

Fondul Proprietatea S.A.

(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.
- 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	H1 2015	H1 2014	YE 2014
Total Shareholders’ Equity (RON million)**	8,676.4	11,152.8	9,339.0
Total NAV (RON million)	12,645.9	14,850.5	13,236.7
NAV per Share (RON)	1.1851	1.2518	1.2125
NAV per Share change in the period (%)*	-2.3%	+0.7%	-2.5%
NAV per Share Total Return (%)*	+1.9%	+4.7%	+1.4%
Share Price as at the end of the period (RON)	0.7950	0.8530	0.8960
Share Price Low (RON) ¹	0.7945	0.7590	0.7590
Share Price High (RON) ¹	0.9270	0.8560	0.9535
Share Price change in the period (%)*	-11.3%	+2.3%	+7.5%
Share Price Total Return (%)*	-5.8%	+9.0%	+14.5%
Discount to NAV as at the end of the period (%)	32.9%	31.9%	26.1%
Average Discount for the period (%)	27.2%	34.0%	30.7%
Total Share Turnover (RON million)	1,047.1	1,399.0	3,735.8
Average Daily Share Turnover (RON million)	8.4	11.3	14.9

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

* Compared to the end of the previous period

** Prepared on the basis of Romanian Accounting Regulations

Share Capital Information	30 June 2015*	30 June 2014**	31 December 2014
Issued Share Capital (RON)	10,965,850,800.30	12,861,183,036.65	11,815,279,886.85
Paid Share Capital (RON)	10,638,419,685.30	12,515,396,724.25	11,469,658,154.35
Number of Shares in Issue	12,184,278,667	13,538,087,407	12,437,136,723
Number of Paid Shares	11,820,466,317	13,174,101,815	12,073,324,373
Nominal Value per Share (RON)	0.90	0.95	0.95

* 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).

**In June 2014 the FSA endorsed (through Endorsement no.75/ 25 June 2014) the decrease of the subscribed share capital of the Fund, through the decrease of the nominal value of the Fund’s shares with RON 0.05 (from RON 1 to RON 0.95 per share).

¹ Closing prices. Source: BVB - REGS market

Share Information

Listing	Bucharest Stock Exchange
Since	25 January 2011
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-4199-1/23.06.2015

Shareholder Structure² (as at 30 June 2015)

Shareholder Categories	% of subscribed share capital	% of paid-up share capital	% of voting rights
The Bank of New York Mellon (depository bank for global depository receipts)	26.21%	27.01%	29.91%
Foreign institutional shareholders	24.59%	25.35%	28.07%
Romanian private individuals	19.98%	20.60%	22.80%
Romanian institutional shareholders	11.36%	11.71%	12.96%
Foreign private individuals	5.45%	5.61%	6.22%
Ministry of Public Finance ³	0.04%	0.04%	0.04%
Treasury shares ⁴	9.39%	9.68%	-
Unpaid shares ⁵	2.98%	-	-

There were 8,548 shareholders as at 30 June 2015.

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² Source: Central Depository

³ The percentage represents the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 3.02%, including the unpaid shares

⁴ 152,915,335 treasury shares acquired by the Fund through the fifth buy-back programme and 990,855,616 treasury shares acquired through the fourth buy-back program

⁵ Shares unpaid by Romanian State represented by Ministry of Public Finance

Overview

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, as Sole Administrator and Fund Manager of Fondul Proprietatea presents the results of the Fund in accordance with the Romanian Accounting Regulations for the half year ended 30 June 2015, with an unaudited net profit of RON 356.6 million, a decrease in profit of RON 697.9 million as compared to the net profit for the half year ended 30 June 2014 (RON 1,054.5 million). Total shareholders' equity was RON 8,676.4 million as at 30 June 2015, a decrease of 7.1% as compared to the value of RON 9,339.0 million as at 31 December 2014.

The main factors behind the decrease of profit in the first six months of 2015 were the lower result from disposal of financial assets and the lower level of dividend income from the Fund's portfolio companies, compared to the half year ended 30 June 2014. For more details, please see the section *Financial Statements Analysis*.

The Fund reported a Net Asset Value ("NAV") of RON 12,645.9 million as at 30 June 2015 and a Net Asset Value per Share ("NAV per share") of RON 1.1851 (a positive NAV per Share total return of 1.9% as compared to 31 December 2014). The NAV is prepared in accordance with the local rules issued by the capital market regulator.

In the six-month period ended 30 June 2015, the Bucharest Stock Exchange underperformed most of the largest markets in Central Europe, except Poland, in both local currency and EUR terms, as shown in the table below:

% change in the first six months of 2015	in local currency	in EUR
BUX (Hungary)	31.68%	31.54%
ATX (Austria)	11.65%	11.65%
PX (Czech Republic)	3.67%	5.08%
BET-XT (Romania)	3.55%	3.67%
WIG20 (Poland)	0.08%	2.27%

The discount of the Fund's share price to NAV was 32.9% as at 30 June 2015. In the first six months of 2015, the discount ranged between 20.8% and 32.9%.

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

NAV and Share Price Developments	Note	H1 2015	H1 2014	YE 2014	H1 2015 vs H1 2014	H1 2015 vs YE 2014
Total Shareholders' Equity (RON million)	a	8,676.4	11,152.8	9,339.0	-22.2%	-7.1%
Total NAV (RON million)	b, d	12,645.9	14,850.5	13,236.7	-14.8%	-4.5%
NAV per Share (RON)	b, d	1.1851	1.2518	1.2125	-5.3%	-2.3%
NAV per Share Total Return (%)*	c	+1.9%	+4.7%	+1.4%		
Share Price as at the end of the period (RON)		0.7950	0.8530	0.8960	-6.8%	-11.3%
Share Price Total Return (%)*	c	-5.8%	+9.0%	+14.5%		
Return of capital to shareholders (RON per share)		0.0500	0.0500	0.0500		
Share Price Discount to NAV as at the end of the period (%)		32.9%	31.9%	26.1%		

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

*Compared to the end of the previous period

Notes:

- Prepared on the basis of Romanian Accounting Regulations
- Prepared on the basis of local rules issued by the capital market regulator
- Calculated with dividend / capital return reinvested, where applicable
- The difference in change (%) between total NAV and NAV per share is accounted for by the change in the number of treasury shares (treasury shares acquired through buy-backs are excluded from the number of shares used in the computation of NAV per share) and in paid capital during the period

As at 30 June 2015, the NAV (calculated according to local rules issued by the capital market regulator) is higher than the value of Shareholders' equity (calculated according to Romanian Accounting Regulations), principally due to the different valuation methodologies applied to financial assets, as illustrated in the following table:

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

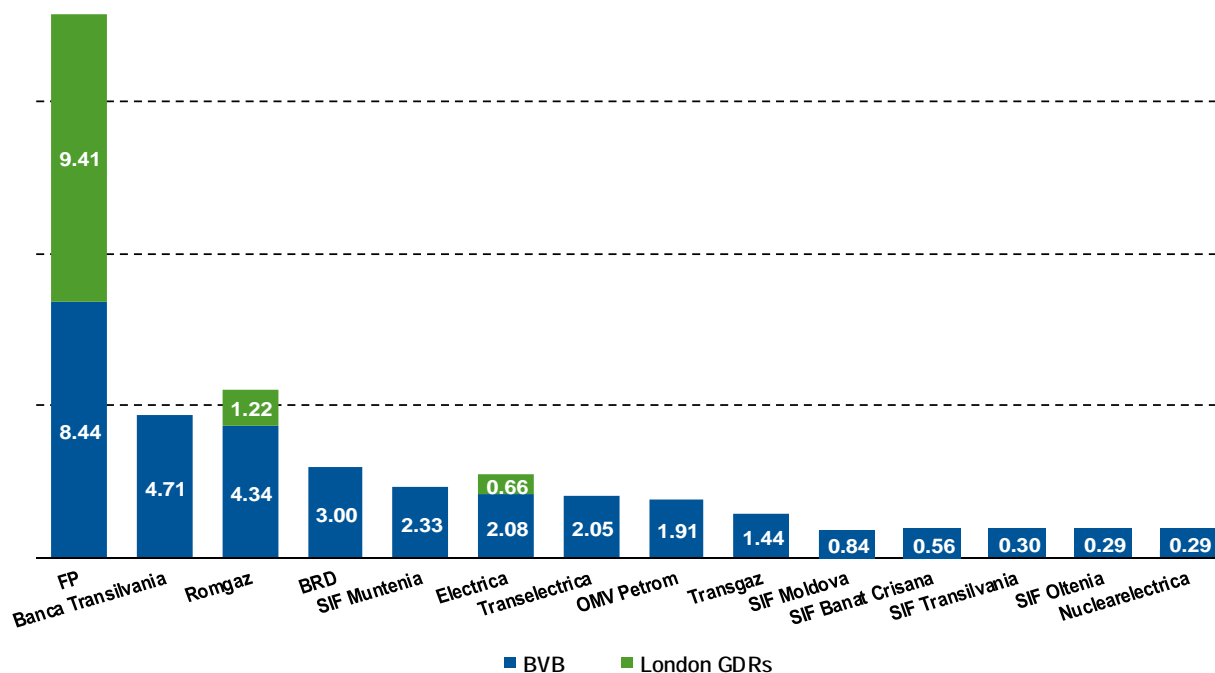
* Details on the valuation methods used for each company are presented in the Annex 2 to this report; with effect from 31 December 2012, the shares of companies under insolvency or reorganisation procedure are valued either at zero or at a value assessed by an independent authorised valuer, using valuation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

** Reference price is considered to be: the average price for the securities listed on an Alternative Trading System, the closing price for the securities listed on section RGBS of Rasdaq and the average price for the securities listed on sections XMBS of Rasdaq and UNLS.

Significant Events

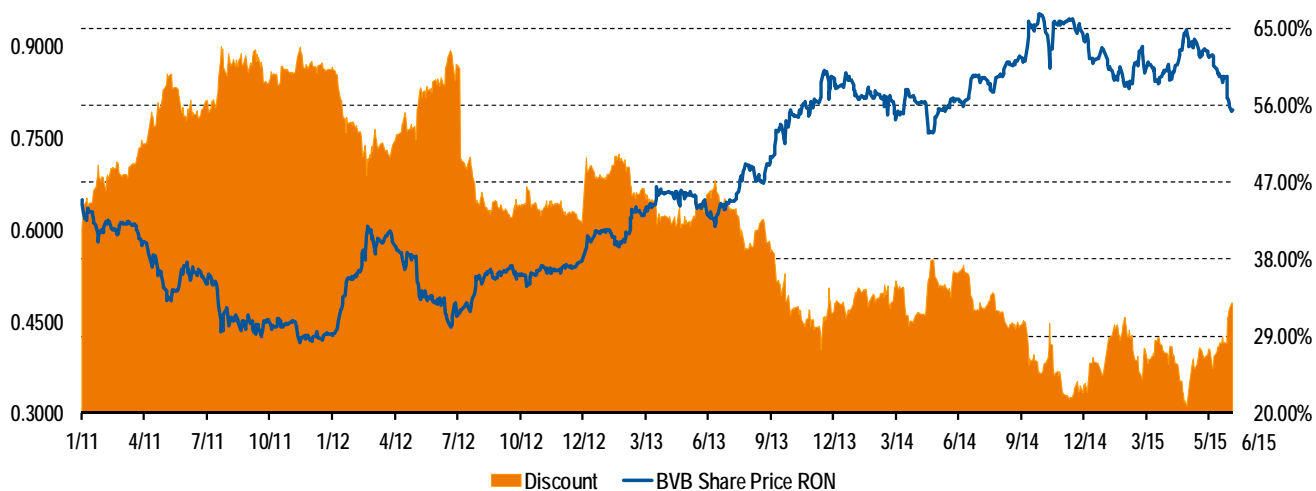
Regulated Stock Market Trading

Average Daily Turnover in the six-month period ended 30 June 2015 (RON million)



Source: BVB, Bloomberg

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



Source: BVB

Performance Objectives

According to the Fund's Investment Policy Statement, there are two performance objectives that the Fund Manager has been working to achieve. The NAV objective refers to higher adjusted NAV⁶ per share as at 30 June 2015 compared to the NAV per share as at 30 September 2013, of RON 1.1610 per share. The discount objective is 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 higher by 11.56% compared to the 30 September 2013 NAV per share of RON 1.1610.

