Days in any financial quarter of the Customer. In addition, if the Discount stays wider than 15% for more than half of the Trading Days in any two successive financial quarters of the Customer, the Fund Manager will call a GSM (which would be held no later than the end of the next quarter) at which the Fund Manager would propose, for the Customer's shareholders' approval, specific DCM measures pre-agreed with the BoN and which are in line with the IPS, unless such actions are already pending and soon to be implemented based on shareholder approvals obtained during the relevant preceding two quarter periods.

9.3. For the purpose of reviewing the performance of the Fund Manager each year (including, but not limited to, whether the Performance Objectives have been achieved), each year in October the Customer will hold a GSM, starting in October 2016 (the **"October GSM"**).

9.4. Not later than 30 days before the deadline for publication of the October GSM documentation as required by the law, the Fund Manager must submit to the BoN a report on activities and performance of the Fund Manager (and each Delegate) in the relevant period (the **"Performance**

Report”). The first Reporting Period shall be 1 July 2015 until 30 June 2016 and every subsequent year shall be from 1 July until 30 June of the next year (the “**Reporting Period**”). The first Reporting Period will be divided in two periods of time: (a) 1 July 2015 until 31 March 2016, for which the report will reflect the activity of Franklin Templeton Investment Management Ltd. UK as fund manager of the Customer under a management agreement dated 29 April 2014 between the Customer and such entity, and (b) 1 April 2016 until 30 June 2016, for which the report will reflect the activity of Franklin Templeton International Services S.à r.l. as Fund Manager of the Customer pursuant to this Management Agreement.

9.5. The Performance Report must include, among others:

- (a) the report on the fulfilment of the Discount Objective (as such term is defined in the IPS);
- (b) the report on the fulfilment of the NAV Objective (as such term is defined in the IPS);
- (c) the report on the fulfilment of the obligations regarding DCM as mentioned above at Clause [9.2];
- (d) a summary of the regulatory issues affecting the performance during the Reporting Period;
- (e) a summary of market conditions affecting the performance during the Reporting Period;
- (f) such other matters as the Fund Manager wishes to bring to the attention of the shareholders in relation to its activities and performance in the relevant period.

9.6. Following receipt of the Performance Report, the BoN must prepare and submit for the information of shareholders at the October GSM a review of the Performance Report (the “**BoN Review Report**”), evaluating the performance of the Fund Manager, as well as any other factors that it considers to be relevant for the decision of the October GSM regarding the continuation or termination of this Management Agreement and the Fund Manager’s mandate.

9.7. The Performance Report, together with the BoN Review Report will be reviewed by the shareholders in the October GSM. The agenda of each October GSM will allow the shareholders the opportunity to vote on (i) the continuation or termination of this Management Agreement and the Fund Manager’s mandate, any proposed termination ensuring the simultaneous termination of the Fund Manager’s mandate and this Management Agreement and (ii) the procedure for the selection of a new Sole Director and Fund Manager, in case the shareholders vote for the termination of this Management Agreement and of the Fund Manager’s mandate. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its inclusion in the language of the draft resolution of the October GSM.

10. FUND MANAGER REMUNERATION AND EXPENSES

10.1. As remuneration for its services under this Management Agreement, the Fund Manager shall receive the fees set forth in Annex 1 (*Fees*). The Fund Manager shall provide the Customer with a valid certificate of tax residence for the relevant year under applicable Romanian tax provisions, before issuing any invoices to the Customer for such fees. Unless expressly stated otherwise, the fees and any other amounts payable to the Fund Manager under this Agreement are quoted exclusive of any sales, value-added, purchase or turnover tax as may be applicable in any relevant jurisdiction, including any value-added tax chargeable under or pursuant to Romanian value-added tax laws and regulations or relevant EU Directives.

10.2. Save as expressly provided otherwise in this Management Agreement, all costs and expenses incurred by the Fund Manager or the Investment Manager in the performance of their functions shall not be for the account of the Customer, but shall be borne by the Fund Manager or the Investment Manager. However, the Investment Manager may issue invoices to recharge expenses incurred by it related to any activities delegated to it pursuant to Clause 14.3 directly to the Customer, with the prior consent of the Fund Manager and of the BoN.

10.3. The Customer shall bear, or shall reimburse the Fund Manager (and in respect of the Investment Manager, for onward payment by the Fund Manager subject to Clause 10.2 above), where the Fund Manager or the Investment Manager has incurred them in advance, the following expenses:

- (a) expenses related to the payment of fees owed to the Depositary;
- (b) expenses related to intermediaries;
- (c) expenses related to taxes and fees owed to the FSA or other public authorities, according to applicable legislation;
- (d) expenses related to the financial audit performed on the Customer and any other audits or valuations required by the legislation in force applicable to the Customer;
- (e) expenses related to the admission to trading of the financial instruments issued by the Customer, and any subsequent issues or offerings; expenses with intermediaries and professional advisors in relation to arranging and maintaining the listing; expenses related to investor relations and public relations in the interest of protecting and promoting the Customer's image and that of its securities; expenses related to ongoing reporting and disclosure obligations according to legislation in force;
- (f) expenses related to the organising of any GSM and communications with the shareholders and to the payment of fees for registrar services and services related to distributions to shareholders rendered by the Central Depositary;
- (g) expenses related to the payment of taxes and fees owed to the Bucharest Stock Exchange, London Stock Exchange and any other exchange on which the financial instruments of the Customer or global depositary receipts or depositary interests corresponding to shares of the Customer shall be admitted to trading;
- (h) expenses related to the registration with the Trade Registry or documents issued by the Trade Registry;
- (i) expenses related to the payment of fees owed to the banks for banking services performed for the Customer, with the exception of the expenses mentioned in paragraph (a));
- (j) expenses related to appointing legal advisers and other advisors to act on behalf of the Customer;
- (k) expenses related to contracts with external service providers existing as of execution of this Management Agreement until the expiry or termination of the contract;
- (l) expenses related to remuneration, transport and accommodation of the members of the BoN (in relation to their services and attendance at meetings, in accordance with the Constitutive Act, the mandate agreements and any applicable internal regulations) and for independent persons (not employees of the Fund Manager or of the Investment Manager) acting as representatives of the Customer on the corporate bodies of companies in the Portfolio, where appropriate;
- (m) expenses relating to printing costs for the Customer's documentation;
- (n) expenses or charges imposed to the Customer by any tax authority related to the above expenses or otherwise applicable to the running of the business of the Customer;
- (o) other expenses with an annual value that does not exceed €100,000 related to the activity of the Customer; and
- (p) other expenses approved by the BoN for the Customer in accordance with the Constitutive Act (if their annual value exceeds €100,000).

10.4. Save as provided above, the Fund Manager (and the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3) shall be liable for the following out of pocket expenses incurred when performing its duties hereunder, including, but not limited to:

- (i) expenses in connection with mailing and telephone, except for letters to shareholders;
- (ii) expenses in connection with business travel and accommodation, except the expenses related to all investor relations activities and BoN meetings;
- (iii) expenses in connection with salaries, bonuses and all other remunerations granted by the Fund Manager (or the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3) to its employees and collaborators; and
- (iv) all other expenses necessary to the functioning of the Fund Manager (or the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3).

10.5. In performing its obligations under this Management Agreement, the Fund Manager shall not use (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will not use) Soft Dollar Practices. All transactions in connection to the Portfolio shall be consistent with the principles of best execution.

10.6. Any director's fees and other fees received by the Fund Manager's or any officers, employees,

agents, representatives or delegates of any Associated Company who acts as a Delegate in accordance with clause 14.3 from any of the Portfolio companies will be either paid over to the Customer or deducted from the management fee. For the avoidance of doubt, the reference to “fees” in the previous sentence does not apply to payments by Portfolio companies to arrange commercially reasonable insurance coverage on behalf of such persons for any liabilities arising from acting as a director or officer of the Portfolio company’s board and, where Portfolio companies fail to arrange such insurance, this shall be arranged by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3, acting on behalf of the Fund, at the Fund’s expense. The Fund Manager undertakes to observe at all times and otherwise follow the remuneration rules and guidelines applicable in accordance with the AIFM Rules.

10.7. The Fund Manager shall not (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will not) claim any lien, right of retention, security interest or set-off over the Portfolio or any assets or moneys in it.

11. PROVISION OF INFORMATION TO THE CUSTOMER AND ITS REPRESENTATIVES

11.1. In addition to the obligations under Clause 9, the Fund Manager will provide the Customer with such analysis of performance and periodical tabular presentations in connection to the Portfolio as reasonably requested by the Customer. At least twice in a calendar year the Fund Manager will make a presentation to the Customer in respect of the Portfolio for the previous six months and the Customer may request any documents with a view to discussing market factors, the Portfolio and the operation of this Management Agreement.

11.2. The Fund Manager shall provide to the Customer, quarterly and/or upon request, written documents/presentations evidencing the transactions entered into between the Fund Manager, on behalf of the Customer, and third parties in connection with the Portfolio.

11.3. The Fund Manager shall keep accurate and detailed records of all investments, receipts, disbursements and other transactions relating to the Portfolio, which it shall send to the Customer in a monthly report.

11.4. The Fund Manager shall supply on demand to the Customer copies of all accounts entries and other records relating to the Portfolio. The Fund Manager will extend its normal working hours as and when reasonably requested by the Customer and will provide, without unnecessary delay, all necessary facilities and assistance to the Customer’s auditors and other authorised representatives, including representatives of its shareholders and/or of the BoN, to audit and verify records of the Fund Manager relating to the securities, papers and other assets in the Portfolio, according to the applicable legislation. The scope of the audit shall not be limited by the Fund Manager and may include the examination of the Fund’s accounting system, procedures, records, internal controls, and any other documents or information in the Fund Manager’s possession to the extent relevant to the Customer (and subject to redaction to the extent required to respect the confidentiality of other clients) that the Customer or the auditor deems necessary acting reasonably to verify in order to facilitate formulation by the Customer of any opinion on the costs, both direct and indirect, or other amounts billed to the Customer and the performance of the Portfolio and the Fund Manager. The Fund Manager shall co-operate as necessary and facilitate the performance of any such audits, including securing for the aforementioned auditors and other authorised representatives assistance from the Fund Manager’s compliance officer and internal auditors.

11.5. The Fund Manager shall report to the Customer within two business days of its discovery of any non-compliance with or breach of the provisions of this Management Agreement (including the Annexes) and shall take all steps required to make good such non-compliance as soon as possible.

11.6. The Fund Manager will liaise as necessary with the Depositary to enable the Depositary, on

the Customer's behalf, to fulfil any obligations to disclose shareholdings in companies in which the Portfolio is invested in accordance with relevant legislation and will provide timely information to the Depositary for this purpose.

12. CONFIDENTIALITY AND ACTS WITH FISCAL CONSEQUENCES

12.1. The Fund Manager will, except only in so far as:

- (a) otherwise required by laws or regulations; or
- (b) necessary for effecting settlement and the performance of operations with the Depositary and any sub-custodian for the assets of the Portfolio; or
- (c) reasonably required for the proper performance of the services and for the enforcement of its rights and obligations under this Management Agreement; or
- (d) otherwise permitted in writing by the Customer; or
- (e) necessary for the purpose of setting up foreign exchange facilities (disclosure in this case shall be limited to credit and compliance departments of the banks),

ensure that all matters relating to the Portfolio and the Customer will be kept strictly confidential. Before the Fund Manager discloses confidential information under paragraph (a) above, it shall inform the Customer to this end. The Fund Manager shall procure that the Delegate provides to the Customer a confidentiality undertaking in the relevant delegation agreement in respect of all matters relating to the Portfolio, its role as a Delegate and this Management Agreement, in form and substance acceptable to the BoN.

12.2. The Fund Manager shall not disclose information relating to the Portfolio and the Customer to other companies of the Fund Manager's Group (except for the Investment Manager in its capacity as, and to the extent required for its role as, a Delegate) who carry on to a material extent any activities other than investment management outside those members of staff engaged in investment management functions, except in circumstances permitted in Clause 12.1. (a)- (d). The Fund Manager shall (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will) in any event operate confidentiality procedures which oblige its staff only to disclose information relating to the Portfolio and the Customer within the Fund Manager (or the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3) on a "need to know" basis and to observe strictest confidentiality in relation to price sensitive information.

12.3. The Fund Manager shall not (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will not) knowingly take or omit to take any action which might prejudice the interests of the Customer with respect to the applicable tax legislation. Without prejudice to the generality of the foregoing, the Fund Manager may (i) create any new taxable presence of the Customer, (ii) subject the Customer to new tax filing or reporting obligations, or (iii) expose the Customer to any significant tax charge outside the ordinary course of business, in each case only if the Fund Manager, after due diligence and careful investigation, considers it to be in the best interests of the Customer.

13. TERMINATION

13.1 This Management Agreement may be terminated according to its provisions and the applicable legislation.

13.2. The Customer may unilaterally and at its sole discretion terminate this Management Agreement, at any time, on three months' prior written notice to the Fund Manager, based on an OGM resolution for approving the simultaneous termination of the mandate and of this Management Agreement. For the avoidance of any doubt, termination of the mandate and this Management Agreement in accordance with this Clause 13.2 will not entitle the Fund Manager to any Damages or the payment of

any amounts other than the fees to be paid in accordance with Clause 13.6 below. This is without prejudice to Clause 17.4(c) but, for the avoidance of any doubt, such Clause 17.4(c) will never extend to Damages for termination in accordance with this Clause 13.2.

13.3 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director with six months' prior written notice. Not later than five business days following the Termination Notice Date, but subject to timely approval of the GSM agenda by the BoN, the Fund Manager will call the OGM having on the agenda the approval of the procedure for the selection of a new Sole Director and Fund Manager. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its submission to an OGM for approval.

13.4 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director by as much prior written notice to the Customer as is reasonably practicable, if:

- (a) the termination has been required by, or as a result of, a binding decision issued by any competent regulatory authority; or
- (b) if material obligations under this Management Agreement can no longer be fulfilled due to changes in the applicable law compared to the date of signing this Management Agreement, provided that the Fund Manager has used reasonable endeavours to comply with or (if it is not possible for the Fund Manager to do so) to propose a reasonable alternative arrangement involving an Affiliate which would comply with the relevant law, in accordance with Clause 14.4 below, but despite those efforts compliance would not be possible; or
- (c) if the Customer becomes the subject of any definitive winding up order.

13.5 In any event a Termination Notice is sent (except under Clause 13.4) or in the event of expiry of this Management Agreement, the Fund Manager shall (except to the extent otherwise required in writing by the Customer) continue to carry out all such acts as it is empowered and required to do by any part of this Management Agreement until the New Appointment Date provided that this obligation is subject to the continuing satisfaction of the following conditions:

- (a) the terms of this Management Agreement (including, without limitation, all authorisations from the Customer to the Fund Manager and all terms of remuneration and indemnity in favour of the Fund Manager) shall continue to apply;
- (b) the shareholders at GSM approve resolutions proposed by the Fund Manager to ratify and approve, to the extent legally possible:
 - (i) the Fund Manager's mandate as sole director and fund manager of the Customer, with effect until the New Appointment Date and
 - (ii) all legal acts (including decisions and contracts) concluded, adopted and issued on behalf of the Customer by the Fund Manager and any implementation acts, facts and operations based on such, including the management of the Customer under a unitary system, but, in each case, without prejudice to any grounds for termination given by the Customer in any prior Termination Notice and to any rights of the Customer under Clause 17 hereunder; for the avoidance of any doubt, the condition under this paragraph (b) will not apply in the event that the ratification from the GSM is requested for acts performed by the Manager in breach of its legal and/or contractual obligations as Fund Manager and Sole Director;
- (c) the BoN shall use all reasonable endeavours to ensure that the New Appointment Date occurs as soon as possible; and
- (d) the mandate as Sole Director does not end between the Termination Notice Date and the New Appointment Date, unless such ending is caused by deliberate actions of the Fund Manager, in which case the condition under this paragraph (d) will not apply.

13.6 Termination of this Management Agreement shall not terminate rights and obligations which are capable of surviving termination, including in particular, duties of the Fund Manager to report to the Customer, to provide information to the Customer and to keep matters confidential and for the Customer to indemnify the Fund Manager in accordance with Clause 17.4(c), which, for the avoidance of any doubt, will never extend to Damages for termination in accordance with this Clause 13.

Transactions in progress shall be dealt with in accordance with the Customer's instructions or, in the absence of such instructions, having regard to the best interests of the Portfolio.

13.7. In the event a Termination Notice is sent, the Fund Manager shall be paid in respect of its services hereunder on a pro rata basis with the duration of the provision of these services in accordance with Clause 13.5 above, in compliance with the Annex 1 (*Fees*), up to the New Appointment Date. For the avoidance of doubt, in such a case, the Fund Manager's, pro rata remuneration will be for a period of at least 3 months (regardless of whether the New Appointment Date is sooner).

13.8. In case of:

- (i) fraud, wilful default or negligence by the Fund Manager in performing the obligations assumed under this Management Agreement; or
- (ii) material breach by the Fund Manager of obligations assumed under this Management Agreement that may bring a serious loss to the Customer and that, if capable of remedy, have not been remedied within 10 business days of a notice of breach, this Management Agreement may be terminated by the Customer with full right with immediate prior notice but without any court intervention.

13.9. In no circumstances shall the Fund Manager be obliged to continue its mandate as a Fund Manager and compliance with this Management Agreement beyond the date twelve months from the Termination Notice Date, unless otherwise expressly agreed in writing by the Parties or required by law.

14. AMENDMENT OF THIS MANAGEMENT AGREEMENT, ASSIGNMENT OF RIGHTS AND DELEGATION

14.1. This Management Agreement may be amended at any time by an addendum signed by the legal representatives of the Fund Manager and of the Customer, with the prior approval of the GSM and the endorsement of the FSA, if required by applicable law.

14.2. This Management Agreement is concluded in consideration of the person of the Fund Manager and is personal to the Fund Manager. The Fund Manager shall not be entitled to assign or to transfer any of its rights or obligations hereunder save as expressly provided in this Management Agreement.

14.3. (a) The Fund Manager may delegate to an Associated Company including the Investment Manager, performance on its behalf of the portfolio management functions as well as administration and marketing activities which the Fund Manager has agreed to render to the Customer, subject in each case to entering into a delegation agreement, which has received the prior approval of the BoN and which the Fund Manager has ensured that it is in compliance with the AIFM Rules. The performance of each Delegate of the delegated obligations and duties shall be on the terms and be subject to the conditions contained in this Management Agreement, and shall be without prejudice to the obligations and responsibilities of the Fund Manager to the Customer under this Management Agreement.

(b) The Fund Manager shall be responsible for the acts or omissions of the Investment Manager (and each other Delegate, if any) in performing such functions, activities and services, and despite any such delegation, shall remain primarily liable for its obligations under this Management Agreement. Any such delegation by the Fund Manager shall not involve any additional cost to the Customer, unless expressly authorised in writing by the Customer, and the appointment of each Delegate shall be subject to the prior written approval of the BoN and the prior endorsement of any regulatory authority required by applicable legislation.

(c) The Fund Manager shall not delegate functions so that it is no longer the Customer's manager and to the extent that it becomes a letter-box entity within the meaning of AIFM Rules.

(d) The Fund Manager shall procure that each Delegate does not delegate any functions delegated to it according to this Management Agreement without the BoN's prior written approval and the endorsement of any regulatory authority required by applicable law. This Clause 14 shall apply, *mutatis mutandis*, to any such delegation by a Delegate, and the Fund Manager shall continue to remain liable towards the Customer with respect to any such further delegation.

14.4 To the extent that changes in applicable law or regulation following the signing of this Management Agreement impose requirements on the Fund Manager in the performance of this Management Agreement with which the Fund Manager cannot comply, the Fund Manager undertakes to use reasonable endeavours to continue performance of the services to the extent legally possible and, to the extent not legally possible, to procure that a reputable Affiliate shall agree to provide the same services on substantially the same terms to the Customer. For the avoidance of any doubt, the appointment of such Affiliate, as well as the implementation of any amendments to this Management Agreement or any other alternative arrangement proposed by the Fund Manager are subject to consent by the Customer, at its full discretion and nothing in this Management Agreement shall be construed as an expressed prior consent in this respect.

15. DURATION OF THIS MANAGEMENT AGREEMENT

15.1. Subject to the provisions of Clause 13, the duration of this Management Agreement and of the Fund Manager and the Sole Director mandates contained in this Management Agreement is for a period of **two years**, simultaneously starting on 1 April 2016.

16. COMMUNICATIONS, INSTRUCTIONS, NOTIFICATIONS

16.1. Subject to a GSM resolution to the contrary, as regards the relationship between the Customer and the Fund Manager/ Sole Director under or in relation to this Management Agreement, any reference in this Management Agreement to the Customer shall be deemed a reference to the BoN acting as the representative of the Customer towards the Fund Manager/ Sole Director. For the avoidance of doubt, any right or benefit of the Customer under this Management Agreement in relation to or against the Fund Manager/ Sole Directors shall be exercised by the BoN acting in the name and on behalf of the Customer.

16.2. All notifications and other communications from the Customer shall be made by BoN to the Fund Manager.

16.3. For the purpose of any communication between the Customer and the Fund Manager in relation to this Management Agreement, the Customer shall be represented by BoN.

16.4. The Fund Manager shall be entitled to rely on any notification or communication given by the BoN above without further enquiry, provided the instruction, notification or communication is given in one of the ways permitted in this Management Agreement and provided that oral instructions may not be relied upon by the Fund Manager.

16.5. All notices or any other communication to be given under this Management Agreement must be in writing, in Romanian or English, and must be: (i) personally delivered; (ii) delivered by fax; (iii) sent by courier with return receipt; or (iv) by e-mail.

16.6. The Parties details for transmitting notifications or any other communications related to the present Management Agreement are the following:

(a) If addressed to the Fund Manager:

Address:

Premium Point Building

78-80 Buzesti Street, 7th -8th floor, Bucharest
 District 1, Postal Code 011017
 Fax: (021) 200 96 31/32
 To the attention of: Mr. Grzegorz Maciej Konieczny

(b) If addressed to the Customer:
 At the contact details provided by the representative of the Customer.

17. PARTIES' LIABILITIES

- 17.1. The Fund Manager is liable for any Damages suffered by the Customer as a result of:
- (a) infringement of the applicable legislation;
 - (b) infringement of the Customer's internal rules, including the investment restrictions under the IPS;
 - (c) fraud;
 - (d) wilful default in performing this Management Agreement;
 - (e) negligence in the performance of this Management Agreement's obligations; or
 - (f) material breach of this Management Agreement.

For avoidance of doubt, the Fund Manager's liability under this clause 17.1 shall not exclude or limit its liability for death or personal injury caused by the Fund Manager's negligence; or fraud or fraudulent misrepresentation.

17.2. The Fund Manager's liability towards the Customer and its investors shall not be affected by any delegation. The Fund Manager shall also be liable for the negligence, wilful default, fraud or material breach of this Management Agreement by its Delegates, or its or their employees. The Fund Manager shall exercise all due care in its selection, use and monitoring of Delegates and shall indemnify and hold harmless the Customer from and against any Damages suffered or incurred by the Customer and caused by any failure to exercise all due care. The Fund Manager shall make reasonable efforts to resume normal performance of the services following, and to mitigate the consequences of, an event beyond its and its Delegates' reasonable control.

17.3. The Fund Manager shall not be liable for the actions of brokers (not being Associated Companies of the Fund Manager) save to the extent that the Fund Manager has acted negligently in selecting, contracting or monitoring or using such persons. Without prejudice to clause 6.11 above, in selecting a broker for a particular transaction, the Fund Manager shall attempt to obtain best execution for the Customer. Notwithstanding this responsibility, the Fund Manager will pursue counterparties on the Customer's behalf and account to the Customer for all recoveries against such counterparties.