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	Accrual for the fees charged by Central Depositary 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	Accrual for 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 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 higher than 15%, for both shares and GDRs. Although the discount to NAV has not yet narrowed to 15%, the Fund Manager continues to work towards not only achieving it, but towards exceeding it.

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, and the Fund is now the 5th largest closed-end fund by NAV on this market
- The delay related to Hidroelectrica exiting insolvency and being listed on the BVB
- Negotiations to sell certain unlisted stakes that have taken longer than expected

⁶ The adjusted NAV for a given date will be calculated as the sum of: the reported NAV as at the end of the reporting period, any returns to shareholders, following reductions of the share capital (return of nominal value) implemented after 30 September 2013, and 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 will be 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.

- 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 global market sentiment due to the recent events in Ukraine and Greece.

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	Discount Range for the Reporting Period
23.46%	32.92%	20.81%	32.92%	26.22%	20.81% - 32.92%

Source: FTIML

Investor Relations Update

In the first half of 2015, in our efforts to increase the visibility and the profile of the Fund, as well as the local capital market, and Romania, to a broader international institutional investor base, the Fund's management team participated to 12 global and regional emerging and frontier market conferences in London, New York, Dubai, Zurs, Vilnius, Zagreb, and Bucharest where we met over 200 investment analysts and portfolio managers 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 first six months of 2015, we also organised 9 road-shows in the most important financial centres in Europe (London), the United States (New York, Dallas, 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 80 international institutional investment firms, both current shareholders and potential investors of the Fund.

On 5 March, in collaboration with the Bucharest Stock Exchange and Wood & Company, we organised the second edition of the "Romania Investor Day" event in London. 88 representatives from 61 investment firms, with assets under management of over EUR 900 billion, and 50 representatives from 16 Romanian companies (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 Secretary of State 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 corporations present at the event.

On 30-31 March, as part of our ongoing efforts to ensure a broader understanding of the Fund and its underlying holdings, 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, 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.

On 16 February, we held a conference call to discuss the Fund's 2014 Preliminary Annual Results, while on 15 May we organized the 2015 First Quarter Results Conference Call for analysts and investors, in order to present the Fund's activity for the first quarter of the year. In addition, during the first six months of 2015, we organised 30 individual meetings with current and prospective investors visiting Romania, as well as over 60 conference calls with institutional investors and analysts covering Fondul Proprietatea, interested in the Fund, the latest developments regarding the secondary listing on the London Stock Exchange, the ongoing and future corporate actions and the latest developments for the main portfolio companies.

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

Secondary Listing Update

On 21 January 2015, the Fund's General Meeting of Shareholders approved a new mandate to list the Fund on the LSE by 10 July 2015. The Fund Manager has worked relentlessly to complete the Fund's listing on the LSE before the deadline approved by shareholders, and we are glad to report that 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 30 June 2015, 26.21% of the Fund's issued shares were converted into GDRs.

Buy-back Programmes

The Fourth Buy-back Programme

The fourth buy-back programme started on 1 October 2014. On 4 February 2015, the Fund announced the completion of the programme, through which 990,855,616 shares of the Fund were acquired (equivalent to 8.13% of the Fund's paid share capital) through a tender offer for 750,000,000 shares (shares actually repurchased: 749,998,142) and daily acquisitions on the Bucharest Stock Exchange. The total value of the buy-back programme was RON 1,046,128,420.15 (excluding brokerage fees and other acquisition related costs), and the weighted average price was approximately RON 1.0557 per share. The shareholders approved the cancellation of the shares repurchased in the fourth buy-back programme at the 27 April 2015 General Shareholders' Meeting ("GSM"). For further details regarding the cancellation of the shares repurchased in the fourth buy-back programme, please see the sections *Share Capital Decrease* and *Subsequent Events*.

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, starting with the date when the share capital decrease approved through Extraordinary General Shareholders' Meeting ("EGM") Resolution on 23 September 2014 (regarding the cancellation of the shares repurchased by the Fund during the third buy-back programme) is effective until August 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 performed 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 buy-back programme started on 10 February 2015.

As at 30 June 2015, the total number of shares repurchased during the fifth buy-back programme was 159,055,335, representing 69.9% of the total programme, at the weighted average share price, excluding transactions costs, of RON 0.8692 per share. For further details regarding the completion of the fifth buy-back programme, please see the section *Subsequent Events*.

The Sixth Buy-back Programme

The Fund Manager intends to continue with share buy-backs in accordance with the Fund's Investment Policy Statement, and on 27 April 2015 the GSM 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 shares of Fondul Proprietatea or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser, effective 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 performed for fully paid shares. The shares repurchased will be cancelled. The implementation of this buy-back programme will be subject to the availability of the necessary cash.

Share Capital Decrease

The share capital decrease through the return of capital to shareholders

In 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 to the paid-up 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 (through Endorsement no. 169 / 20 May 2015) reflecting the share capital decrease was received on 21 May 2015. Therefore, from 21 May 2015, the new value of the Fund's subscribed share capital is RON 10,965,850,800.30, divided into 12,184,278,667 shares with a nominal value of RON 0.90 per share. The value of the paid-up share capital is RON 10,638,419,685.30, divided into 11,820,466,317 shares with a nominal value of RON 0.90 per share.

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-up share capital of the Fund. The payment of the capital return started on 29 June 2015 (the Payment Date).

By 30 June 2015, shareholders had collected over 90% of the total distribution of RON 534.3 million.

Following recent legislative changes, starting with this year, 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. The Paying Agent appointed by the Fund for the 2015 distributions is BRD Groupe Societe Generale.
 - (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).

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.

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 beginning 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-up 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 27 April 2015 the shareholders approved the cancellation of 990,855,616 shares repurchased by the Fund during the fourth buy-back programme. The shareholders resolution was published in the Official Gazette of Romania on 12 May 2015. The share capital decrease is effective starting with 12 August 2015, when FSA endorsed the new Constitutive Act of the Fund. For further details on the cancellation of shares acquired during the fourth buy-back programme, please see the section *Subsequent Events*.

Main Litigation Updates

In the administrative file regarding the legal action initiated by the Fund against the FSA for the endorsement of the Addendum no. 2 to the Investment Management Agreement signed in 2010, the Bucharest Court of Appeal announced on 24 April 2014 that it ruled against the Fund and dismissed the claim. The Fund appealed the decision and we are now waiting for the Supreme Court of Justice to set the first hearing.

Changes in the Accounting Regulations in 2015

On 6 August 2014, the FSA issued Instruction no. 2/ 6 August 2014 („Instruction 2/2014”), whereby entities authorised, regulated and supervised by the FSA in the Financial Investments and Instruments Sector, i.e. financial investment firms, investment management companies, collective investment undertakings, central depositaries, clearing houses and market/system operators (therefore including the Fund), were required to apply IFRS, as the basis of accounting with effect from 1 January 2015. As a result, starting on 1 January 2015 the Fund adopted IFRS as the statutory official accounting framework and used the accounting records under IFRS for 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, FSA decided to postpone the implementation of IFRS as official accounting regulations for regulated entities. FSA Instruction no. 1/19.05.2015 regarding the amendment of Instruction 2/2014 („Instruction 1/2015”), 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 again became Romanian Accounting Regulations, being used both for the preparation of this Semi-annual report and the computation of the non-portfolio items for the monthly NAV reports starting with the 29 May 2015 report.

Changes in the Investment Management Agreement

The FSA has issued Endorsement no. 88 / 20 March 2015 whereby it has partially endorsed the Addendum no. 2/24 September 2014 (“Addendum no. 2 to IMA 2014”) to the Investment Management Agreement concluded between the Fund and the Fund Manager in April 2014 (“IMA 2014”).

The Fund Manager underlines that two aspects of the Addendum no. 2 to IMA 2014 were not endorsed in the form approved by the Shareholders through Resolution no. 10 of the Fund’s Ordinary General Shareholders Meeting (“OGM”) held on 23 September 2014, namely:

- definition of the Force Majeure Event where FSA deleted “devaluations and fluctuations” as cases of force majeure;
- the effective date of the Distribution Fee: in the form approved by the Fund’s shareholders, the payment of the Distribution Fee was to be effective starting with 30 September 2014, while FSA’s amendment stipulates that it is effective starting with the date when Addendum no. 2 to IMA 2014 was endorsed by FSA (i.e. 20 March 2015).

According to the FSA endorsement, the Fund has the obligation to seek shareholders’ approval for the two changes mentioned above. The Fund Manager intends to put on the agenda of the next GSM the FSA’s recommended wording.

Credit Facility Agreement

Fondul Proprietatea concluded on 4 May 2015 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.

On 23 June 2015, the Fund drew RON 450 million from the total credit facility, with one month maturity, with the intention to roll it over monthly, if needed.

Updates on the change of legislation regarding the Fund's activity

The law implementing Directive 2011/61/EU on alternative investment fund managers ("AIFM Directive") was published in the Official Gazette of Romania on 23 April 2015. The law entered into force on 24 May 2015 and FSA approved Regulation 10/ 2015 regarding the administration of alternative investment funds ("Regulation 10/ 2015") on 22 July 2015, being published in the Official Gazette of Romania on 28 July 2015. According to the FSA Regulation no. 10/2015, the Fund is qualified as an Alternative Investment Fund ("AIF") under the Romanian law implementing the AIFM Directive and needs to comply with the provisions of the law implementing AIFM Directive before 24 May 2016. As per the IMA 2014, 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 Fund. For the avoidance of any doubt, the appointment of such an affiliate, as well as the implementation of any change of arrangement in regard to the IMA 2014 or any other alternative arrangement proposed by the Fund Manager are subject to consent by the shareholders of the Fund. The Fund Manager will make public its proposed position on the application of the legislation implementing the AIFM Directive before end of September 2015.

General Shareholders' Meeting Decisions in the first six months of 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 Depositary on 24 June 2015 of RON 0.05 per share, proportionally with their participation to the paid-up share capital of the Fund – the payment date approved by shareholders was 29 June 2015.
- 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 the Fund through Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, 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 extraordinary general meetings of shareholders 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 depositary 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 Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, 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, the approval of the auditor's report and the discharge of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch 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 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 Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, as well as of any management/administration measures adopted and/or implemented by it, approved or concluded between 6 September 2010 and 26 April 2015.