17.4. (a) The Fund Manager agrees to indemnify and hold harmless each Indemnified Party from and against any and all Damages, to which the Indemnified Party may become subject under law, including allegations of negligence or breach of fiduciary duty, or otherwise, insofar as such Damages are caused by or arise out of: (i) the wilful misconduct of the Fund Manager or any of its Delegates (or its or their employees); (ii) the breach by the Fund Manager or any of its Delegates (or its or their employees) of any representation or warranty made to the Customer relating to the services hereunder or in respect of any AIFM Rules; (iii) the breach or non-fulfilment by the Fund Manager or any of its Delegates (or its or their employees) of any obligation pursuant to this Management Agreement or the investment restrictions under the IPS; (iv) any untrue statement of a material fact contained in information furnished to an Indemnified Party by the Fund Manager or any of its Delegates (or its or their employees) or the omission to state a material fact necessary in order to make the statements not misleading in light of the circumstances under which they were made; (v) the breach by the Fund Manager or any of its Delegates (or its or their employees) of any fiduciary duty or infringement of applicable law.

(b) The Fund Manager shall indemnify and shall hold harmless each Indemnified Party for all Damages incurred by an Indemnified Party, in connection with any investigation, claim, action, suit,

proceeding, demand or judgment, which is subject to any of the indemnities in this Clause 17.

(c) Save to the extent arising from Fund Manager's or its employees' negligence, fraud, wilful default or breach of this Management Agreement, the investment restrictions under the IPS or the applicable legislation or that of any of its employees or Delegates, Associated Companies or their respective employees, the Customer agrees to indemnify the Fund Manager from and against Damages arising from following the Customer's specific instructions (including, for the avoidance of doubt, informed decisions of the GSM in addition to instructions from the BoN), provided that:

- (i) the Fund Manager notifies the Customer in writing by fax or email (to such fax or email address as the BoN shall have notified the Fund Manager), as soon as reasonably practicable, but no later than 3 business days after becoming aware of the relevant Damage;
- (ii) the Fund Manager does not make any admission of liability or agree to any settlement or compromise of any claim for which indemnity is sought without the prior written consent of the Customer;
- (iii) on a prompt and timely basis the Fund Manager shall have provided all such documents, information and assistance and have done all such acts and things as the Customer may have reasonably required in order to assist the Customer in relation to such claims; and
- (iv) the Fund Manager will provide evidence that it has taken all reasonable steps necessary to mitigate such Damages, including by advising the Customer in writing against such instructions, prior to the notification mentioned at point (i) above.

17.5. Subject to observance of clause 6.17, the Fund Manager will maintain the following insurance:

- (a) Professional Liability to provide against, any failure to duly perform this Management Agreement if that failure is due to a wrongful act, negligent act, error, omission for an insured amount of at least €50 million;
- (b) Fidelity Bond to provide against any failure to account to the Customer for any money or investments if that failure is due to: (i) dishonest or fraudulent act of any employee; (ii) forgery of instructions, cheques, security or currency and damage caused to office premises and contents due to burglary or vandalism; and (iii) electronic and computer crime for an insured amount of at least €50 million.

17.6. Upon request of the Customer, the Fund Manager shall provide to the Customer evidence that the premium for each insurance described in Clause 17.5 above has been paid.

17.7. The Fund Manager's liability towards the Customer and the shareholders shall not be affected by the fact that the Fund Manager has delegated functions to a third party, or by any further sub-delegation.

18. FORCE MAJEURE

18.1 If a party (the "**Affected Party**") is, or could reasonably be expected to be, materially prevented, hindered or delayed from performing any of its obligations under this Management Agreement by reason of a Force Majeure Event, such obligations of the Affected Party and any corresponding or related obligations of the other party shall remain in effect but shall be suspended without liability and without there having occurred by virtue of the Force Majeure Event a breach of this Management Agreement for a period equal to the duration of the Force Majeure Event, provided that:

- (i) as soon as reasonably practicable after the start of the Force Majeure Event, to the extent permitted by the applicable law, the Affected Party notifies the other party in writing of the act, event or circumstance relied on, the date on which such act, event or circumstance commenced and the effect of the Force Majeure Event on the Affected Party's ability to perform its obligations under this Management Agreement; and
- (ii) the Affected Party makes all reasonable efforts to mitigate the effects of the Force Majeure Event on the performance of its obligations under this Management Agreement and to the extent permitted by the applicable law furnishes written reports every 10 Business Days to the other party on its progress in doing so, and to the extent permitted by the applicable law provides any information

relating to the Force Majeure Event and its effects that the other party may reasonably request.

18.2 Immediately after the end of the Force Majeure Event, the Affected Party, to the extent permitted by the applicable law, shall notify the other party in writing that the Force Majeure Event has ended and shall resume performance of its obligations under this Management Agreement.

18.3 No party shall be released from any of its obligations under this Management Agreement as a result of a Force Majeure Event, including, without limitation, the Customer's obligations to any counterparty or broker for any transaction effected by the Fund Manager pursuant to this Management Agreement, and this Management Agreement shall remain in effect for the duration of the Force Majeure Event.

18.4 If any Force Majeure Event shall substantially impair the ability of the Fund Manager to carry out its duties under this Management Agreement, the Customer shall be entitled to appoint a replacement manager until such event is rectified. If the Fund Manager remains unable to deliver (whether through Delegates or outsourcees or otherwise) substantially all its services under this Management Agreement after three months from the appointment of the relevant replacement manager have elapsed, the Customer shall be entitled to terminate the appointment of the Fund Manager on immediate notice.

18.5 For the avoidance of doubt, no Party may rescind, terminate or treat as void, voidable or unenforceable this Management Agreement on the basis of any non-performance by any other Party arising from a Force Majeure Event.

19. APPLICABLE LAW AND JURISDICTION

19.1. This Management Agreement is governed by and shall be construed in accordance with the laws of England & Wales.

19.2. Dispute Resolution

(a) Any dispute or difference arising out of or in connection with this Management Agreement, including without limitation any disputes regarding its valid conclusion, existence, interpretation, nullity, breach, amendment, termination in any way of this Management Agreement (each a “**Dispute**”), that cannot be resolved by amicable negotiations within a reasonable period of time from the notice served by any of the Parties relating to the potential Dispute shall be finally resolved by the LCIA (London Court of International Arbitration) under the LCIA Rules of Arbitration. The Party requesting the initiation of the arbitration proceedings shall serve the other Party with a written notice that such proceedings will be initiated.

(b) The place of the arbitration shall be London, the language of the arbitration shall be English, and the tribunal shall consist of three (3) arbitrators appointed in accordance with the LCIA Rules.

(c) Any award of the arbitral tribunal rendered in accordance with this clause shall be final and binding on the Parties.

(d) The award shall be voluntarily executed by the Parties in any jurisdiction, or else award enforcement proceedings may be instituted in any court in the country where the recognition of such arbitration award is requested.

(e) In the event of a Dispute, the Party prevailing in such Disputes shall be entitled to recover all expenses, including without limitation reasonable legal fees and expenses and arbitral and court-related costs, incurred in ascertaining such Party's rights under this Management Agreement and preparation of application and enforcement of such Party's rights, as determined by the arbitration tribunal, whether or not it was necessary for such Party to institute any enforcement proceedings to achieving the enforcement of its rights.

19.3. Notwithstanding the above, the Fund Manager acknowledges that any decision of the Customer to terminate the Fund Manager's mandate as Sole Director will take effect pursuant to the provisions of Clause 13. above.

20. REPRESENTATIONS AND WARRANTIES

20.1. The Fund Manager represents and warrants to the Customer that at all times:

- (i) the Fund Manager has full power and authority to execute, deliver and to carry out the terms of this Management Agreement and that this Management Agreement constitutes a legal, valid and binding obligation of the Fund Manager;
- (ii) the Fund Manager is duly incorporated in Luxembourg and has received relevant authorisations to passport its investment management services into Romania in accordance with the AIFMD and it has at the time of entering into this Management Agreement at least the minimum level of capital and own funds required under the AIFM Rules;
- (iii) the Fund Manager has the legal capacity, as per the law applicable in its home country and Romania, as the case may be, and has received all relevant authorisations and approvals by each relevant authority to provide investment management and other services of the type contemplated under this Management Agreement to an entity such as the Customer;
- (iv) the Fund Manager has special knowledge and skill relevant to the services for which it is engaged under this Management Agreement;
- (v) neither the Fund Manager, the Investment Manager nor any Associated Company who acts as a Delegate in accordance with clause 14.3 is the subject of any regulatory or governmental actions, claims or investigations relevant to its investment management activities which could impair its ability to carry out the terms of this Management Agreement;
- (vi) neither the Fund Manager nor any of its subsidiaries, Associated Companies, divisions or other affiliates involved with the affairs of the Customer has ever had its registration revoked, suspended or its activities restricted;
- (vii) each of the Fund Manager, the Investment Manager and any Associated Company who acts as a Delegate in accordance with clause 14.3 maintains adequate back up and disaster recovery systems and procedures, conflicts of interest policies, risk management policies and any other policies or procedures required by the applicable legislation with respect to the activity carried out by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 as regards the Customer;
- (viii) each of the Fund Manager, the Investment Manager and any Associated Company who acts as a Delegate in accordance with clause 14.3 takes investment decisions solely with reference to the interests of the respective funds it manages;
- (ix) its financial statements and the financial statements of the Investment Manager are subject to regular audit by financial auditors; and
- (x) to the best of the Fund Manager's knowledge, neither the execution, delivery, nor performance of this Management Agreement by the Fund Manager will violate any law, statute, order, rule, or regulation of, or judgment, order or decree by, any federal, state, local, or foreign court or governmental authority, domestic or foreign, to which the Fund Manager is subject nor will the same constitute a breach of, or default under, provisions of any agreement or contract to which it is a party or by which it is bound.

The Fund Manager shall notify the Customer forthwith of any event or matter, which would, if these warranties were repeated, render them untrue, inaccurate or misleading.

20.2. Subject to Clause 22.2., the Fund Manager shall promptly notify the Customer in writing of changes in the Portfolio managers primarily responsible for the Portfolio or in senior staff responsible for setting the investment and business policy of the Fund Manager and of the Investment Manager.

The Fund Manager will provide on annual basis, within 30 days from the beginning of the calendar year, a list with portfolio managers, the main persons with responsibilities in respect to the Portfolio, and senior staff responsible for setting the business and investment policy within the Fund Manager and the Investment Manager. In case of a need to change a portfolio manager or a main person with responsibilities in respect of the Portfolio, the replacement shall have equal or superior qualifications and professional experience and similar time allocation for the Customer.

20.3 By this Management Agreement, the Customer represents and certifies that it is the legal owner of the assets comprised in the Portfolio, as at the signing date of this Management Agreement.

20.4. The Customer warrants that on the date this Management Agreement is signed, the Portfolio is free from any charge, lien, pledge or encumbrance other than those resulting from normal custody and settlement arrangements or through action or omission of the Investment Manager under its previous mandate as fund manager with the Customer. If the Customer shall create in the future or be informed about the creation of any charge, lien, pledge or encumbrance (other than through action of the Fund Manager) which may affect the Fund Manager's freedom to trade in such securities, it undertakes that it will inform the Fund Manager of such action as soon as reasonably practicable.

20.5. The Customer, in the form of its BoN and shareholders, represents that it took all reasonable steps to approve and execute all such documents and to give all authorizations and consents as are reasonably necessary to have the necessary capacity and authority to enter into this Management Agreement. This representation is subject to all information publicly available as regards the corporate decisions taken by the Customer as of its incorporation.

21. DATA PROTECTION

21.1 The Fund Manager stores on its computer system and processes personal data in connection with the implementation of its mandate. The Customer authorises the Fund Manager to perform such data processing and recognises that the Fund Manager is free to use the data, but only for the purposes of performing this Management Agreement and of the implementation of its mandate in accordance with the law.

21.2. The Fund Manager will act as data controller within the meaning of the Data Protection Laws in relation to any personal data supplied to it in connection with this Management Agreement and for the purposes indicated in Clause 21.1 above. Each Party undertakes to comply with its obligations under the Data Protection Laws in relation to such personal data it processes in relation to this Management Agreement including amongst others, to observe all the applicable formalities concerning notifying the competent data protection authority, as well as concerning informing and obtaining the relevant consent from the data subjects, where required and as incumbent upon it under the Data Protection Laws. Notwithstanding the generality of the foregoing, the Customer acknowledges and agrees that personal data relating to its investors being natural persons may be transferred to the Fund Manager and may be processed as imposed by the applicable legal provisions by the Fund Manager as if such data related to the Customer itself, with the exception that in this particular case the Customer shall be the data controller (within the meaning of the Data Protection Laws) acting in accordance with the notification registered by it with the National Supervisory Authority for Personal Data Processing under no. 18668, as such would be amended from time to time, whilst the Fund Manager shall ~~only~~ act as its data processor (within the meaning of the Data Protection Laws). In this particular case, the Fund Manager undertakes to only act based on the Customer's instructions and to observe and apply the security measures provided by the Data Protection Laws (including to apply the adequate technical and organizational measures in order to protect the data against accidental or unlawful destruction, loss, alteration, disclosure or unauthorized access, notably if the respective processing involves the data's transmission within a network, as well as against any other form of illegal processing).

21.3. Subject to applicable provisions of the Data Protection Laws, the data provided to the Fund Manager acting as data processor shall not be shared by the Fund Manager with third-parties other than the persons designated by the Customer and the companies or persons whose involvement is necessary to carry out all or part of the Fund Manager's duties and obligations contemplated under this

Management Agreement (consisting in the Fund Manager's "parent" company, the Investment Manager, and the Fund Manager's Affiliates, any Delegates, subcontractors and/or outside service providers) and in accordance with the Fund Manager's internal procedures. In this context, the Customer acknowledges and agrees that personal data related to it or the investors may be transmitted, stored and processed on systems located outside of Romania, in the European Union, which systems are or may be operated by the Fund Manager or third parties indicated above in this Clause 21.3. In case such data will be envisaged to be transmitted, stored and processed in other countries than those mentioned in this clause, the Fund Manager shall observe the applicable provisions of the Data Protection Laws, including, if necessary, the registration of this transfer with the National Supervisory Authority for Personal Data Processing, before any transmission, storage and processing in the said additional countries takes place.

21.4. Data is kept for the duration of the contractual relationship and may be kept for the maximum period legally possible, if any, following the termination of this relationship.

22. TRANSITORY AND FINAL PROVISIONS

22.1. If any of the provisions of this Management Agreement is held to be invalid or unenforceable, or impossible to perform, such invalidity, unenforceability or impossibility shall not affect any other provisions of this Management Agreement, and this Management Agreement shall be construed and enforced as if such invalid, unenforceable or impossible to perform provisions had not been included.

22.2. For the duration of this Management Agreement and irrespective of any replacement of the Fund Manager to which the Customer may consent, the Fund Manager undertakes (and must ensure that any entity in the Fund Manager's Group with which the Fund Manager may be replaced undertakes) that Mr. Grzegorz Maciej Konieczny, in his capacity as the Investment Manager's legal representative with respect to the Customer and Permanent representative of the Fund Manager, (i) will be not, without the prior express written approval of the BoN, changed, replaced or dismissed, save as a result of his misconduct, nor will the Fund Manager do any similar acts or things or do anything which may have a similar effect, and (ii) it will use all reasonable efforts to procure that Mr. Grzegorz Maciej Konieczny must, for the duration of his role (or any replacement to whom investment discretion is allocated) in the course of this Management Agreement, devote the necessary time for the management of the Portfolio, subject to compliance at all times with the conflict of interest provisions set forth under the AIFM Rules.

23. SIGNATORIES

This Management Agreement will be signed in the English and Romanian language and executed in 3 originals, one for the Fund Manager and two for the Customer.

This Management Agreement is executed as of the date mentioned on its cover page:

by FONDUL PROPRIETATEA SA as duly represented by:

Name: <hr/> Position: <hr/>	
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<i>Execution date:</i> ____/____/____	
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on the one part;

and by FRANKLIN TEMPLETON INVESTMENT SERVICES S.À R.L. as duly represented by:

<i>Name:</i> _____ <i>Position:</i> _____ <i>Execution date:</i> ____/____/____	
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on the other part.

Annex 1 - Fees

The fees due to the Fund Manager in accordance with Clause 10 of this Management Agreement shall be calculated in RON and invoiced and paid in Euro by the Customer in compliance with the following: the amount calculated in RON will be converted into Euro using the official exchange rate for RON to Euro published by National Bank of Romania for the last day of the period invoiced.

The fees shall be calculated as (i) a Base Fee, and (ii) a Distribution Fee, in each case as set out below and in respect of each Calculation Period.

1. Base Fee

A base fee (the “**Base Fee**”) shall be calculated as follows:

Base Fee Rate *multiplied by* the notional amount, *multiplied by* the number of calendar days during the applicable Calculation Period *divided by* 365,

where:

the “**Base Fee Rate**” = 60 basis points per year;

1 basis point = 0.0001; and

the “**notional amount**” is the market capitalization of the Customer, which is defined as:

- (a) the number of the Customer’s paid shares considered on daily basis, *minus*
- (b) the weighted average over the applicable Calculation Period of the number of the Customer’s - settled own shares together with the number of the Customer’s equivalent ordinary shares represented by Global Depositary Receipts (“**FP GDRs**”), in each case where those shares or FP GDRs are held by the Customer as treasury shares,
- (c) then multiplying the resulting number by the weighted average market price of the Customer’s shares calculated for the applicable Calculation Period. The “**weighted average market price**” shall be computed based on the daily average market prices of the Customer’s shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section.

If the number of shares relevant for the computation of the Base Fee described above in (a) and (b) changes over the Calculation Period, the Base Fee will be an aggregation of the computation for each sub-period.

For each day in a Calculation Period for which the Base Fee is to be calculated, when the Discount is below or equal to 20%, but above 15%, an additional Base Fee Rate of 5 basis points per year shall become payable (i.e. the Base Fee Rate referred to in the calculation above shall become 65 basis points per year for the applicable days in the relevant period).

For each day in a Calculation Period for which the Base Fee is to be calculated, when the Discount is equal or below 15%, a further additional Base Fee Rate of 5 basis points per year shall become payable (i.e. the Base Fee Rate referred to in the calculation above shall become 70 basis points per year for the applicable days in the relevant period).

As the Base Fee (including any additional fee determined under the previous two paragraphs) is computed using the number of days in a calendar year (365 days), the Base Fee Rate used for non-trading days will be the rate applied for the prior trading day.

2. Distribution Fee

It is recognized that distributions beneficial to shareholders would reduce the notional amount upon which the Base Fee is calculated. To reward the Fund Manager for arranging such distributions, a fee shall be calculated as follows (an amount so calculated in respect of a particular period, a “**Distribution Fee**”):

- (a) 200 basis points of the total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of FP GDRs and returns of share capital) made available up to and including 31 March 2017;
- (b) 150 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of FP GDRs and returns of share capital) made available from 1 April 2017 up to and including 30 September 2017; and
- (c) 100 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of FP GDRs and returns of share capital) made available from 1 October 2017 up to and including 1 April 2018.

Reference is made to distributions being “**made available**” to clarify that any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of, these distributions will not result in any adjustment of the calculation of the Distribution Fee due to the Fund Manager. The calculation of the Distribution Fee shall be made when such distributions become available to shareholders (e.g. payment start date). In case of a repurchase of own shares or of FP GDRs, the calculation of the Distribution Fee shall be made at the date when the own shares repurchase transactions or FP GDRs transactions are settled. For FP GDRs transactions, the Distribution fee will be computed taken into account the official exchange rate published by the National Bank of Romania for the date of settlement of FP GDRs transactions.

3. Payments

- (a) The Base Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is to be made.
- (b) The Distribution Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which the Distribution Fee was calculated.
- (c) The invoices for the Base Fee and the Distribution Fee shall be submitted to the Depositary.
- (d) The Fund Manager shall provide to the BoN quarterly and on an annual basis and upon reasonable request of the BoN a detailed report regarding the fees collected under this Management Agreement, in the form reasonably required by the BoN.
- (e) The payment of each fee shall be done within 30 business days of the receipt of the applicable invoice.

4. Verification

The payment of the Base Fee and the Distribution Fee shall be arranged by the Fund Manager only after the verification and certification by the Depositary of the correctness of the following amounts used in the calculation of those fees: the notional amount, the value of distributions, and all the other items used in calculation of the fees, as well as the methods for determining the fees.

Annex 2 – Specific duties and obligations

Without prejudice to the obligations of the Fund Manager specified in the Management Agreement, the below is a non-exhaustive list of additional specific duties and obligations the Fund Manager undertakes to provide.

- Portfolio Management services

The Fund Manager shall provide portfolio management services to the Customer as mentioned in Clause 6 of the Management Agreement.

- Risk Management services

The Fund Manager shall provide risk management services to the Customer in order to assess the exposure of the Customer to market, liquidity and counterparty risks and the exposure of the Customer to all other relevant risks, including operational risks which may be material for the Customer, subject to and in accordance with the terms and provisions of this Management Agreement, the applicable AIFM Rules and any applicable circular to be issued by the CSSF (the "**CSSF Circular**"), and the risk management systems implemented by the Fund Manager, as may be amended and supplemented from time to time (the "**RMS**").

The Fund Manager shall have and perform the following powers and duties:

1. in addition to the obligations in Clause 6 of the Management Agreement, to prepare, in the manner and with the level of detail prescribed by the AIFM Rules, the CSSF Circular and the AIFM Law, for submission to the Customer compliance reports at regular intervals in relation to the RMS in accordance with procedures agreed from time to time between the Customer and the Fund Manager;
2. to provide to the Customer in the frequency and the form stipulated in the RMS from time to time by the Customer, such information as is required by the Customer to comply with the risk management process requirements of the applicable law.

In addition, the Fund Manager shall at least:

- i. implement an appropriate, documented and regularly updated due diligence process when investing on behalf of the Fund, according to the investment strategy, the objectives and risk profile of the Fund;
- ii. ensure that the risks associated with each investment position of the Customer and their overall effect on the Customer's portfolio can be properly identified, measured, managed and monitored on an on-going basis, including through the use of appropriate stress testing procedures;
- iii. ensure that the risk profile of the Customer shall correspond to the size, portfolio structure and investment strategies and objectives of the Customer as laid down in the applicable legislation, Constitutive Act and IPS.

The Fund Manager shall set a maximum level of leverage which it may employ on behalf of the Customer as well as the extent of the right to reuse collateral or guarantee that could be granted under the leveraging arrangement (if any), taking into account all elements as required by the applicable legislation including the AIFM Rules, Constitutive Act and IPS.

- Administration Functions

The Fund Manager shall have and perform the following duties:

1. Managing the relationship with the Central Depository with regard to its shareholders register functions – the only entity that has the right to keep the register of shareholders under Romanian legislation.
2. Keeping all the books, records, agreements, forms, papers, files and other corporate documents required by Romanian law.

3. Determining and issuing the net asset value of the Fund as well as the net asset value per share of the Fund.
4. Monitoring the compliance with the regulations in force.
5. Receiving any and all notices, correspondence, telegrams, telex messages, telephonic advice or other representations and communications received for account of the Fund.
6. Keeping with due diligence and caring any and all such Fund documents and information entrusted to it.
7. Providing and supervising facilities and services for the preparation and dispatch of statements, reports, notices, announcements, proxies, minutes and other documents to the shareholders and the BoN.
8. Co-operating at the drafting of the entire documentation for calling the General Meeting of Shareholders of the Fund.
9. Drafting the annual budget.
10. Drafting the Investment Policy Statement.
11. Proposing the conclusion of the financial audit agreement.
12. Proposing the change of the location of the registered office of the Fund.
13. Providing appropriate conference rooms for meetings of the BoN and the shareholders of the Fund.
14. Providing for any legal filing and publications and file any tax returns.
15. Maintaining contacts with all supervisory, regulatory, tax or other state authorities or Fund-related professional organisations in Romania, complying with any information request from these authorities and advising the Fund thereof (including the current reports).
16. Co-operating at the establishment of the annual reports, accounts, financial reports, financial statements and of any other documents, which have to be sent to Investors or to the relevant authorities in accordance with applicable laws, regulations or the Constitutive Act.
17. Dealing with investor queries and sending correspondence and all other documents to the investors.
18. Public Relations activities.