Subsequent Events

Completion of the Fifth Buy-Back Programme

On 30 July 2015, the Fund announced the completion of the fifth buy-back programme through which the Fund acquired 227,572,250 own shares (equivalent to 1.86% of the Fund's subscribed share capital) through daily acquisitions on the Bucharest Stock Exchange. The total value of the buy-back programme was RON 193,470,259.59 (excluding brokerage fees and other acquisition related costs), and the weighted average price was approximately RON 0.8501 per share. The Fund Manager will request shareholders' approval for the cancellation of the shares repurchased during this buy-back programme at the future shareholders' general meetings.

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 beginning with 12 August 2015. Therefore, starting with 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.

Analysis of the Activity of the Fund

Analysis of the Portfolio of the Fund

Net Asset Valuation

The key performance indicator of the Fund is its Net Asset Value. 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.

Starting December 2012, 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 (previously such holdings were valued at zero, until the procedure was finalised). 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.

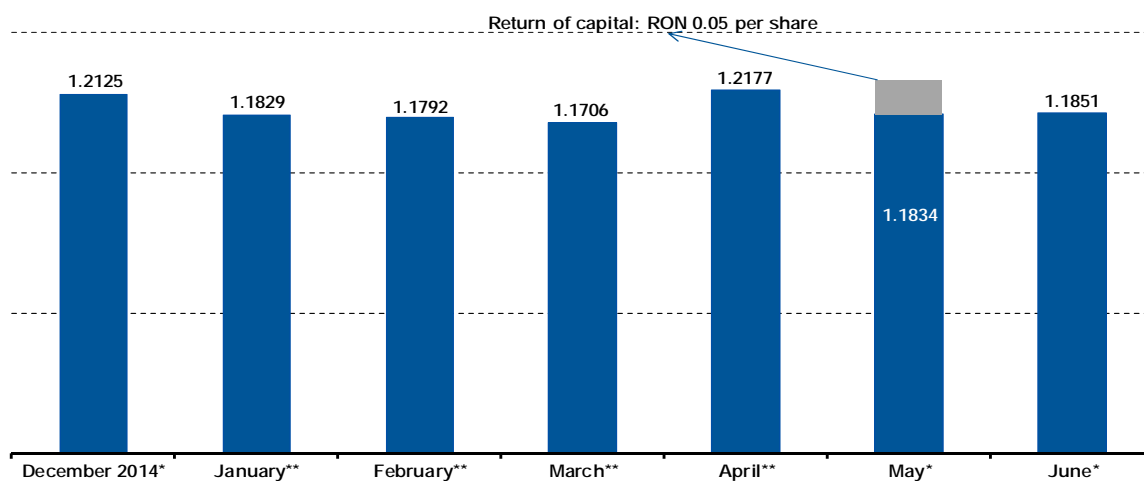
Beginning December 2012, the treasury shares acquired through buy-backs are excluded from the number of shares used in the NAV per share computation.

Starting 1 January 2015, according to FSA Instruction 2/2014, entities authorised, regulated and supervised by the FSA were required to apply IFRS as the basis of accounting. Therefore, starting on 1 January 2015 the Fund adopted IFRS as the statutory official accounting framework and used the accounting records under IFRS for the computation of the non-portfolio items for the 30 January 2015, 27 February 2015, 31 March 2015 and 30 April 2015 NAV reports.

On 19 May 2015 FSA issued Instruction 1/2015 (which amended Instruction 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.

The following chart shows information on the monthly published NAVs per share for the period 31 December 2014 to 30 June 2015:

NAV per share (RON per share)



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 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 NAV per share.

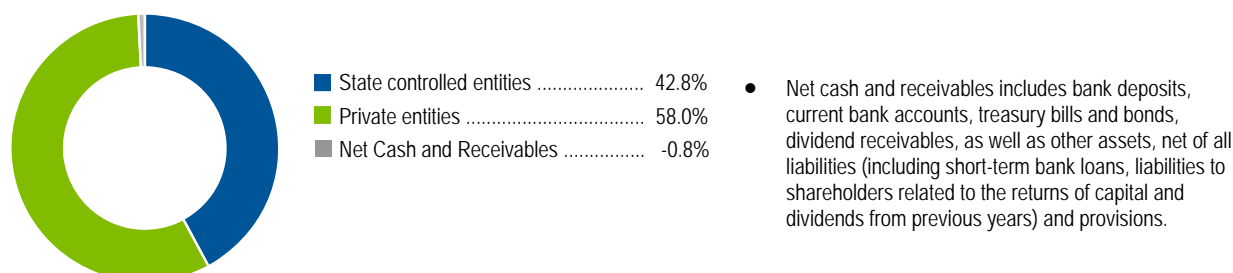
During the first quarter of 2015 the NAV per share decreased by 3.5%, mainly due to the negative impact of the decrease of the share prices of certain listed holdings, principally OMV Petrom SA (impact on the Fund's NAV of RON 480.9 million or RON 0.0447 per share).

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.

Investment Strategy and Portfolio Analysis

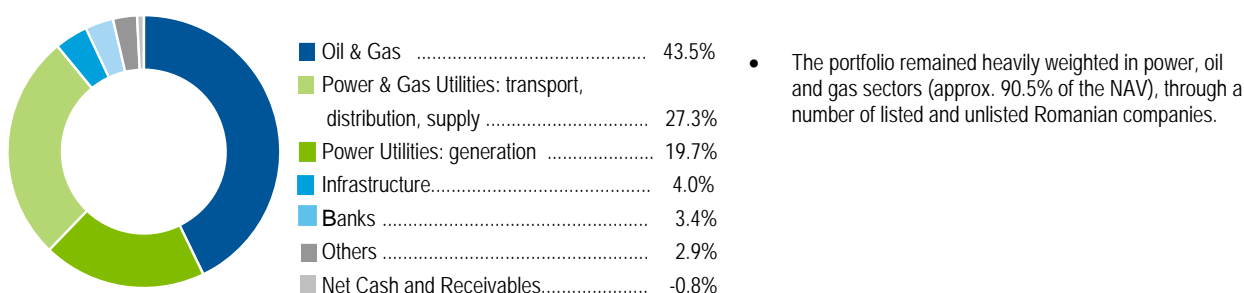
The Fund's Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. The equity exposure amounted to 100.8% of the Fund's NAV as at 30 June 2015. As at that date, the portfolio was composed of holdings in 49 companies (15 listed and 34 unlisted), containing a combination of privately held and state-controlled entities.

Portfolio Structure – by Controlling Ownership



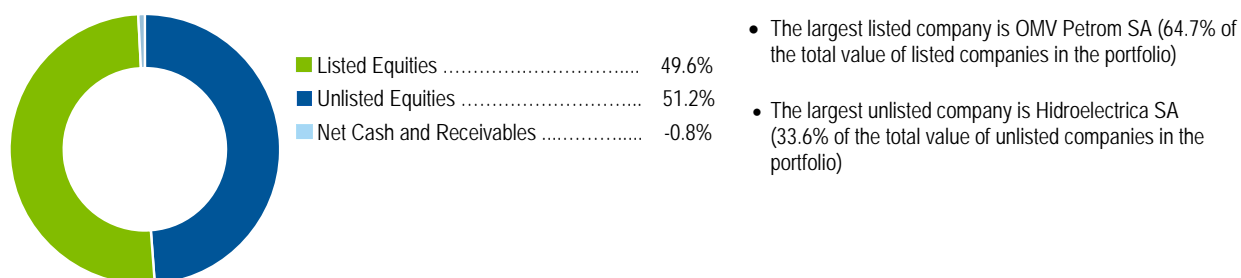
Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 30 June 2015

Portfolio Structure - by Sector



Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 30 June 2015, based on NAV reports submitted to FSA

Portfolio Structure – by Asset Type



Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 30 June 2015, based on NAV reports submitted to FSA

Top 20 Equity Investments

No	Name	Fund's Stake (%)	Value as at 30 June 2015 (RON million)	% of NAV as at 30 June 2015
1	OMV Petrom SA	18.99%	4,054.9	32.1%
2	Hidroelectrica SA	19.94%	2,178.1	17.2%
3	Romgaz SA	10.00%	1,403.0	11.1%
4	ENEL Distributie Banat SA	24.12%	640.5	5.1%
5	ENEL Distributie Muntenia SA	12.00%	465.8	3.7%
6	GDF Suez Energy Romania SA	11.99%	461.3	3.6%
7	E.ON Distributie Romania SA*	18.34%	445.9	3.5%
8	ENEL Distributie Dobrogea SA	24.09%	396.9	3.1%
9	CN Aeroporturi Bucuresti SA	20.00%	332.3	2.6%
10	BRD Groupe Societe Generale SA	3.64%	273.7	2.2%
11	Electrica Distributie Muntenia Nord SA	21.99%	235.6	1.9%
12	Electrica Distributie Transilvania Sud SA	21.99%	206.5	1.6%
13	Nuclearelectrica SA	9.09%	205.0	1.6%
14	Electrica Distributie Transilvania Nord SA	22.00%	201.6	1.6%
15	Banca Transilvania SA	2.87%	159.8	1.3%
16	Societatea Nationala a Sarii SA	48.99%	142.9	1.1%
17	E.ON Energie Romania SA	13.39%	133.9	1.1%
18	CN Administratia Porturilor Maritime SA	19.99%	132.6	1.0%
19	Electrica Furnizare SA	22.00%	126.4	1.0%
20	Complexul Energetic Oltenia SA	21.55%	108.5	0.9%
Top 20 equity holdings			12,305.2	97.3%
Total equity holdings			12,742.3	100.8%
Net cash and receivables			-96.4	-0.8%
Total NAV			12,645.9	100.0%

Source: Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, data as at 30 June 2015, based on NAV reports submitted to FSA

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

Key Portfolio Developments in the Period

Acquisitions and Disposals

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.

During the first six months of 2015 the Fund sold its entire holdings in Electroconstructia Elco Cluj SA, SIFI CJ Agro SA (Comcereal Cluj) and Forserv SA.

In June, the Fund received 12,011,283 bonus shares (having a nominal value of RON 1 per share) in Banca Transilvania SA, as a result of the share capital increase of this company through incorporation of reserves. The value of the shares received from Banca Transilvania SA is reflected in other non-current assets category until their registration in Fund's account is completed at the Central Depository.