The Fund Manager, in its capacity as Sole Director, shall undertake in the name of the Customer the necessary administrative work required by the applicable legislation and the Constitutive Act and the IPS. The Fund Manager, in its capacity as Sole Director, shall have and perform the following powers and duties:

- i. to establish the books and records of the Customer in compliance with the legal provisions and the accounting practices in force at the relevant time in Romania and to keep them in Romania where all accounting documents shall be available at any time;
- ii. to determine the net asset value of the Customer as well as the net asset value per share of the Customer in accordance with Romanian legal provisions in force and the relevant provisions of the Constitutive Act;
- iii. to properly fulfil its legal obligations regarding the establishment of the annual accounts, financial reports and of any other documents which have to be sent to shareholders or to the relevant authorities in accordance with applicable laws, regulations or the Constitutive Act;
- iv. to take care, at the expenses of the Customer, of the dispatch of the correspondence, the financial reports and all other documents to the shareholders and to the relevant authorities;
- v. to prepare the financial statements and reports in accordance with the provisions of Romanian regulations and of the countries where the Customer is registered;
- vi. to co-operate, as necessary, with the Customer's auditors, the Romanian authorities and the authorities in the countries where the Customer is registered.

- Marketing

The Fund Manager is in charge of marketing the shares of the Customer globally. For the avoidance of doubt, the Fund Manager must carry out any notification or other formalities contemplated in Articles 29 and 30 of the AIFM Act or the equivalent provisions in legislation in another relevant Member State, where required in view of the marketing of the Customer's shares in any Member State which has implemented the AIFMD, as defined in the AIFM Act.

Annex 6 The Constitutive Act of Fondul Proprietatea SA in force as at 31 December 2015

CONSTITUTIVE ACT

CHAPTER I

Name of the company, legal form, headquarters and duration

ARTICLE 1

Name of the Company

(1) The name of the Company is "Fondul Proprietatea" - S.A.

(2) All invoices, offers, orders, tariffs, prospectuses and other documents used in business, issued by the Company shall indicate the name, the legal form, the registered office, the registration number with the Commercial Registry and the sole registration code (CUI), the subscribed share capital, and the paid share capital with the mention "closed – end investment company".

ARTICLE 2

Legal form of the company

(1) "Fondul Proprietatea" - S.A., hereinafter referred to as Fondul Proprietatea, is a Romanian legal person, set up as a joint-stock company.

(2) Fondul Proprietatea is organized, operates and ceases its activity under the provisions of Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed, and of Company Law No. 31/1990, republished, as further amended and completed.

(3) Fondul Proprietatea is set up as an undertaking for collective investment (A.O.P.C.), of the closed-end-type, as defined by Art. 114(1) letter b) of Law No. 297/2004, as further amended and completed.

ARTICLE 3

Company headquarters

(1) The registered office of Fondul Proprietatea is located in Bucharest, 78-80 Buzesti Street, floor 7th, Sector 1; the headquarters may be changed to any other location in Romania, by decision of the asset management company (Fund Manager), according to article 21 paragraph (3) xii).

(2) The Company may set up secondary headquarters such as branches, representative offices, working points or other units with no legal personality, under the terms provided by law.

ARTICLE 4

Company duration

The duration of Fondul Proprietatea is unlimited.

CHAPTER II

Purpose and business object of the company

ARTICLE 5

Company purpose

The purpose of Fondul Proprietatea is the management and administration of the portfolio.

ARTICLE 6

Business object

- (1) Fondul Proprietatea has as main object of activity the management and administration of the portfolio.
- (2) The main domain of activity of Fondul Proprietatea is the one described by CAEN Code 643 – mutual funds and other similar financial entities, and the main activity is financial investments - CAEN Code 6430.
- (3) The business object of Fondul Proprietatea is the following:
 - a) management and administration of the portfolio;
 - b) other additional and adjacent activities, according to the regulations in force.

CHAPTER III

Share capital, shares

ARTICLE 7

Share capital

- (1) The subscribed share capital of Fondul Proprietatea is in amount of RON 11,815,279,886.85, divided in 12,437,136,723 ordinary, nominative shares, having a face value of RON 0.95/each. The capacity as shareholder of Fondul Proprietatea is attested by a statement of account issued by the Central Depository.
- (2) The identification data of each shareholder, the contribution to the share capital of each shareholder, the number of shares to which a shareholder is entitled to and the participation quota out of the total share capital are included in the shareholders' register kept by a computerized system by the Central Depository.

ARTICLE 8

Share capital increase and decrease

- (1) The extraordinary general meeting of the shareholders shall decide, under the conditions of the law, on the share capital increase and decrease of Fondul Proprietatea, in accordance with the provisions of art. 12 (3) letter c) and d) of this constitutive act.
- (2) The share capital may be increased, in accordance with the provisions of the law, by:
 - a) by issuing new shares in exchange for cash contributions;
 - b) incorporating reserves, except for the legal reserves and of the reserves created out of the re-evaluation of the patrimony, as well as of the benefits and issuing premiums.
- (3) The share capital increase stated for in paragraph 2 shall be registered at the Trade Register Office, on the basis of the decision made by the General Meeting of the Shareholders of Fondul Proprietatea,
- (4) Any share capital decrease shall be performed in accordance with the provisions of the law.
- (5) The share capital may be decreased by:
 - a) decreasing the number of shares;
 - b) decreasing the nominal value of shares; and
 - c) other means provided by the law.
- (6) In case the Fund Manager notices that, due to accrued losses, the amount of the net assets, established as the difference between the total assets and total liabilities of Fondul Proprietatea, is less than half of the value of the subscribed share capital, Fund Manager is bound to call the extraordinary general meeting of the shareholders, which will decide if Fondul Proprietatea requires to be dissolved. In case the extraordinary general meeting of the shareholders does not decide the dissolution of Fondul Proprietatea, then Fondul Proprietatea is bound to proceed, at the latest by the termination of the fiscal year subsequent to the one in which the losses were determined, to a share capital decrease with an amount at least equal to that of the losses which could not be covered by reserves, in case in this time the net assets of Fondul Proprietatea were not reconstituted up to a value at least equal to half of the share capital.
- (7) Share capital decrease shall be performed only after two months as of the publication in the Official Gazette of Romania, Part IV, of the resolution of the extraordinary general meeting of the shareholders.

ARTICLE 9

Shares

- (1) The shares of Fondul Proprietatea are nominative, of equal value, issued in dematerialized form, established by registration in the account, and grants equal rights to their holders under the conditions provided by art. 11.

- (2) The nominal value of a share is RON 0.95.
- (3) The shares are indivisible with respect to Fondul Proprietatea, acknowledging only one holder for each share. In case a share becomes the property of more persons, Fondul Proprietatea / the Central Depository is not bound to register the transfer as long as those persons will not appoint a sole representative to exercise the rights arising from the share.
- (4) The partial or total transfer of the shares amongst the shareholders or third parties is done according to the terms, conditions and procedure provided by law.
- (5) Fondul Proprietatea may buy back its own shares in accordance with the conditions laid down in legislation in force.
- (6) The right to dividends are held by the shareholders registered in the shareholders' register, according to the provisions of Law No. 297/2004, as further amended and completed, as well as the regulations issued for the implementation thereof.

ARTICLE 10

Bonds

Fondul Proprietatea is authorized to issue bonds in accordance with the provisions of the law. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

ARTICLE 11

Rights and obligations arising from shares

- (1) Each share fully paid by the shareholders, according to the law, grants them the right to vote in the general meeting of the shareholders, according to the provisions of paragraph (2), the right to elect and to be elected in the management bodies, the right to take part in the profit distribution, according to the provisions of this constitutive act and the legal dispositions, respectively other rights provided by the constitutive act.
- (2) The shares issued by Fondul Proprietatea grant the right to vote, each share grants one voting right.
- (3) Holding one share implies the rightful adhesion to this constitutive act.
- (4) The rights and obligations follow the shares in case ownership thereof passes to another person.

CHAPTER IV

General meeting of the shareholders

ARTICLE 12

General meetings of the shareholders

- (1) The general meeting of the shareholders may be ordinary and extraordinary.
- (2) The ordinary general meeting of the shareholders has the following competencies, duties and functions:
 - a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Fund Manager and financial auditor;
 - b) to establish the distribution of the net profit and to establish the dividends;
 - c) to appoint the members of the Board of Nominees ("BoN") and to cancel their appointment;
 - d) to appoint the Fund Manager in accordance with the law 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 financial audit services for the ongoing fiscal year;
 - g) to rule over the management of the Fund Manager and to evaluate his/her performances and to discharge him/her from its management,
 - h) to decide on the action in a court of law against the Fund Manager or, as the case may be, against the financial audit, for damages caused to Fondul Proprietatea;
 - i) to approve the strategies and the development policies of Fondul Proprietatea;
 - j) to establish the annual income and expenditure budget for the following financial year;
 - k) to decide upon the pledge, lease or the creation of the movable securities or mortgages on the assets of Fondul Proprietatea;
 - l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.

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

ARTICLE 13

Summoning the general meeting of the shareholders

- (1) The general meeting of the shareholders is called by the Fund Manager whenever required. Prior to the convocation of the general meeting of the shareholders, the Fund Manager shall communicate to the Board of Nominees the intention to call the general meeting and shall introduce on the list of matters for the meeting all matters requested by the Board of Nominees.
- (2) The ordinary general meeting of the shareholders meets at least once a year, within 4 months from the end of the financial year.
- (3) The date of the meeting may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.
- (4) The general meeting of the shareholders, either ordinary or extraordinary, shall be called whenever required, according to the legal provisions in force and with the dispositions of the constitutive act, by publication of the calling notice in the Official Gazette of Romania, Part IV, and a national daily newspaper or in a local newspaper largely read in the locality where the HQ of the company resides at least 30 days prior to the proposed date of meeting.
- (5) One or more shareholders, individually or jointly, representing at least 5% of the share capital of Fondul Proprietatea, may request the Fund Manager by a written address signed by the holder(s) to introduce in the agenda new matters, within 15 days of the publication of the calling notice.
- (6) The calling notice, any other matter added to the agenda at the request of the shareholders or of the Board of Nominees, the annual financial statements, the annual report of the Fund Manager, the report of the Board of Nominees as well as the proposal to distribute dividends are made available to the shareholders, at the headquarters of Fondul Proprietatea at the date of convocation of the general meeting, and are also published on the internet page, for free access to information by the shareholders. Upon request, copies of these documents shall be issued to the shareholders.
- (7) The calling notice includes the place, hour and date of the general meeting of the shareholders, as well as the agenda, expressly mentioning all matters that will be subject to debate. Upon calling the general meeting of the shareholders the provisions of art. 147-158 of Regulation No. 15/2004 regarding the authorisation and functioning of investment management firms, collective investment undertaking and depositories, approved by Order of the president of the National Securities Commission No. 67/2004, as further amended, shall apply.
- (8) In case the agenda includes proposals to amend the constitutive act, the notice shall include the full text of the proposals. In case the agenda includes the appointment of the members of the Board of Nominees, the notice shall mention that the list including information regarding the name, the residence and professional training of the persons proposed for the position of member of the Board of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.
- (9) The notice for the first general meeting of the shareholders may provide also 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 cannot take

place if the quorum is not being met.

(10) The general meeting of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.

(11) The Board of Nominees may request to the Fund Manager the calling of the general meeting, and if the Fund Manager does not observe the written request of the Board of Nominees within 5 working days from receiving it, the Board of Nominees may call upon the general meeting of the shareholders by following the same procedures as set out in this Article.

(12) The chairperson of Board of Nominees may request to the Fund Manager the calling of the general meeting according to article 16 paragraph (4) second sentence.

(13) The Fund Manager immediately call the general meeting of the shareholders, upon written request of the shareholders, individually or jointly, representing at least 5% of the share capital, in case the request includes dispositions that fall under the responsibility of the general meeting of shareholders.

(14) In the case provided by paragraph (13), the general meeting of the shareholders shall be called within at most 30 calendar days and shall meet within at most 60 calendar days as of the date when the Fund Manager received the request of the shareholders.

(15) In the situation provided by paragraphs (13) and (14), in case the Fund Manager does not call the general meeting of shareholders, the shareholders who requested the calling of the general meeting may request the same to the Board of Nominees. Should the Board of Nominees is also not responding to their request in 10 working days from the receipt of the request, the court of law from the headquarters of Fondul Proprietatea, by summoning the Fund Manager, may authorize the calling of the general meeting by the shareholders which formulated the request

ARTICLE 14

Organization of the general meeting of the shareholders

I. Quorum and voting rights

(1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is required that the shareholders representing at least a fourth of the total shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with the majority of votes.

(2) In case the ordinary general meeting of the shareholders cannot operate due to lack of quorum under paragraph (1), the meeting that will meet upon a second convocation may deliberate on the items included in the agenda of the first meeting, irrespective of the met quorum, taking decision by majority of the expressed votes.

(3) For the validity of the deliberations of the extraordinary general meeting of the shareholders the following are required:

a) upon the first convocation, the attendance of the shareholders representing at least a fourth of the shares having voting rights, and the decisions are taken with majority of votes held by the shareholders attending or being represented;

b) upon the second convocation, the general meeting of the shareholders may deliberate on the items included in the agenda of the first meeting in the presence of the shareholders representing at least one fifth of the total number of the shares having voting rights, taking decisions by majority of votes held by the shareholders attending or being represented.

(4) The attendance of shareholders representing at least 50% of the total number of the voting rights, both at the first and the second convocation, is required for the validity of deliberations of the extraordinary general meeting of the shareholders to adopt a decision regarding:

(i) a share capital increase,

(ii) the anticipated dissolution of Fondul Proprietatea, made under the conditions of the law.

(5) For the validity of the deliberation of the extraordinary general meeting of shareholders regarding a share capital decrease, the attendance of the shareholders representing:

(i) at least a fourth of the shares having voting rights upon the first convocation, and

(ii) at least one fifth of the total number of the shares having voting rights, upon the second convocation is required.

(6) The decision to amend the main business object of Fondul Proprietatea, to decrease or increase the share capital, to change the legal form, to merge, de-merge or dissolve, is taken with a majority of at least two thirds of the voting rights related to the shares having voting rights of the shareholders attending or being represented.

II. Procedure of the meetings

(7) On the day and hour established in the convocation, the general meeting of the shareholders shall be opened by the permanent representative of the Fund Manager or, in its absence, by the one holding its place. A legal representative of the Fund Manager or a person appointed by the legal representative of the Fund Manager shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.

(8) The general meeting shall elect, from amongst the attending shareholders, 1 up to 3 secretaries, who will check the attendance list of the shareholders, indicating the share capital represented by each of them, the minutes drawn up by the technical secretary to determine the number of the submitted shares and the 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 and the shareholders' attending list shall be attached to each minute.

(11) The permanent representative of the Fund Manager may appoint, from amongst the employees of Fund Manager, one or more technical secretaries, to 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 to the headquarters of Fondul Proprietatea, in a clear and precise form, noting "for", "against" or "abstained" in relation to each issue subject to approval for which the shareholder intends to cast a vote.

(20) The votes transmitted electronically shall be cancelled if they do not observe the procedure set by the Fund

Manager drawn up according to the National Securities Commission regulations and such votes will not be taken into consideration in calculating the attending quorum.

III. Exercising the voting right in the general meeting of the shareholders

(21) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.

(22) The decisions of the general meetings of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.

(23) Only the shareholders registered in the company shareholders' register at the reference date established by the Fund Manager or the Board of Nominees, as the case may be, when calling the general meeting of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.

(24) Secret vote is compulsory for electing and revoking the Fund Manager, the members of the Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.

(25) The procedures referring to the secret vote, where applicable will be approved by the Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.

(26) The decisions of the general meeting of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.

(27) The shareholders who do not have capacity to act, as well as the legal entities may be represented by their legal representatives who, in their turn, may grant power of attorney to other persons for that particular general meeting of the shareholders.

CHAPTER V

The Board of Nominees

ARTICLE 15

Organisation

(1) The ordinary general meeting of the shareholders shall appoint the Board of Nominees, formed of 5 members, and shall establish their remuneration.

(2) Any shareholder will have the right to make proposals on the members of the Board of Nominees. The members of the Board of Nominees may be shareholders of Fondul Proprietatea or other persons designated by the shareholders and they must have the proper experience and knowledge in order to be able to receive the Fund Manager reports and of the consultants and, based on the information received, judge the merits of the management of Fondul Proprietatea within the limits of the objectives and principles set by the investment policy as well as by the applicable laws and regulations. Also, the members of the Board of Nominees have to be qualified properly in order to decide (if there is need with the support of an independent consultant) if the transactions proposed by the Fund Manager needing the approval of the Board of Nominees are made to the advantage of the shareholders.

(3) The mandate of the members of the Board of Nominees is of 3 years, period to be extended by right, by the first meeting of the General Meeting of the Shareholders.

(4) The Board of Nominees elects from amongst its members a chairman of the Board.

ARTICLE 16

Functioning

(1) The meetings of the Board of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Board of Nominees is made by the chairman, any of its members or upon the request of the Fund Manager. The Board of Nominees shall meet in at most 7 days as of the calling.

(2) The Chairperson of the Board of Nominees or, during his absence, a member of the Board of Nominees appointed through vote by the other members to chair the meeting, ensures the proper development of the meetings. The meetings of the Board of Nominees shall be held at the headquarters of Fondul Proprietatea or at such other location as may be agreed among the members of the Board of Nominees.

(3) The Board of Nominees takes valid decisions provided the absolute majority of its members. The members of the Board of Nominees may be represented to the meetings of the Board of Nominees only by other members of the Board of Nominees on the basis of a special written empowerment, presented in its original form at the

beginning of the meeting. One member of the Board of Nominees may represent only one absent member. The decisions of the Board of Nominees shall be taken with the absolute majority of the votes of its members and are signed by all the members which participated to the meeting. If some of the members of the Board of Nominees have been represented, the empowerment will be annexed to the minute of the meeting.

(4) If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision, the chairperson of the Board of Nominees shall give notice for a second meeting of Board of Nominees, having the same agenda as the first, in order to discuss this agenda. If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision for three consecutive times, the chairperson of the Board of Nominees shall ask Fund Manager to convoke the general meeting of the shareholders in order to properly decide on the respective decisions; in case that Fund Manager does not convoke it, any of the members of the Board of nominees will be in his right to convoke the general meeting.

(5) In case of vacancy of the seat of one or more members of the Board of Nominees, the general meeting of the shareholders shall immediately convoke for the appointment of new members. For the period in time by the decision of the general meeting, the other members of the Board of Nominees will nominate members ad interim to fulfil the vacant positions. The decision of the Board of Nominees on nominating members ad interim will be communicated to FM, the auditor and will be filed with the Trade Register.

ARTICLE 17

Attributions of the Board of Nominees

The Board of Nominees has the followings duties and functions:

- (1) Following the information received from the Fund Manager with regard to the summoning of the ordinary and/or extraordinary general meeting of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general meeting of shareholders;
- (2) Receives from the Fund Manager the information in connection with the answers to the written requests submitted before the date of the general meeting of the shareholders, by the shareholders on topics regarding Fondul Proprietatea's activity;
- (3) Receives from the Fund Manager the annual financial statements, the annual activity report presented by the Fund Manager and the financial auditors' report, before being made available to the shareholders and analyses them, being able to formulate an opinion to be presented to both the Fund Manager and the general meeting;
- (4) Receives from the Fund Manager for analysis the annual report and the management policy of Fondul Proprietatea and presents an opinion to the Fund Manager and to the general meeting of the shareholders regarding such;
- (5) Receives from the Fund Manager for analysis the yearly income and expenditure budget before it is submitted to the approval of the general meeting of shareholders and presents an opinion to the Fund Manager and to the general meeting of the shareholders regarding such;
- (6) Receives from the Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (7) Receives from the Fund Manager for analysis and approves the framework for carrying out Fondul Proprietatea's operations, as well as any other Fondul Proprietatea's regulations issued by Fund manager according to legal provisions in force, capital market rules and regulations;
- (8) Receives from the Fund Manager for analysis the proposal to the ordinary general meeting of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the general meeting of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary meeting;
- (10) Receives the report of the internal auditor and presents an opinion to the Fund Manager and to the general meeting of the shareholders;
- (11) Monitors the following, based on information and reports received from the Fund Manager:
 - the list of all portfolio investments and percentage breakdown by each investment type;
 - a list of major transactions occurring in the Fondul Proprietatea portfolio for the period under review;
 - the total profit of the portfolio and comparison of profit with the appropriate market benchmark;
 - comparison of the obtained profit with the initial objective;
 - the extent of compliance with the investment policy, as well as any variations and actions taken to get the correct results;
 - the performance evaluation report.

The Board of Nominee shall draft and present to the general meeting of the shareholders an annual report regarding the monitoring activity performed or a monitoring report for another period agreed by the general meeting of shareholders;

(12) Represents the general meeting of the shareholders in relation with the Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by this constitutive act as a direct communication between the general meeting and the Fund Manager;

(13) Verifies the report of the Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Fund Manager, and verifies if the operations carried on by the Fund Manager are in compliance with the applicable law, the constitutive act and/or with any relevant decision of the general meeting of the shareholders;

(14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general meeting of the shareholders;

(15) Participates to the meetings of the general shareholders' meetings and presents in this meeting reports in all cases provided by this constitutive act or with regard to any issue it deems to be relevant for the shareholders;

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

(17) Recommends to the General Meeting of the Shareholders the termination of the management contract for the case when the Board of Nominees is considered is to the benefit of the shareholders.

(18) Recommends to the general meeting of the shareholders on any other issues the Board of Nominees is considered relevant to the shareholders.

(19) Following of proposal of Fund Manager, recommends to the Extraordinary General Meeting of the Shareholders the appointment of the public offer intermediate, as well as on his remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

(20) Approves the delegation by the Fund Manager of certain activities. The delegation will be in force after the approval of NSC, where required by legislation in force.

(21) Is responsible for monitoring the Fund Manager performance of the Investment Management Agreement.

ARTICLE 18

The obligations of the members of the Board of Nominees

(1) The members of the Board of Nominees have diligence and loyalty duties towards the shareholders of Fondul Proprietatea.

(2) The members of the Board of Nominees are held liable towards the general meeting of the shareholders of Fondul Proprietatea, in accordance with the mandate rules. The decisions of the members of the Board of Nominees will be taken after due enquiries into the relevant circumstances existing at the specific moment at which such decisions have been taken.

(3) The members of the Board of Nominees cannot disclose the confidential information and the commercial secrets of Fondul Proprietatea, to which those persons have access. Such obligation remains in force as well as after the termination of the mandate.

(4) If a member of the Board of Nominees has, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, in a certain operation, that member must give notice of such situation to the other members and to the internal auditors and not take part in any deliberation regarding that operation.

(5) The same obligation must be observed by the member of the Board of Nominees, who acknowledges that in a certain operation, his/her wife or husband, relative or related persons by the 4th grade inclusive are interested.

(6) The prohibitions stipulated in paragraphs (4) and (5) regarding the participation, deliberation and voting of the members of the Board of Nominees, are not applicable if the vote refers to:

a) the offer of shares or obligations of Fondul Proprietatea for subscription, to a member of the Board of Nominees or to the persons mentioned in paragraph (5);

b) the granting by a member of the Board of Nominees or by the persons mentioned in paragraph (5) of a loan or establishing a guarantee in favour of Fondul Proprietatea.

(7) The member of the Board of Nominees not observing the provisions of paragraphs (4) and (5) is held liable for the damages caused to Fondul Proprietatea.

(8) It is forbidden the crediting by the Fondul Proprietatea of the members of the Board of Nominees, through operations such as:

a) granting loans;

- b) granting financial facilities for or after the conclusion by Fondul Proprietatea with the members of delivery operations of goods, providing of services or performance of works;
 - c) direct or indirect guarantee, in whole or in part, of any loans granted to the member of the Board of Nominees, concomitant or after granting the loan;
 - d) direct or indirect guarantee, in whole or in part, of performance by the members of any other personal obligation of those towards third parties;
 - e) direct or indirect guarantee, in whole or in part, of any receivables having as object a loan granted by a third party to the members of the Board of Nominees or other personal service of those members.
- (9) The provisions of paragraph (8) are applicable and the operations in which the husband or wife, relatives or related persons by the 4th grade inclusive of the members of the Board of Nominees are interested; also, if the operation concerning a civil or a commercial company at which one of the persons above mentioned is director or holds, solely or together with one of the persons above mentioned, a quota of at least 20% of the value of the subscribed share capital.
- (10) The provisions of paragraph (8) are not applicable for the case when the operation is concluded by Fondul Proprietatea during its current business, and the clauses of the operations are not more favourable to the persons specified in paragraphs (8) and (9) than the ones usually practiced by Fondul Proprietatea towards third parties
- (11) The Board of Nominees shall promptly decide on all requests for approval from the Fund manager within a reasonable time frame to allow the Fund Manager to comply with it's own obligations.