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

Energy Sector Updates

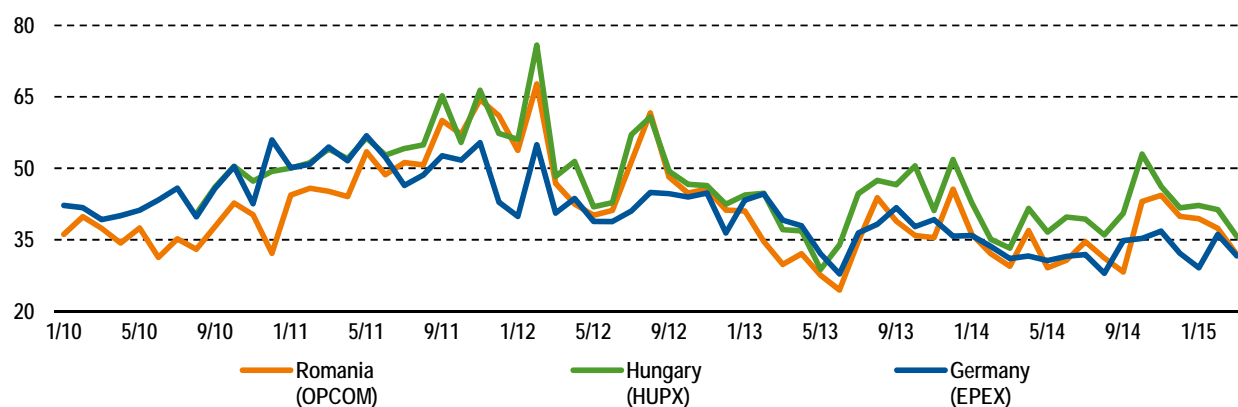
The Romanian National Energy Regulatory Authority (“ANRE”) modified the tariff setting methodology for the electricity distribution service (Order 112/ 29 October 2014), with the most significant changes being the possibility given to the regulator to revise the regulatory rate of return (“RRR”) starting from the second year of the ongoing five year regulatory period (2014 - 2018). Subsequently, ANRE effectively reduced the level of the RRR (before tax and expressed in real terms) to 7.70% from the previous level of 8.52% (Order 146/ 10 December 2014). The ANRE decision was challenged in Administrative court by Fondul Proprietatea and the distribution companies.

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

Electricity prices (EUR/MWh)



Source: Hidroelectrica, Bloomberg
Note: Base load prices

Energy Resources (barrels of oil equivalent)

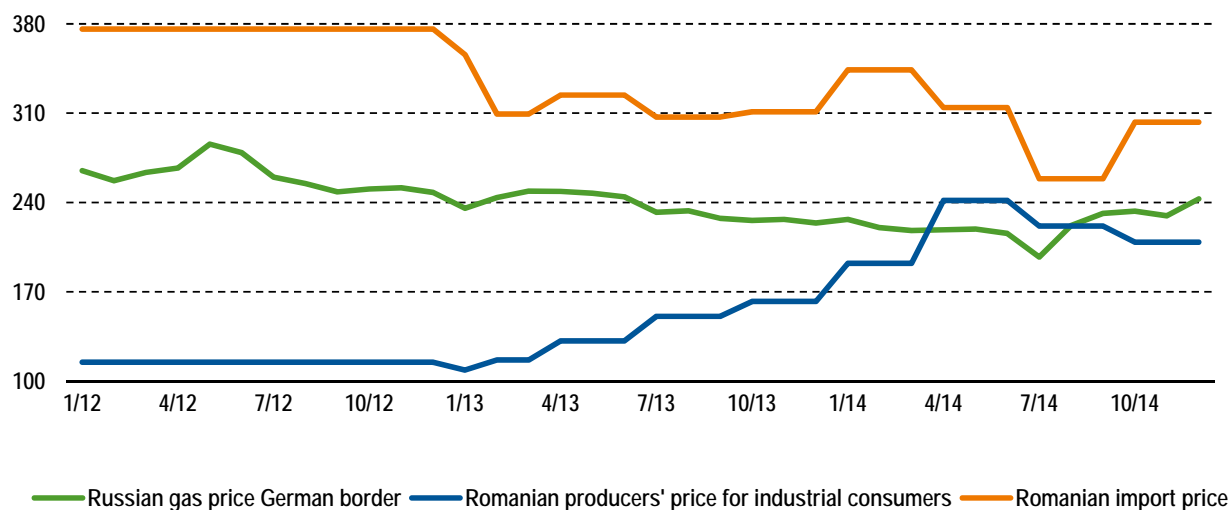
	January – May 2015			January – May 2014			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Coal	2,088.3	1,861.7	226.6	1,895.9	1,743.0	152.9	10.1	6.8	48.2
Oil	4,306.1	1,573.5	2,732.6	4,221.7	1,587.9	2,633.8	2.0	(0.9)	3.8
Natural gas	3,694.3	3,627.7	66.6	3,932.4	3,636.3	296.1	(6.1)	(0.2)	(77.5)
Hidro, Nuclear, and Import energy	2,189.3	2,162.2	27.1	2,018.9	2,006.5	12.4	8.4	7.8	18.5
Import oil products	888.3	-	888.3	733.8	-	733.8	21.1	-	21.1
Others	210.2	-	210.2	170.4	-	170.4	23.4	-	23.4
Total resources	13,376.5	9,225.1	4,151.4	12,973.1	8,973.7	3,999.4	3.1	2.8	3.8

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

Gas prices (EUR/cm³)



Source: Wood & Co, Bloomberg

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% of the value of such special infrastructure assets.

Update on the Largest 20 Portfolio Companies

Banca Transilvania SA

RON million	2013	2014	H1 2014	H1 2015	2014*	2015*
Operating income	1,752.9	2,078.0	899.4	1,097.9	942.0	2,015.0
Net impairment losses	414.3	684.4	257.7	-237.9	430.0	550.0
Net profit	397.6	442.5	186.7	2,279.0	512.0**	596.0**

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

*Budgeted figures

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

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 (“y.o.y”) 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.

BRD – Groupe Societe Generale SA

RON million	2013	2014	H1 2014	H1 2015	2014*	2015*
Net banking income	2,850.6	2,620.5	1,290.4	1,226.4	Expected decrease due to lower net interest income	Around 3% increase
Net operating income	1,491.3	1,295.3	648.9	593.1	n.a.	
Net cost of risk	2,130.8	1,215.4	500.2	268.9	Significant improvement	Significant decrease
Net profit/ (loss)	(387.5)	63.1	125.4	268.5	Expected return to profitability	Significant improvement

Source: Based on consolidated IFRS financial statements

* Budgeted figures

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% 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.

CN Administratia Porturilor Maritime SA

RON million	2013	2014	2014*	2015*
Total revenue	302.4	305.2	297.1	306.1
Operating profit	76.6	83.8	43.3	55.1
Net profit	65.0	70.3	31.0	39.8
Dividends	50.6	32.3	13.5	17.6

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

* Budgeted figures

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 (+122.0%), coal coke (+105.0%) and non-ferrous ores and scrap (+35.0%).

CN Aeroporturi Bucuresti SA

RON million	2013	2014	2014*	2015*
Total revenue	641.4	689.7	676.8	725.8
Operating profit	91.0	124.4	39.9	40.6
Net profit	69.0	98.8	25.3	44.3
Dividends	61.6	51.2	12.6	24.4

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

* Budgeted figures

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.

March: Total passenger traffic for the first 3 months of 2015 increased to 1.8 million, an increase of 15.5% compared to the same period in 2014.

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.

Complexul Energetic Oltenia SA

RON million	2013	2014	2015*
Sales	4,278.2	4,105.4	4,228.7
Operating profit / (loss)	(28.0)	(638.7)	98.3
Net profit / (loss)	4.5	(693.6)	0.7

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

* Budgeted figures

February: The shareholders approved to transfer Berbersti mine to CET Govora together with 1,097 employees.

April: The shareholders approved to start the selection procedure for a consultant which will deliver and advise on the implementation of a 5 years restructuring plan.

In April the Supervisory Board was revoked and replaced and 5 new members were appointed: Mr Cristian Radu, who was also elected as Chairman of the Supervisory Board, previously worked for AVAS (the Romanian Authority for Managing the State Assets) and in the banking sector, Mr Radu Pop has been with OTP Bank since 2013 as Project Manager, Mr Andrei Roman is a lawyer and has been running his own law firm since 2013, Ms Felicia Racasanu is a Deputy General Director within the Ministry of Energy and has been working for the Ministry of Economy since 1993, Ms Georgiana Porumbel has been working as an internal lawyer for Pirelli Romania and was also a member in the previous Supervisory Board, and Mr Alin Chitu was also a member in the previous Supervisory Board and is Tax Partner within Tuca Zbarcea si Asociatii, a law firm. The Fund recommended Mr Dan Gheorghe, who was also appointed as Supervisory Board member; he has been with Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch since 2010.

June: Approximately 2,000 employees were collectively dismissed as part of the restructuring measures that the company took in order to reduce the production cost.

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	2014*	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****	249.5	-	-	n.a.

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 (includes 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 Ordinary General Shareholders Meetings 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.

E.ON Energie Romania SA

RON million	2013*	2014*	2014***	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

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

**Power and gas sales revenue

***Budgeted figures

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	2015*
Total revenue	792.8	805.4	778.3
Operating profit	132.6	159.6	165.5
Net profit	126.5	140.2	139.0
Dividends	105.5	112.1	111.1

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

*Budgeted figures

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.

Electrica Distributie Transilvania Nord SA ("EDTN")

RON million	2013	2014	2015*
Total revenue	656.3	674.7	685.1
Operating profit	88.0	119.6	146.0
Net profit	63.7	95.3	120.3
Dividends	53.0	75.9	96.1

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

*Budgeted figures

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.

Electrica Distributie Transilvania Sud SA (“EDTS”)

RON million	2013	2014	2015*
Total revenue	716.1	739.3	779.3
Operating profit	90.3	121.4	142.2
Net profit	69.3	100.1	110.4
Dividends	57.9	79.9	87.8

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

*Budgeted figures

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.

Electrica Furnizare SA

RON million	2013	2014	2015*
Total revenue	4,795.2	4,055.4	4,097.5
Operating profit	100.1	223.7	n.a.
Net profit	101.5	204.7	95.1
Dividends	89.3	174.0	n.a.

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

*Budgeted figures

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.

ENEL Distributie Banat SA (“EDB”)

RON million	2013	2014	2014*	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	n.a.	n.a.

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

*Budgeted figures

ENEL Distributie Dobrogea SA (“EDD”)

RON million	2013	2014	2014*	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	n.a.	n.a.

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

*Budgeted figures

ENEL Distributie Muntenia SA (“EDM”)

RON million	2013	2014	2014*	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	-	-	n.a.	n.a.

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

*Budgeted figures

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 & supply assets in Romania. It later on announced that the Romanian assets fit Enel's strategy.

GDF Suez Energy Romania SA

RON million	2013	2014	2014*	2015*
Turnover	4,127.1	4,337.2	4,667.1	4,441.4
Operating profit	518.7	560.9	372.7	262.1
Net profit	447.1	443.1	359.6	278.8
Dividends**	33.6	200.0	n.a.	n.a.

Source: consolidated IFRS financial statements

*Budgeted figures based on separate IFRS financial statements

**Dividends are based on the separate IFRS financial statements

April: According to media reports, 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 unrecognized 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	2014*	2015*
Turnover	3,083.0	3,406.0	2,522.0**	2,851.3**
Operating profit	1,016.0	1,207.9	399.9	489.7
Net profit	718.0	941.5	246.5	371.9
Dividends	-	646.4	n.a.	174.5

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

*Budgeted figures

**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.

Nuclearelectrica SA

RON million	2013	2014	2014**	2015*
Sales	1,932.5	1,794.6	1,816.3	1,884.0
Operating profit	459.3	173.8	103.1	57.7
Net profit	426.9	131.4	99.0	30.8
Dividends***	340.9	90.4	47.7	15.7

Source: Based on consolidated IFRS financial statements audited

* Budgeted figures

** Revised budgeted figures

***Dividends are based on the separate 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 0.30 for the financial year 2014 translating into a pay-out ratio of 71% from distributable net profit.