CHAPTER VI

Provisions regarding the company's management

ARTICLE 19

Organisation

- (1) Fondul Proprietatea is managed by Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, with headquarters in Bucharest, 78-80 Buzesti street, floors 7-8, district 1, fiscal registration no. 25851096, registration number at Trade Registry J40/8587/2009, legally represented by Grzegorz Maciej Konieczny, Polish citizen, born on 22.11.1970 at Slupsk, Poland, with home address in Poland, identified with identification documentation issued by Polish Authorities on 14.05.2009, with valability date by 14.05.2019, with personal identification number 7011220001 and by Adrian Cighi, Romanian citizen, with home address on Bucharest, 57 Aron Cotrus street, D Entrance, 5 floor, ap. D31, district 1, identified with ID RT number 768358 issued by S.P.C.E.P. District 1 on 18.05.2011, valid by 10.08.2021, with personal identification number 1830810314000 and by Oana - Valentina Truța, Romanian citizen, domiciled in Bucharest, 46-58 Liviu Rebreanu street, Block III, E Entrance, Ap. 5, 3rd District, identified with Identity Card series RX number 550763 issued by S.P.C.E.P 3rd district on 21.08.2014, valid by 20.08.2024, having as Personal Identification Number 2800820260032, which holds the position of sole director, as well as of asset management company referred to throughout this document as the Fund Manager.
- (2) The Fund Manager is elected by the general meeting of the shareholders, with the observance of the legal provisions and of this constitutive act.
- (3) The mandate of the Fund Manager is of 2 years. The Fund Manager will call an Ordinary General Meeting of the Shareholders to be held at least 6 months before the termination of the duration of the mandate of the Fund Manager with the agenda of approving the renewal of the Fund Manager's mandate or starting the selection process of a new Fund Manager and the negotiation of the management agreement to be concluded with the selected candidate. After the selection of the candidate, the Fund Manager will immediately call an Ordinary General Meeting of the Shareholders with the agenda of appointing the selected candidate as Fund Manager and authorizing the execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorization and legal completion of such appointment.
- (4) The legal entity appointed as Fund Manager of Fondul Proprietatea must expressly accept such position, by executing the management agreement and must have in place professional liability insurance.
- (5) The Investment Management Agreement can be modified or replaced in accordance with article 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the Investment Management Agreement will be signed on behalf of Fondul Proprietatea by the chairman of the Board of Nominees or by a member of the Board of Nominees empowered by the chairman.

ARTICLE 20

Functioning

The Fund Manager shall appoint a natural person as its permanent representative. The Fund Manager can make changes of its permanent representatives (that are the legal representatives and managers of the Fund Manager), with the prior authorisation of NSC. All changes will be registered at Trade Register.

ARTICLE 21

Attributions of the Fund Manager

(1) The management of Fondul Proprietatea is ensured by the Fund Manager, which fulfils the necessary and useful operations for the fulfilment of the company's business object, except of the operations reserved by the law for the general meeting of the shareholders and has all the obligations attributed to it by the applicable law.

(2) The Fund Manager exercises its attributions under the control of the general meeting of the shareholders and the monitoring of the Board of Nominees.

(3) In excess of the duties provided by the applicable law, the Fund Manager shall be liable to:

- i) establish a reference date for shareholders entitled to vote within the general meeting, under the law, and draft the text of the announcement on the convocation of the general meeting, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;
- ii) upon the written request of any shareholder submitted before the date of the general meeting of the shareholders, to give responses after obtaining the prior approval of the Board of Nominees, regarding the aspects concerning the business of Fondul Proprietatea;
- iii) ensure that, if requested by any of the shareholders, a copy of or extract of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general meeting of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors,
- iv) prepare the annual financial statements, draft the annual activity report, examine the financial auditors' report, present them to the Board of Nominees before submitting such documents to the general meeting of the shareholders and make proposals on the distribution of the profit to the general meeting of the shareholders, after obtaining the prior approval of the Board of Nominees;
- v) manages the relationship with the Central Depository with regard to its shareholders register functions,
- vi) prepare an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general meeting of the shareholders;
- vii) proposes for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders, of the yearly income and expenditure budget and business plan;
- viii) propose for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea; it is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio; it has to inform periodically the Board of Nominees on any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio
- ix) approve the outsourcing of certain activities, within the limits of the approved budget; respectively delegating the execution of certain activities, with the prior endorsement of the NSC, where required by applicable legislation,
- x) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of the shareholders any agreement / document which may create binding obligations to Fondul Proprietatea, including but not limited to the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
- xi) to enter into any agreement / document which may create binding obligations to Fondul Proprietatea, (the purchase, sale, conversion or encumbrance of the assets of Fondul Proprietatea) whose value does not exceed, either individually or cumulated, during a financial year, 20% of the non-current assets, less any receivables, without the approval of the ordinary or extraordinary general shareholders meeting;
- xii) propose to the ordinary general meeting of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approve the procedure of internal audit and the audit plan;
- xiii) decide the relocation of the registered office, provided that the registered office shall at all times be registered

in Romania;

xiv) make available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);

xv) inform at once the Board of Nominees of any litigation or infringement of legislation regarding Fund Manager, any operation which might be an infringement to the investment policy and about the plans/ correction measures for approaching these matters.

xvi) ask for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Fund Manager, which can not be resolved amiably.

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

ARTICLE 22

The obligations of the Fund Manager

(1) The Fund Manager has a diligence and loyalty duty towards Fondul Proprietatea. Such duty is exercised taking into consideration the interest of the shareholders generally, and not of some of them.

(2) The Fund Manager is held liable towards Fondul Proprietatea, according to the law. The decisions of the Fund Manager are taken after due enquiries regarding the relevant circumstances existing at the moment of which those decisions are taken.

(3) The Fund Manager cannot disclose confidential information or commercial secrets of Fondul Proprietatea, to which it has access. Such obligation remains also after the termination of the mandate.

(4) If the Fund Manager, respectively its permanent representative and its employees, have in a certain operation, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, the Fund Manager must give notice to the internal auditors and Board of Nominees of this issue and not take part in any deliberation concerning the specific situation.

(5) The same obligation must be observed by the Fund Manager, respectively by its permanent representative and its employees if, in a certain operation, is being aware that an Affiliate of the Fund Manager or the wife or husband, relatives or related persons by the 4th grade inclusive of the representative and its employees, are interested.

ARTICLE 23

Representation of Fondul Proprietatea

(1) In relations with third parties, Fondul Proprietatea is represented by the Fund Manager, respectively by its permanent representative.

(2) The Fund Manager may delegate the representative powers, in accordance with the applicable law and CNVM regulations.

CHAPTER VII

The audit of Fondul Proprietatea

ARTICLE 24

The internal auditors and the financial audit

(1) The financial statements of Fondul Proprietatea are subject to financial audit. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.

(2) An internal audit department shall be organised within Fondul Proprietatea, having attributions of objective examinations of the company's aggregate business, for the purpose of providing an independent evaluation of the risk management, control and leading development of the company. Fund Manager can decide that internal audit work can be outsourced, in which case it will run on a contractual basis, according to article 3 of Decision of Romanian Chamber of Auditors no. 88/2007, with subsequent amendments.

(3) The internal audit is independent of the management of Fondul Proprietatea, and the internal auditors shall objectively exercise this activity.

(4) The internal audit shall evaluate and shall propose the improvement of the risk management, the control and internal rules within Fondul Proprietatea.

- (5) The internal auditors shall not be subject of any interference in determining the purpose of the internal audit and in exercising their activity.
- (6) The internal auditors shall have an impartial, correct attitude and shall avoid the conflicts of interest.
- (7) The internal audit shall transmit the plans of the internal audit activity and the necessary resources, inclusive the significant interim changes, to the Board of Nominees for information, as well as to Fund Manager for approval within the limits of its competencies.
- (8) The internal audit shall establish the policies and procedures for exercising the internal audit activity within Fondul Proprietatea, comprising amongst others, the analysis of the decisions taken by the company's management and the control of their compliance with the statutory requirements and/or with other documents approved by the general meeting of the shareholders.
- (9) The internal audit shall coordinate its activity with the financial auditor, in order to ensure the proper fulfilment of the audit objectives and to minimize any duplication of attributions.
- (10) The internal audit shall give quarterly reports to the Board of Nominees of Fondul Proprietatea and Fund Manager regarding the purpose of the internal audit activity, authority, responsibility and performance according to its plan. The reports shall include also the significant risks and aspects of the control and management, as well as other necessary problems or as requested by the Board of Nominees and the Fund Manager.
- (11) The internal audit shall verify if the management of Fondul Proprietatea has taken appropriate measures concerning the reported significant risks or if the Fund Manager has accepted the risk of not taking any measure and shall inform the Board of Nominees and the general meeting of the shareholders if the Fund Manager has accepted the reported significant risks.
- (12) The internal audit shall establish the procedures for monitoring the implementation of the measures taken by the management of Fondul Proprietatea.
- (13) The internal auditors shall notify the Board of Nominees and the Fund Managers with respect to any flaws in the management or breaches of the legal provisions or of the constitutive act, where such are identified by the internal auditors; the significant cases shall be notified to the general meeting of the shareholders.
- (14) The internal auditors shall take into consideration the complaints of the shareholders when drafting the reports addressed to the general meeting of the shareholders.
- (15) The attributions, duties and the functioning way of the internal auditors, as well as their rights and obligations are completed with the legal provisions in this area.

CHAPTER VIII

Business of Fondul Proprietatea

ARTICLE 25

Financing its own business

For the fulfilment of the business object and in accordance with the attributions established, Fondul Proprietatea uses the financial sources established pursuant to the law, banking credits and other financial sources. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

ARTICLE 26

Financial year

The financial year begins on 1st of January and terminates on 31st December of each year.

ARTICLE 27

Accounting evidence and annual financial statements

- (1) The accounting is kept in Romanian language and in national currency.
- (2) Fondul Proprietatea must draft the annual financial statements according to legal provisions in force.

ARTICLE 28

Calculation and distribution of the profit

- (1) The result of the financial year is determined at the end of the year and represents the final balance of the profit and loss account.
- (2) The profit of Fondul Proprietatea after the payment of the profit tax shall be distributed according to the

decision of the general meeting of the shareholders and to the legal provisions in force.

(3) Fondul Proprietatea creates legal reserves and other reserves, pursuant to the law.

(4) The payment of dividends owed to the shareholders is made by Fondul Proprietatea, according to the law.

(5) The dividends are distributed between the shareholders proportional with the number of held shares.

(6) In case of loss of the net asset, the general meeting of the shareholders shall analyse the causes and decide properly, according to the law.

ARTICLE 29

Registries

Fondul Proprietatea shall maintain, by care of the Fund Manager and internal auditors, all registries provided by the law. The shareholders registry is kept by the Central Depository.

CHAPTER IX

Association, change of the legal form, dissolution and liquidation, litigation

ARTICLE 30

Association

(1) Fondul Proprietatea may set-up, solely or together with other Romanian or foreign natural persons or legal entities, other companies or legal entities, according to the law and to this constitutive act.

(2) The conditions for the participation of Fondul Proprietatea at the setting-up of new legal entities shall be regulated by the constitutive acts, which to be approved by the general meeting of the shareholders.

ARTICLE 31

Dissolution

(1) The dissolution of Fondul Proprietatea shall take place in the following cases:

a) impossibility of performing the company's business object;

b) declaring the company's nullity;

c) by decision of the extraordinary general meeting of the shareholders, in accordance with article 14 paragraphs (4) and (5);

d) as consequence of losses, if the net asset value, determined as difference between the total asset and company's debts, represents less than half of the value of the subscribed share capital and if, not later than the termination of the financial year subsequent to the one during which the losses have been ascertained, the general meeting of the shareholders fails to decrease the share capital with an amount at least equal with the one of losses which could not be covered from reserves or to reconstitute the company's net asset up to the value at least equal with half of the subscribed share capital.

e) opening of the bankruptcy procedure;

f) the number of shareholders reduces under the legal minimum;

g) other causes provided by the law or by this constitutive act.

(2) The dissolution of Fondul Proprietatea cannot take place before the finalisation of the procedures for granting indemnities to the rightful persons.

(3) The dissolution decision of Fondul Proprietatea must be registered with the commercial registry and published in the Official Gazette of Romania, Part IV.

ARTICLE 32

Liquidation

(1) The dissolution of Fondul Proprietatea has as consequence the opening of the liquidation procedure.

(2) The liquidation of Fondul Proprietatea and distribution of the patrimony are made in accordance with the law.

ARTICLE 33

Calculation method of the net asset

The calculation method of the net asset is made according to the legal provisions in force.

ARTICLE 34

Prudential rules concerning the investment policy

- (1) The investment policy is established by the Fund Manager, with the observance of the investment limitation provided by the legal provisions in force and of this Constitutive Act.
- (2) Fondul Proprietatea shall be subject to the investment restrictions provided under Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed as well as any other applicable law or regulation.
- (3) Subject to the terms of this Constitutive Act, of the IMA and the applicable law, all decisions in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of Fondul Proprietatea shall be at the sole discretion of the Fund Manager.
- (4) Prudential rules concerning the investment policy will be by approved by the shareholders through Investment Policy Statement.
- (5) Fondul Proprietatea will not engage in any “raising of capital” activities, within the sense of Article 4 (1) (a) (i) of EU Directive 2011/61 as detailed by European Securities and Markets Authority’s related guidelines and interpretations, save for the situation where such would be imposed under Article 10 para. (2) of Law no. 247/2005, with further amendments and supplements.

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 7 New Investment Policy Statement of Fondul Proprietatea SA

INVESTMENT POLICY STATEMENT OF FONDUL PROPRIETATEA SA

I. PURPOSE OF THE INVESTMENT POLICY STATEMENT

This investment policy statement (hereinafter referred to as the “**Investment Policy Statement**” or “**IPS**”) sets the prudential rules concerning the investment policy of Fondul Proprietatea S.A. (hereinafter referred to as “**Fondul Proprietatea**” or “**FP**”) and presents the investment goals, objectives and the decision-making process for selecting investments in accordance with the investment objectives.

The IPS provides criteria against which investment results will be measured and serves as a review document to monitor, evaluate and compare the performance of the Fund Manager on a regular basis.

The IPS shall be reviewed when needed by the Fund Manager together with the Board of Nominees, in accordance with the provisions of FP’s Constitutive Act and the applicable legal provisions.

The IPS is set forth within the legal framework established by Title VII of Law 247/2005 and any related and ancillary legislation in force, and, in accordance with FP’s Constitutive Act, the Extraordinary General Shareholders’ Assembly is responsible for approval of the IPS.

II. ROLES, RESPONSIBILITIES AND PROCEDURES

A. **Fund Manager.** The Fund Manager is appointed by the General Shareholders Meeting and performs its activity based on a Management Agreement entered into between Fondul Proprietatea and the Fund Manager (hereinafter referred to as the “**IMA**”).

The Fund Manager has the power to make all decisions concerning the investments to be made by Fondul Proprietatea, in accordance with the restrictions provided in this IPS, the Constitutive Act of Fondul Proprietatea, the IMA and applicable laws and regulations.

B. **Board of Nominees.** The Board of Nominees monitors the activity of the Fund Manager and represents the shareholders in relation to the Fund Manager. The exact roles and responsibilities of the Board of Nominees are detailed in the Constitutive Act of Fondul Proprietatea.

C. **General Shareholders Meeting.** The General Shareholders Meeting is the supreme corporate body of Fondul Proprietatea. Certain transactions performed by Fondul Proprietatea require the prior approval of the General Shareholders Meeting, in accordance with the Constitutive Act and the applicable legislation.

III. INVESTMENT OBJECTIVES AND PERFORMANCE OBJECTIVES

A. Investment objective

FP’s investment objective is the maximization of returns and per-share capital appreciation via investments

mainly in Romanian equities and equity-linked securities.

B. Performance Objectives

a. Discount Objective

The discount between the closing price for each Trading Day on the Bucharest Stock Exchange (the “**Trading Day**”) of the shares issued by FP and the latest reported NAV per Share should be equal to or lower than 15% in at least two thirds of the Trading Days during the Reporting Period (as defined in the IMA) (the “**Discount Objective**”).

b. NAV Objective

The Fund Manager should achieve a level of Adjusted NAV per Share (as defined below) higher than the reported NAV as at 30 June 2015(the “**NAV Objective**”).

The adjusted NAV (the “**Adjusted NAV**”) for a given date will be calculated as the sum of:

- (i) the reported NAV as at the end of the Reporting Period (as defined in the IMA);
- (ii) any returns to shareholders, following reductions of the share capital (return of nominal) implemented after 30 June 2015, and
- (iii) any Distribution Fee (as defined in the IMA) and any transaction costs relating to non-dividend distributions including buy-backs of shares and/or Global Depositary Receipts (“GDRs”) executed after 30 June 2015.

The Adjusted NAV per Share will be equal to the Adjusted NAV divided by the total number of the Fund’s paid shares, less treasury shares (FP ordinary shares bought back) and less equivalent in FP ordinary shares of FP GDRs acquired and not yet converted into FP ordinary shares, on the last day of the Reporting Period (the “**Adjusted NAV per Share**”).

C. General principles for achieving the objectives

The Board of Nominees and the General Shareholders Meeting will review the performance of the Fund Manager, on an annual basis, for the period of time established as the Reporting Period (as defined and further detailed in the IMA).

A Discount Control Mechanism (“DCM”) will be applied by the Fund Manager, as set out below, in order to seek to meet the Discount Objective.

In the absence of investment opportunities offering better returns for shareholders, or if the discount to NAV per share is wider than 15% for more than 50% of the Trading Days in any 3 month financial quarter, the Fund Manager will use all or a significant part of the proceeds from dividends and disposal of portfolio companies to implement measures aimed at maximizing cash returns to shareholders and fulfilling the Performance Objectives. Discount management techniques to meet the Performance Objectives and apply the DCM may include (but are not limited to) the following:

- Recommendation of buy-back programs of FP’s shares and GDRs and/or depositary interests corresponding to shares of the Fund to shareholders for approval, subject to compliance with the

Constitutive Act and all applicable legislation.

- Reduction of the nominal value of shares, accompanied by cash distribution to shareholders.
- Execution of buy-back programs via (i) trading on the regular market on which FP's shares or GDRs and/or depositary interests corresponding to shares of the Fund are listed and/or (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 and GDRs, with the aim of increasing the market price, by:
 - maintaining a transparent cash distribution policy: on an annual basis the Fund Manager will propose to shareholders the distribution of at least 100% of the dividends received from the Fund's portfolio companies plus the interest on cash less operating expenses and taxes and less compulsory allocations to reserves subject of the regulations in force;
 - increasing the share of listed companies in the portfolio and their transparency;
 - building good communication through active investor relations work; and
 - supporting initiatives to make the Romanian capital market more attractive for investors.

In order to achieve the objectives in the IPS, the Fund Manager should pay attention to:

- clarity of the Fund Manager's investment strategy and how it contributes to achieving the main investment objectives;
- active engagement with the portfolio companies in order to increase their value, and
- constructive communication and interaction with the Board of Nominees.

D. Risk management

The Fund Manager is responsible for proper balancing of risk and expected returns.

The Fund Manager should implement appropriate tools and processes in order to monitor operational and investment risks and to respond to developments in a timely fashion.

IV. INVESTMENT LIMITS AND RESTRICTIONS

The investment policy will observe the prudential limits of investments provided for by the applicable laws and regulations in force and the Constitutive Act of FP.

Under normal market conditions, the Fund should have at least 80% of its net assets invested in Romanian equity and equity-linked securities.

Investments limits, include but are not limited to the following:

- up to 10% of its assets invested in listed shares or money market instruments issued by one single issuer, except of the government bonds
- up to 20% of its assets invested in unlisted securities or money market instruments except of the

government bonds and other cases permitted by law*

- up to 10% of assets invested in bank deposits with one single bank
- up to 10% of assets invested in financial instruments issued by entities belonging to the same group of companies
- up to 10% of assets invested in UCITS units or other collective investment scheme units
- exposure to the counterparty risk in a transaction with derivatives traded out of the regulated markets may not exceed 10% of assets, irrespective of the counterparty of the transaction, while the global exposure of derivatives may not exceed 15% of the total allocation of net assets
- not less than 20% of assets investments in listed securities, UCITS units or other collective investment scheme units (meeting certain conditions) 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. Until decrease of its participation in the relevant listed issuers, the Fund is prohibited to acquire further securities in the same issuer as securities received from Romanian State, except for the exercise of the subscription rights related to the Fund's preference rights where the excess of the relevant investment limit should not last for more than 120 calendar days.*

All investment restrictions are available on Fondul Proprietatea website, Investment Policy Statement Section.

V. ADDITIONAL GUIDELINES

Subject to applicable legal provisions in force and the FP Constitutive Act, all decisions regarding sector and security selection, portfolio construction, timing of buy or sell transactions and choice of venue and structure of transaction are delegated to the Fund Manager.

Subject to the applicable legal provisions and FP's Constitutive Act, the Fund Manager on behalf of the Fund, may buy, sell, exchange, exercise all rights, has a good and valid title to sell and transfer any rights and to enter into conditional contractual liabilities. This includes, without limitation, the power to enter into derivatives and to negotiate and execute loan agreements, repurchase agreements and/ or securities lending agreements, to purchase GDRs or depositary interests corresponding to shares of the Fund in accordance with the legal applicable provisions in force and FP's Constitutive Act, also taking into account the cases when a prior approval of the Extraordinary General Shareholders Meeting is needed.

Transactions which involve a broker acting as a "principal", where the broker is also the investment manager (or an affiliate of such investment manager) who makes the transaction (or an affiliate of such investment manager) are not permitted.

Transactions should be executed at the lowest possible cost (including commissions, efficiency of execution and the impact of the market) and best execution should be provided at all times.

Cash allocation

Cash allocation is made by the Fund Manager, based on market conditions. It should be aimed at reducing risks to the Portfolio

Valuation

Valuation of assets shall be made in accordance with the legislation and regulations in force and in accordance with the internal regulations of Fondul Proprietatea.

VI. LIMITATIONS OF MANAGEMENT

The Fund Manager assumes the management over the Customer and its entire Portfolio, subject to the terms of the IPS and the IMA.

The Fund Manager is subject to the limitations set out by this IPS, the Constitutive Act of Fondul Proprietatea and the existing applicable legal provisions in force.

The Fund Manager can delegate the management of the portfolio and the administrative activities according to legislation and regulations in force and the limitations included IMA and the Constitutive Act

VII. LIQUIDITY

The Fund Manager shall maintain adequate liquidity in order to at least meet the following requirements:

- cover the operating and tax expenses of FP;
- cover the capital expenditure requirements for the on-going activities of FP;
- ensure appropriate funds for dividend or return of capital payments and share and/or GDR buy-backs (where such actions have been approved by shareholders).

VIII. TIME HORIZON

The duration of Fondul Proprietatea is not limited in time.

IX. TAX CONSIDERATIONS

The FP is established as a commercial undertaking and is subject to corporate tax in accordance with the Romanian Fiscal Code. In managing the investment portfolio and seeking to achieve the objectives, the Fund Manager shall have due regard to the potential impact of tax legislation and regulations.

X. CONSTRAINTS

The FP shall not invest in any other type of asset class, except those specifically mentioned in the applicable legislation and the Constitutive Act. The use of derivatives is permitted subject to the limitations contained in applicable legislation in force. Short selling of securities is prohibited.

Borrowing is allowed only in accordance with the applicable legislation and regulations 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.



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