OMV Petrom SA

RON million	2013	2014	2014*	2015*
Sales	24,185.2	21,541.3	17,140.0	n.a.
Operating profit	5,957.9	3,338.3	4,405.0	1,121.0
Net profit	4,824.0	2,099.7	3,936.0	1,102.0
Dividends**	1,744.6	634.4	n.a.	n.a.

Source: Based on consolidated IFRS financial statements

*Budgeted figures

**Dividends based on separate IFRS financial statements

January: OMV Petrom 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 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.

Romgaz SA

RON million	2013	2014	2014**	2015**
Sales	3,894.3	4,493.3	5,089.5	4,587.5***
Net profit	995.6	1,409.9	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 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%.

Societatea Nationala a Sarii SA (Salrom)

RON million	2013	2014	2014**	2015*
Operating revenue	326.9	297.6	335.2	324.6
Operating profit	48.8	31.8	40.3	47.0
Net profit	42.8	24.5	35.2	40.2
Dividends	40.4	20.9	18.2	37.0

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

*Budgeted figures

** 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 Prime Minister of Romania 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.

Changes affecting the capital of the Fund during the six-month period ended 30 June 2015

The decrease of the subscribed share capital of the Fund through cancellation of treasury shares

The FSA, through Endorsement no. 25/27 January 2015, endorsed the decrease of the subscribed share capital of the Fund 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 beginning with 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-up 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).

Share capital decrease for returning the capital to shareholders

In 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 shareholders of a part of their contributions, proportionally with their participation to the paid-up share capital of the Fund. The shareholder's 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 (Endorsement no. 169/ 20 May 2015), was received on 21 May 2015. Therefore, starting from 21 May 2015, the new value of the Fund's subscribed share capital is RON 10,965,850,800.30, divided into 12,184,278,667 shares with a nominal value of RON 0.90 per share. The value of the paid-up share capital is RON 10,638,419,685.30, divided into 11,820,466,317 shares with a nominal value of RON 0.90 per share.

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-up share capital of the Fund. The payment of the capital return started on 29 June 2015.

Key Financial Activity of the Fund

Summary % net cash & cash equivalents in NAV

RON million	31 Dec 2014	31 Mar 2015	30 Jun 2015
Current accounts	6.9	1.3	0.5
Bank deposits	109.4	44.0	101.1
Treasury bills and short-term government bonds	194.6	109.9	5.8
Total liabilities	(41.4)	(34.0)	(544.5)
Net cash & cash equivalents	269.5	121.2	(437.1)
Net Assets Value	13,236.7	12,605.2	12,645.9
% net cash & cash equivalents in NAV	2.0%	1.0%	-3.5%

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

The decrease of **current accounts, bank deposits and treasury bills and short-term government bonds** during the six-month period ended 30 June 2015 was 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) and the fifth buy-back programme started in February 2015 (RON 133.5 million).

The increase of **total liabilities** was mainly due to the RON 450 million drawing from the credit facility from Citibank Europe Plc, Dublin – Romania Branch (total commitment: RON 500 million), used for the funding of the distributions to shareholders. As at 30 June 2015, the outstanding liability to shareholders related to the 2015 return of capital was in amount of RON 51.4 million.

Total Expense Ratio

The annualised total expense ratio of the Fund as at 30 June 2015 was 0.89% and excluding transaction related expenses this would also be 0.89% (2014: 0.85%, and excluding transaction related expenses this would be 0.73%). This figure represents the expenses of the Fund (annualised) 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 higher investment management and administration fees and to the secondary listing related expenses, incurred in the six-month period ended 30 June 2015 (of RON 13.6 million).

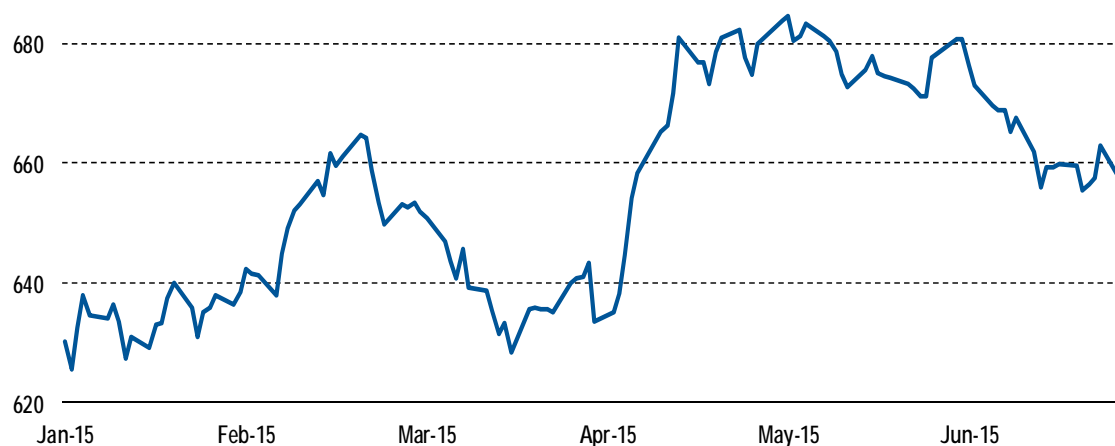
Investment management and administration fees increase was due, to a large extent, to the distribution fees which were accrued starting 20 March 2015 (RON 12.6 million), but also to the increase of base fees following the positive evolution of the Fund's share price, based on which these fees were calculated, and the change in the base fee rate starting September 2014 from 0.479% per year to 0.60% per year. The increase in total expense ratio was also due to the lower total NAV as at 30 June 2015 compared to 31 December 2014. Please see section *Financial Statements Analysis* for more details on the Fund's expenses.

Income 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 30 June 2015, the Fund's exposure to Romanian equities accounted for 100.8% of the NAV (the negative difference of 0.8% being represented by the negative net cash and receivables).

The BET-XT index, which reflects the performance of the top 25 most liquid stocks listed on the Tier 1 of the BVB, increased by 3.6% during the first half of 2015 and by 4.8% compared with the same period of the last year, 30 June 2014.

BET-XT Index evolution



Source: BVB

The income arising from the main activities of the Fund was influenced by 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 section *Financial Statements Analysis*.

Capital Expenditure

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

Financial Statements Analysis

The unaudited Financial Statements for the six-month period ended 30 June 2015 prepared in compliance with Romanian Accounting Regulations are included in full in Annex 1 to this Report.

This section provides a commentary on the principal elements of the Fund's financial position and results for the six-month period ended 30 June 2015, in compliance with Romanian Accounting Regulations.

Balance Sheet

RON million	31 December 2014 Audited	30 June 2015 Unaudited
Intangible assets	0.8	0.8
Financial assets	9,075.2	8,798.4
Non-current assets - total	9,076.0	8,799.2
Current assets - total	319.5	438.6
Prepaid expenses	-	0.2
Payables within one year	41.4	544.5
Total assets less current liabilities	9,354.1	8,693.5
Provisions	15.1	17.1
Shareholders' equity	9,339.0	8,676.4

As at 30 June 2015 and as with previous periods, **intangible assets** included the value of the licenses and the implementation costs of the Fund's accounting and reporting software, net of accumulated amortisation.

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

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

In the six-month period ended 30 June 2015, the value of the financial assets decreased by RON 276.8 million, mainly due to the increase of the impairment adjustments recorded for certain listed equity investment because of their share price decrease (principally OMV Petrom SA, with an additional impairment adjustment of RON 334.6 million), which were partially offset by the reversal of impairment adjustments in case of other listed equity investments as a result of their share price increase (principally BRD Group Societe Generale SA, with a reversal of impairment adjustment of RON 51.5 million).

The increase in **current assets** since 31 December 2014 was mainly as a result of the dividend receivables from portfolio companies, recorded and not yet collected in the period (RON 275.0 million), while cash and cash equivalents (short-term government securities and bank deposits) decreased due to the funding of distributions to shareholders.

The increase of **payables** was mainly due to the RON 450 million drawing from the credit facility from Citibank Europe Plc, Dublin – Romania Branch, used for the funding of the distributions to shareholders. As at 30 June 2015, the outstanding liability to shareholders related to the 2015 return of capital was in amount of RON 51.4 million, the same amount of cash being held with Central Depository, in an account opened for this purpose (being reflected by the Fund as a receivable).

Income Statement

RON million

	For the six-month period ended	
	30 June 2014	30 June 2015
	Unaudited	Unaudited
Revenues from current activity, out of which:	1,452.6	438.6
Revenues from financial assets	649.8	433.2
Interest income	8.4	1.5
Reversal of impairment adjustments and provisions	30.0	0.2
Revenues from disposal of financial assets	762.4	1.9
Revenues from foreign exchange differences	1.3	0.3
Other income from current activity	0.7	1.5
Expenses from current activity, out of which:	383.2	76.7
Expenses from disposal of financial assets	328.2	5.0
Expenses from foreign exchange differences	2.1	0.4
Depreciation, provisions, losses from receivables and sundry debtors	2.0	2.2
Commissions and fees	14.1	9.2
Interest expenses	-	0.1
Other expenses from current activity*	36.8	59.8
Gross profit	1,069.4	361.9
Income tax expense	14.9	5.3
Net profit	1,054.5	356.6

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

Revenues from financial assets represent dividend income earned from the Fund's portfolio companies, mainly from Hidroelectrica SA - RON 128.9 million, OMV Petrom SA - RON 120.5 million and Electrica Furnizare SA - RON 38.3 million. The decrease of revenues from financial assets as compared to the similar period in the previous year 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, while other companies, such as Romgaz SA, declared the dividends later than in previous year (these were recorded at ex-dividend date, in July 2015).

Interest income arose from deposits held with banks and from short-term government securities. The significant lower level of the interest income in the six-month period ended 30 June 2015 compared to the same period in 2014 is a reflection of both lower level of interest bearing assets and lower interest rates.

Revenues from disposal of financial assets represent the proceeds from the sales of portfolio companies holdings, while the **expenses from disposal of financial assets** represent the cost of the investments disposed of. The disposals were much more significant in the first half of 2014 (mainly Romgaz SA, Raiffeisen Bank and Erste Bank), resulting in an important gain on disposal of financial assets, with a high impact on 2014 profits.

Commissions and fees mainly include the FSA's annual fee (which decreased in 2015 from 0.1% per year to 0.0936% per year, i.e. 0.0078% per month), calculated on the basis of the Fund's NAV, amounting to RON 5.9 million in the first half of 2015 (half-year ended 30 June 2014: RON 7.4 million), the depositary bank's fees of RON 0.7 million (half-year ended 30 June 2014: RON 0.9 million) and LSE fees in amount of RON 1.3 million.

During the six-month period ended 30 June 2015, the commissions and fees were lower than in the same period of 2014 also as a result of the higher intermediary fees related to the disposals of equity investments incurred in 2014, in amount of RON 4.2 million (half year ended 30 June 2015: RON 0.1 million).

The **income tax expense** arising in the first six months of 2015, is tax due, among others, to the cancelation of the treasury shares acquired by the Fund in the third buy-back programme in 2014 and to the decrease of the nominal value of the treasury shares held by the Fund on the date the 2015 return of capital to shareholders was recorded, which were treated for tax purposes as taxable revenues.

Other expenses from current activity can be analysed as follows:

RON million	30 June 2014 Unaudited	30 June 2015 Unaudited
FTIML investment management and administration fees	26.2	40.4
Remunerations and similar expenses	0.6	0.6
Other expenses	10.0	18.8
Other expenses from current activity	36.8	59.8

During the first half of 2015, **other expenses from current activity** increased by RON 23.0 million, mainly due to higher investment management and administration fees and to the secondary listing related expenses, incurred in the six-month period ended 30 June 2015 and reflected in this expense category.

Investment management and administration fees increase was due, to a large extent, to the distribution fees which were accrued starting 20 March 2015 (RON 12.6 million), but also to the increase of base fees following the positive evolution of the Fund's share price, based on which these fees were calculated, and the change in the base fee rate starting September 2014 from 0.479% per year to 0.60% per year.

In the first half of 2015, other expenses included mainly the secondary listing expenses, litigation assistance, legal advisory expenses and investor relations expenses.

Analysis of 2015 Income Statement by Quarters

Although this report covers the six-month period ended 30 June 2015, given that the Fund reports on a quarterly basis, the following split has been prepared to show also the actual results for the period 1 April to 30 June.

RON million	Quarter ended		Half-year ended
	31 March 2015 Unaudited	30 June 2015 Unaudited	30 June 2015 Unaudited
Revenues from current activity, out of which:	1.5	437.1	438.6
Revenues from financial assets	-	433.2	433.2
Interest income	1.1	0.4	1.5
Reversal of impairment adjustments and provisions	0.2	-	0.2
Revenues from disposal of financial assets	0.1	1.8	1.9
Revenues from foreign exchange differences	0.1	0.2	0.3
Other income from current activity	-	1.5	1.5
Expenses from current activity, out of which:	20.9	55.8	76.7
Expenses from disposal of financial assets	-	5.0	5.0
Expenses from foreign exchange differences	0.1	0.3	0.4
Depreciation, provisions, losses from receivables and sundry debtors	0.1	2.1	2.2
Interest expenses	-	0.1	0.1
Commissions and fees	4.0	5.2	9.2
Other expenses from current activity *	16.7	43.1	59.8
Gross Profit/ (Loss)	(19.4)	381.3	361.9
Income tax expense	2.4	2.9	5.3
Net Profit/ (Loss)	(21.8)	378.4	356.6

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

Statement of Cash Flows

RON million	30 June 2014 Unaudited	30 June 2015 Unaudited
Cash flows from operating activities		
Payments to suppliers and similar payments	(38.6)	(50.3)
Remunerations and similar payments, including related taxes and contributions	(0.5)	(0.6)
Payments of other taxes and fees	(7.9)	(8.2)
Other payments, net of other receipts	-	0.1
Income tax paid	(3.9)	-
Net cash flows used in operating activities	(50.9)	(59.0)
Cash flows from investment activities		
Dividends received	419.9	158.2
Interests received	7.7	3.5
Payments for the acquisition of intangible assets	-	(0.1)
Subscriptions to share capital increases of portfolio companies	-	(0.1)
Proceeds from the disposal of financial assets	759.6	0.6
Other receipts/ (payments) related to financial assets	3.7	-
Net proceeds from/ (payments for) treasury bills and bonds	(720.2)	186.6
Net collection of deposits with original maturity of more than 3 months	-	25.0
Net cash flows generated from investment activities	470.7	373.7
Cash flows from financing activities		
Dividends paid, including related withholding tax	(4.0)	(3.2)
Payments to shareholders related to the return of capital	-	(488.2)
Payments to Central Depositary related to the return of capital to shareholders	-	(51.4)
Proceeds from short-term bank loans	-	450.0
Payments for buy-backs	(161.2)	(211.5)
Net cash flows used in financing activities	(165.2)	(304.3)
Net increase in cash and cash equivalents	254.6	10.4
Cash and cash equivalents at the beginning of the period	237.6	91.2
Foreign exchange differences related to transactions in foreign currency	(0.9)	-
Cash and cash equivalents at the end of the period	491.3	101.6

Payments to suppliers and similar payments were higher in the first six months of 2015 as compared with the same period in 2014, due to the payment of the FTIML fees and of the expenses related to the secondary listing.

Dividends received were lower in the first six months of 2015 compared with the same period in 2014, mainly due to the lower level of dividends approved and paid by portfolio companies in this period.

Payments to shareholders related to the return of capital in 2015 include mainly the payments related to the return of the RON 0.05 per share to the shareholders, following the decrease of the Fund's share capital by reducing the nominal value of the shares from RON 0.95 to RON 0.9 per share. The **payments to the Central Depositary related to the return of capital to shareholders** represent 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 Depositary, in an account opened for this purpose.

Proceeds from short-term bank loans are the amounts drawn from the credit facility from Citibank Europe Plc, Dublin – Romania Branch, for funding the distributions to shareholders.

Payments for buy-backs represent the acquisition cost (including brokerage fees and other costs directly related to the acquisition) of the own shares bought back by the Fund in the buy-back programmes carried out during the period. In the first six months of 2015, the Fund completed the fourth buy-back programme and carried out the main part of the fifth buy-back programme.

Signatures:

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

Oana Truța
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

12 August 2015

Annex 1

FONDUL PROPRIETATEA S.A.

FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2015

Prepared in accordance with the National Securities Commission ("CNVM") Regulation no. 4/2011 regarding accounting regulations compliant with EEC Directive IV, applicable to the entities authorised, regulated and supervised by the Financial Supervision Authority ("FSA"), approved by CNVM Order no. 13/2011, and with CNVM Instruction no. 5/2006, regarding semi-annual accounting reporting system, as subsequently amended ("Romanian Accounting Regulations")

(This is a translation from the official Romanian version)

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FONDUL PROPRIETATEA S.A.

STATEMENT OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY
AS AT 30 JUNE 2015
FORM CODE 10

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

The format of the Financial Statements as at 30 June 2015 for the entities authorised, regulated and supervised by the Financial Supervision Authority (FSA), for the closed-end funds (AOPC) set up under articles of association

Type of financial statement: SI

County: Bucharest

Legal entity: Fondul Proprietatea S.A.

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

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

Trade Register no.: J40/21901/2005

Ownership type: 22

Main activity:

(CAEN group): 643

CAEN class: 6430

Sole Registration Code: 18253260

A	Row	Note	Balance	
			1 January 2015	30 June 2015
	B		1	2
A. NON-CURRENT ASSETS				
I. INTANGIBLE ASSETS				
3. Concessions, patents, licences, trademarks and similar rights and other intangible assets (acc. 205 + 208 - 2805 - 2808 - 2905 - 2908)	03		474,262	783,975
5. Advances and intangible assets in progress (acc. 233+234-2933)	05		363,126	-
TOTAL: (rows 01 to 05)	06	1 a)	837,388	783,975
III. FINANCIAL ASSETS				
1. Shares held in subsidiaries (acc. 261 - 2961)	12		52,286,860	54,070,845
3. Investments in associates (acc. 263 - 2963)	14		4,467,710,174	4,133,116,216
5. Other investments held as financial assets (acc. 262 + 264 + 265 + 266 - 2696 - 2962 - 2964)	16		4,555,184,931	4,599,190,408
6. Other receivables (acc. 2673 + 2674 + 2678 + 2679 - 2966 - 2969)	17		-	12,011,283
TOTAL: (rows 12 to 17)	18	1 b)	9,075,181,965	8,798,388,752
NON-CURRENT ASSETS - TOTAL (rows 06 + 11 + 18)	19		9,076,019,353	8,799,172,727
B. CURRENT ASSETS				
II. RECEIVABLES				
1. Trade receivables (acc. 2675 + 2676 + 2678 + 2679 - 2966 - 2969 + 4092 + 411 + 413 + 418 - 491)	24		227	818
4. Other receivables (acc. 425 + 4282 + 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482 + 4582 + 461 + 473 - 496 + 5187)	27		8,702,027	331,265,361
TOTAL: (rows 24 to 28)	29	2	8,702,254	331,266,179
III. SHORT TERM INVESTMENTS				
2. Other short term investments (acc. 5031 + 5032 + 505 + 5061 + 5062 + 5071 + 5072 + 5081 + 5082 + 5088 + 5089 - 593 - 595 - 596 - 597 - 598 + 5113 + 5114)	31		194,588,981	5,831,691
TOTAL: (rows 30 to 31)	32		194,588,981	5,831,691

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

	Row	Note	Balance	
			1 January 2015	30 June 2015
	B		1	2
IV. CASH AND BANK ACCOUNTS				
(acc. 5112 + 5121 + 5122 + 5123 + 5124 + 5125 + 5311 + 5314 + 5321 + 5322 + 5323 + 5328 + 5411 + 5412 + 542)	33		116,158,127	101,542,981
CURRENT ASSETS - TOTAL				
(rows 23 + 29 + 32 + 33)	34		319,449,362	438,640,851
C. PREPAID EXPENSES				
(acc. 471)	35		44,627	201,477
D. PAYABLES WITHIN ONE YEAR				
2. Amounts owed to credit institutions				
(acc.1621+1622+1624+1625+1627+1682+5191+5192+5198)	37		-	450,130,375
4. Trade payables (acc. 401 + 404 + 408)	39		19,348,098	29,281,222
8. Other payables, including tax and social security payables				
(acc. 1623 + 1626 + 167 + 1687 + 2698 + 421 + 423 + 424 + 426 + 427 + 4281 + 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481 + 4551 + 4558 + 456 + 457 + 4581 + 462 + 473 + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	43		22,048,305	65,052,525
TOTAL: (rows 36 to 43)	44	2	41,396,403	544,464,122
E. NET CURRENT ASSETS OR NET CURRENT LIABILITIES				
(rows 34 + 35 - 44 - 60.2)	45		278,097,586	(105,621,794)
F. TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19 + 45)	46		9,354,116,939	8,693,550,933
H. PROVISIONS				
2. Provisions for taxes (acc. 1516)	57		3,688,260	5,610,065
3. Other provisions (acc. 1511+1512+1513+1514+1518)	58		11,397,683	11,489,910
TOTAL PROVISIONS (rows 56 +57 + 58)	59		15,085,943	17,099,975
J. SHARE CAPITAL AND RESERVES				
I. SHARE CAPITAL (rows 62 to 63) out of which:	61	4	11,815,279,887	10,965,850,800
- subscribed unpaid share capital (acc. 1011)	62		345,621,733	327,431,115
- subscribed paid in share capital (acc. 1012)	63		11,469,658,154	10,638,419,685
IV. RESERVES (rows 68-69+70+71+72+73+74)	67		(2,981,254,084)	(3,198,307,076)
1. Legal reserves (acc. 1061)	68		243,735,507	243,735,507
2. Reserves related to impairment adjustments of financial assets (acc.1062 - <i>debit balance</i>)	69		3,627,783,973	3,893,610,423
4. Reserves for financial assets received free of charge (acc.1065)	71		36,332,591	48,343,874
7. Other reserves (acc.1068)	74		366,461,791	403,223,966
TREASURY SHARES (acc.109 - <i>debit balance</i>)	75	4	1,189,918,464	1,142,588,135
V. RETAINED EARNINGS (acc. 117)				
Credit balance	78		733,501,705	1,694,923,658
VI. RESULT FOR THE YEAR (acc. 121)				
Credit balance	80		1,012,898,265	356,571,711
Profit allocation (acc. 129 - <i>debit balance</i>)	82		51,476,313	-
TOTAL SHAREHOLDERS' EQUITY				
(rows 61 + 64 + 65 - 66 + 67 -75+76-77+78 -79+80-81-82)	83		9,339,030,996	8,676,450,958

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

Oana Truța
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

FONDUL PROPRIETATEA S.A.

INCOME STATEMENT
AS AT 30 JUNE 2015
FORM CODE 20

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

A	Row	Note	Half year ended	
			30 June 2014	30 June 2015
	B		1	2
A. REVENUES FROM CURRENT ACTIVITY – TOTAL (rows 02 to 11)	01		1,452,635,189	438,579,990
1. Revenues from financial assets (acc. 761)	02	6	649,786,661	433,202,209
4. Revenues from disposal of financial assets (acc.758(part)+764)	05		762,378,735	1,877,301
6. Revenues from provisions, receivables previously written off and sundry debtors (acc.754+781+786)	07		30,028,585	166,752
7. Revenues from foreign exchange differences (acc.765)	08		1,355,212	324,026
8. Interest income (acc.766)	09		8,427,503	1,530,507
10. Other income from current activity (acc. 705+706+708+741+758(part)+767+768 +7815)	11		658,493	1,479,195
B. EXPENSES FROM CURRENT ACTIVITY – TOTAL (rows 13 to 20)	12		383,186,842	76,738,959
12. Expenses from disposal of financial assets (acc. 658(part) +664)	14		328,217,775	5,013,778
13. Expenses from foreign exchange differences (acc. 665)	15		2,130,264	378,879
14. Interest expense (acc. 666)	16		-	130,375
15. Commissions and fees (acc.622)	17		14,060,879	9,194,769
16. Expenses for bank services and similar expenses (acc.627)	18		22,061	24,467
17. Depreciation and amortization, provisions, losses from receivables and sundry debtors (acc. 654 + 681 + 686)	19		1,972,982	2,218,403
18. Other expenses from current activity (rows 21+22+23+26+27)	20		36,782,881	59,778,288
c. Salary expenses (rows 24+25), of which:	23		545,100	550,536
c1. Salaries (acc.621+641+642 +644)	24		450,000	457,974
c2. Social security contributions (acc. 645)	25		95,100	92,562
d. Third party expenses (acc.611+612+613+614+623+624+625+626+628+658(part)+ 667 +668)	26		35,747,543	57,947,484
e. Other taxes, duties and similar expenses (acc. 635)	27		490,238	1,280,268
C. CURRENT RESULT				
- Profit (row 01 - 12)	28		1,069,448,347	361,841,031
19. TOTAL REVENUE (rows 01+30)	34		1,452,635,189	438,579,990
20. TOTAL EXPENSES (rows 12+31)	35		383,186,842	76,738,959
G. GROSS PROFIT:				
- Profit (row 34 - 35)	36		1,069,448,347	361,841,031
21. INCOME TAX				
- Income tax expense (acc.691)	38	5 b)	14,984,466	5,269,320
H. RESULT FOR THE YEAR				
- Profit (row 36-38-39)	40		1,054,463,881	356,571,711

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

Oana Truța
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

FONDUL PROPRIETATEA S.A.

STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2015

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

	Half year ended	
	30 June 2014	30 June 2015
Cash flows from operating activities		
Payments to suppliers and similar payments	(38,632,094)	(50,287,304)
Remunerations and similar payments, including related taxes and contributions	(490,075)	(549,722)
Payments related to other taxes and fees	(7,896,452)	(8,237,098)
Other receipts, net of other payments	-	41,400
Income tax paid	(3,909,312)	-
Net cash flows used in operating activities	(50,927,933)	(59,032,724)
Cash flows from investment activities		
Dividends received	419,880,328	158,197,313
Interest received	7,701,924	3,497,617
Payments for the acquisition of tangible and intangible assets	(27,291)	(95,948)
Subscriptions to share capital increases of portfolio companies	-	(88,350)
Proceeds from disposal of financial assets	759,610,537	617,240
Other receipts/(payments) related to financial assets	3,775,341	(7,524)
Net proceeds from/(payments for) treasury bills and bonds	(720,227,960)	186,597,986
Net collection of deposits with original maturity greater than 3 months	-	25,000,000
Net cash flows generated from investment activities	470,712,879	373,718,334
Cash flows from financing activities		
Dividends paid, including related withholding tax	(3,945,086)	(3,180,079)
Payments for buybacks	(161,214,966)	(211,490,326)
Payments to shareholders related to the return of capital	-	(488,203,595)
Payments to Central Depository related to the return of capital to shareholders	-	(51,435,272)
Proceeds from short-term bank loans	-	450,000,000
Net cash flows used in financing activities	(165,160,052)	(304,309,272)
Net increase in cash and cash equivalents	254,624,894	10,376,338
Cash and cash equivalents as at the beginning of the period	237,573,615	91,158,127
Foreign exchange differences related to transactions in foreign currency	(929,811)	8,516
Cash and cash equivalents as at the end of the period	491,268,698	101,542,981

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

Oana Truța
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

FONDUL PROPRIETATEA S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT 30 JUNE 2015

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

Element of equity	Balance as at 1 January 2015	Increases		Decreases		Balance as at 30 June 2015
		Total	Of which, by transfer	Total	Of which, by transfer	
Subscribed paid in share capital	11,469,658,154	-	-	831,238,469	240,215,153	10,638,419,685
Subscribed unpaid share capital	345,621,733	-	-	18,190,618	-	327,431,115
Legal reserves – <i>Credit balance</i>	243,735,507	-	-	-	-	243,735,507
Reserves related to impairment adjustments of financial assets – <i>Debit Balance</i>	(3,627,783,973)	(508,250,246)	-	(242,423,796)	-	(3,893,610,423)
Other reserves – <i>Credit Balance</i>	366,461,791	36,762,175	36,762,175	-	-	403,223,966
Reserves from shares received free of charge – <i>Credit balance</i>	36,332,591	12,011,283	-	-	-	48,343,874
Treasury shares – <i>Debit Balance</i>	(1,189,918,464)	(212,823,097)	-	(260,153,426)	(203,452,977)	(1,142,588,135)
Result from the adjustment of accounting errors – <i>Credit Balance</i>	74,136,468	-	-	-	-	74,136,468
Retained earnings representing profit not allocated – <i>Credit Balance</i>	659,365,237	961,421,953	961,421,953	-	-	1,620,787,190
Result for the period (profit) – <i>Credit Balance</i>	1,012,898,265	356,571,711	-	1,012,898,265	1,012,898,265	356,571,711
Allocation of profit – <i>Debit Balance</i>	(51,476,313)	-	-	(51,476,313)	(51,476,313)	-
Total equity	9,339,030,996	645,693,779	998,184,128	1,308,273,817	998,184,128	8,676,450,958

The decrease of the *subscribed paid in share capital* includes the cancellation on 27 January 2015 of the treasury shares acquired by the Fund in 2014 in the third buyback programme (RON 240,215,153) and the decrease on 21 May 2015 of nominal value of the shares from RON 0.95 to RON 0.90 per share (RON 591,023,316).

The increase in *other reserves* represents the gain on cancellation of treasury shares acquired in the third buyback programme at an acquisition cost lower than the nominal value, in amount of RON 36,762,175.

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

Oana Truța
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

FONDUL PROPRIETATEA S.A.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2015

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

1. NON-CURRENT ASSETS

a) Intangible assets

	Intangible assets in progress	Intangible assets
Gross value (acquisition cost)		
Balance as at 1 January 2015	363,126	927,376
Acquisitions	85,465	10,483
Transfers	(448,591)	448,591
Balance as at 30 June 2015	-	1,386,450
Accumulated amortisation		
Balance as at 1 January 2015	-	453,114
Amortisation in the period	-	149,361
Balance as at 30 June 2015	-	602,475
Net book value as at 1 January 2015	363,126	474,262
Net book value as at 30 June 2015	-	783,975

As at 30 June 2015, intangible assets included the value of licences and implementation costs of the Fund's specialised accounting and reporting software, net of accumulated amortisation.

b) Financial assets

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

	Financial assets	Other non-current assets	Total
Gross value (acquisition cost/ initial valuation)			
Balance as at 1 January 2015	12,708,817,572	-	12,708,817,572
Cash contribution to share capital increases of portfolio companies	88,350	-	88,350
Bonus shares received from portfolio companies – incorporation of reserves	-	12,011,283	12,011,283
Disposals	(23,204,396)	-	(23,204,396)
Balance as at 30 June 2015	12,685,701,526	12,011,283	12,697,712,809
Adjustments for impairment of financial assets			
Balance as at 1 January 2015	(3,633,635,607)	-	(3,633,635,607)
Adjustments for impairment during the period through reserves (acc.1062)	(508,250,245)	-	(508,250,245)
Reversal of adjustments for impairment during the period through reserves (acc.1062)	242,423,795	-	242,423,795
Reversal of adjustments for impairment during the period through income statement (acc. 7863)	138,000	-	138,000
Balance as at 30 June 2015	(3,899,324,057)	-	(3,899,324,057)
Net book value as at 1 January 2015	9,075,181,965	-	9,075,181,965
Net book value as at 30 June 2015	8,786,377,469	12,011,283	8,798,388,752

1. NON-CURRENT ASSETS (continued)

Acquisitions and Disposals

During the first six months of 2015, the Fund sold its entire holdings in SIFI CJ Agro SA, Forsev SA and Electroconstructia Elco Cluj SA.

In April 2015, the Fund executed its pre-emptive right and participated in the cash share capital increase of GDF Suez Energy Romania SA, acquiring 8,835 new shares at the nominal value of RON 10 per share (total amount of RON 88,350).

In June 2015 the Fund received 12,011,283 bonus shares in Banca Transilvania SA (having a nominal value of RON 1 per share), as a result of the share capital increase of this company from the incorporation of reserves from 2014 profits. The value of these shares is reflected in other non-current assets category, until their registration in the Fund's account is completed at the Central Depository.

2. STATEMENT OF RECEIVABLES AND PAYABLES

Receivables	30 June 2015 Col.1=2+3+4	Due date		
		< 1 year 2	1 – 5 years 3	> 5 years 4
Dividend receivables - net	275,004,896	275,004,896	-	-
Other receivables	54,194,621	54,194,621	-	-
Profit tax receivables	2,061,120	2,061,120	-	-
Interest receivables	4,724	4,724	-	-
Trade receivables	818	818	-	-
TOTAL	331,266,179	331,266,179	-	-

Receivables	1 January 2015 Col.1=2+3+4	Due date		
		< 1 year 2	1 – 5 years 3	> 5 years 4
Profit tax receivables	7,330,440	7,330,440	-	-
Other receivables	1,225,655	1,225,655	-	-
Interest receivables	145,932	145,932	-	-
Trade receivables	227	227	-	-
TOTAL	8,702,254	8,702,254	-	-

As at 30 June 2015, *dividend receivables - net*, in amount of RON 275,004,896 included dividends from portfolio companies related to financial year 2014.

As at 30 June 2015, *other receivables* included mainly the amounts paid to Central Depository related to the 2015 return of capital to shareholders (not yet collected by shareholders as at period end), in amount of RON 51,435,272 and tax recoverable from the Austrian tax authorities relating to 2012 dividends distributed in 2013 by Austrian portfolio companies, amounting to RON 1,035,595 (equivalent of EUR 231,496).

Interest receivables included interest receivables on bank deposits.

2. STATEMENT OF RECEIVABLES AND PAYABLES (continued)

Payables	30 June 2015 Col.1=2+3+4	Due date		
		< 1 year 2	1 – 5 years 3	> 5 years 4
Short-term bank loans	450,130,375	450,130,375	-	-
Payables to shareholders related to the return of capital	57,554,177	57,554,177	-	-
Accrued expenses	28,086,082	28,086,082	-	-
Payables related to buybacks under settlement	4,880,467	4,880,467	-	-
Trade payables	1,195,140	1,195,140	-	-
Dividends payable	1,493,125	1,493,125	-	-
Other taxes and fees payable	992,689	992,689	-	-
Sundry creditors	105,833	105,833	-	-
Taxes on salaries	26,234	26,234	-	-
TOTAL	544,464,122	544,464,122	-	-

Payables	1 January 2015 Col.1=2+3+4	Due date		
		< 1 year 2	1 – 5 years 3	> 5 years 4
Accrued expenses	19,032,507	19,032,507	-	-
Payables to shareholders related to the return of capital	11,434,904	11,434,904	-	-
Dividends payable	5,455,306	5,455,306	-	-
Payables related to buybacks under settlement	3,468,114	3,468,114	-	-
Other taxes and fees payable	1,664,561	1,664,561	-	-
Trade payables	315,591	315,591	-	-
Taxes on salaries	25,420	25,420	-	-
TOTAL	41,396,403	41,396,403	-	-

As at 30 June 2015, *short-term bank loans* included the amounts drawn from the revolving credit facility granted by Citibank Europe Plc, Dublin – Romania Branch and related accrued interest. In June 2015 the Fund drew RON 450 million from the total credit facility of RON 500 million, to fund the 2015 return of capital to shareholders.

As at 30 June 2015, *payables to shareholders related to the return of capital*, included mainly the amount of RON 51,435,272 due to shareholders following the 2015 share capital decrease through the reduction of the nominal value of Fund's shares from RON 0.95 to RON 0.90 per share. The shareholders registered with the Central Depositary on 24 June 2015 have the right to receive RON 0.05 per share, proportionally with their participation in the paid-up share capital of the Fund. The payment started on 29 June 2015. *Payables to shareholders related to the return of capital* also included the amount of RON 6,118,905 due to shareholders as a result of the share capital decrease in 2014 through the reduction of the nominal value of the Fund's shares from RON 1 to RON 0.95 per share.

Accrued expenses mainly included investment management and administration fees (both base and distribution fees) payable to the Fund Manager of RON 26,591,553 as at 30 June 2015 (1 January 2015: RON 16,064,203).

As at 30 June 2015, *dividends payable* included the amounts related to the dividends payable to Fund's shareholders related to the financial year 2012 of RON 1,493,125.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements for the half year ended 30 June 2015 have been prepared in accordance with the National Securities Commission Regulation 4/2011 regarding accounting regulations compliant with EEC Directive IV, applicable to the entities authorised, regulated and supervised by the FSA, approved by CNVM Order no. 13/2011 and with CNVM Instructions no. 5/2006 regarding semi-annual accounting reporting system, as subsequently amended.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014 prepared in accordance with CNVM Regulation 4/2011 regarding accounting regulations compliant with EEC Directive IV, applicable to the entities authorised, regulated and supervised by the FSA, approved by CNVM Order 13/2011.

The Fund did not change any accounting policies during the half year ended 30 June 2015.

4. FINANCING SOURCES

Shares

As at 30 June 2015, the subscribed share capital was RON 10,965,850,800.30 representing 12,184,278,667 shares with a nominal value of RON 0.90 per share, out of which 363,812,350 shares were unpaid.

The shareholding structure as at 30 June 2015 was the following:

No	Shareholder type	% of subscribed share capital	% of paid in share capital	% of voting rights
1	The Bank of New York Mellon (depository bank for Global Depository Receipts)	26.21%	27.01%	29.91%
2	Foreign institutional shareholders	24.59%	25.35%	28.07%
3	Romanian private individuals	19.98%	20.60%	22.80%
4	Romanian institutional shareholders	11.36%	11.71%	12.96%
5	Treasury shares	9.39%	9.68%	0.00%
6	Foreign private individuals	5.45%	5.61%	6.22%
7	Ministry of Public Finance	3.02%	0.04%	0.04%
Total		100.00%	100.00%	100.00%

The total number of shareholders as at 30 June 2015 was 8,548.

The unpaid share capital represents the net value of certain contributions due to the Fund from the Romanian State represented by the Ministry of Public Finance as shareholder, that were recorded in previous years as paid capital, based on Law no. 247/2005, as subsequently amended („Law 247/2005”).

In January 2015, the paid in share capital of the Fund decreased by RON 240,215,153 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 591,023,316 following the reduction of the nominal value of the shares from RON 0.95 to RON 0.90 per share.

Following these changes, the paid in share capital of the Fund decreased from RON 11,469,658,154.35 to RON 10,638,419,685.30 (divided into 11,820,466,317 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 to RON 10,965,850,800.30 (divided into 12,184,278,667 shares with a nominal value of RON 0.90 per share).

4. FINANCING SOURCES (continued)

Treasury Shares

At the General Shareholders Meeting ("GSM") in November 2013, the shareholders approved the third buyback 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 buyback programme. The execution of the third buy-back programme started on 25 March 2014 and until 23 July 2014, all 252,858,056 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 205,784,683. The cancellation of the shares acquired within this buyback programme was effective on 27 January 2015.

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 buyback 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. During the GSM held on 27 April 2015, the Fund's shareholders approved the decrease of the share capital through the cancellation of the shares repurchased by the Fund in the fourth buy-back programme. The shareholders resolution was published in the Official Gazette of Romania on 12 May 2015. The cancellation of the shares acquired within this buy-back programme was effective on 12 August 2015, when the new Constitutive Act was endorsed by FSA. For more details regarding the cancellation of the shares acquired within the fourth buy-back programme, please see note 8 Subsequent events.

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, starting with the date when the share capital decrease approved through Extraordinary General Shareholders' Meeting ("EGM") Resolution on 23 September 2014 (regarding the cancellation of the shares purchased by the Fund in the third buy-back programme) is effective, until August 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 transaction 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 fifth buy-back programme started on 10 February 2015 and until 30 June 2015, 159,055,335 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 138,414,159. The fifth buy-back programme was finalised on 30 July 2015. For more details please see note 8 Subsequent events.

The Fund Manager intends to continue with share buy-backs in accordance with the Fund's Investment Policy Statement, and on 27 April 2015 the GSM 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 transaction can only be applied for fully paid shares. The shares repurchased will be cancelled. The implementation of this buy-back programme will be subject to the availability of the necessary cash.

5. OTHER INFORMATION

a) Information regarding the presentation of the Fund

The Fund is an undertaking for collective investments, in the form of a closed end investment company, established in accordance with Law 247/2005 and registered in Bucharest on 28 December 2005. During the reporting period, the address of the Fund's registered office was 78 – 80, Buzzești Street, 7th Floor, District 1, Bucharest.

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

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

The Fund's Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.

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

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

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch is the Fund Manager and Sole Director of the Fund, effective since 29 September 2010. The mandate of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch as the Fund Manager and Sole Director of the Fund was renewed for 2 years beginning with 30 September 2014.

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

Since 29 April 2015, the Fund's Global Depositary Receipts ("GDRs") have been listed on the London Stock Exchange – Specialist Fund Market, with 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, which is limited to one-third of the Fund's issued 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.

b) Information regarding the current income tax

	30 June 2014	30 June 2015
Gross profit	1,069,448,347	361,841,031
Income from provisions and impairment adjustments - Non taxable	(30,028,585)	(166,752)
Income from dividends from Romania entities - Non taxable	(621,844,517)	(426,246,199)
Income from disposal of financial assets - Non taxable	(647,758,168)	(972,745)
Gain on cancellation of treasury shares – Taxable equity item	120,036,218	34,430,470
Gain on decrease of nominal value of treasury shares – Taxable equity item	57,379,239	56,700,448
Expenses with provisions and impairment adjustments - Non deductible	1,817,927	2,020,579
Expenses related to disposal of financial assets - Non deductible	141,060,565	4,694,122
Other non-deductible expenses	5,680,567	632,293
Taxable profit for the current period	95,791,593	32,933,247
Tax losses carried forward	(2,138,680)	-
Taxable profit taking into account tax losses carried forward from previous years	93,652,913	32,933,247
Current income tax (16%)	14,984,466	5,269,320
Income tax overpayments related to prior periods	4,346,232	7,330,440
Income tax (payable)/ receivable	(10,638,234)	2,061,120

6. DIVIDEND INCOME

Company	30 June 2014	30 June 2015
Hidroelectrica SA	-	128,915,587
OMV Petrom SA	331,366,364	120,496,860
Electrica Furnizare SA	19,637,608	38,285,340
Electrica Distributie Muntenia Nord SA	23,212,248	24,653,094
GDF Suez Energy Romania SA	33,600,000	24,000,000
Enel Distributie Banat SA	-	20,673,959
Electrica Distributie Transilvania Sud SA	12,733,949	17,568,497
Electrica Distributie Transilvania Nord SA	11,666,199	16,701,528
Enel Distributie Dobrogea SA	-	10,504,848
CN Aeroporturi Bucuresti SA	-	10,232,630
Enel Energie SA	-	7,420,314
Nuclearelectrica SA	27,857,878	6,906,912
CN Administratia Porturilor Maritime SA	10,118,830	6,453,568
CN Administratia Canalelor Navigabile SA	175,612	235,450
Alcom SA	-	104,524
CN Administratia Porturilor Dunarii Maritime SA	84,266	49,098
Romgaz SA	148,509,917	-
Transelectrica SA	22,046,532	-
Conpet SA	8,773,485	-
CN Administratia Porturilor Dunarii Fluviale SA	3,773	-
TOTAL	649,786,661	433,202,209

7. CONTINGENT ASSETS AND LIABILITIES

1. Litigations

As at 30 June 2015 the Fund was involved in certain litigations, either as defendant or claimant. The Fund discloses in the financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

- Some minority shareholders of the Fund (acting individually) have filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders' Meeting and others seeking to block the registration of some resolutions with the Trade Register. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by Management through the Bucharest Stock Exchange news system.
- In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund.

These decisions are irrevocable and they were implemented by the 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 and the 27 April 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 and the 27 April 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).

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.

7. CONTINGENT ASSETS AND LIABILITIES (continued)

In June 2014, in another case started by the Fund against one of the shareholders 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 of the Fund included the receivables from World Trade Center București SA as follows:

Title II, Article 4 of Government Emergency Ordinance 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 30 June 2015, the Fund recovered from World Trade Center București SA USD 510,131, EUR 148,701 and 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 4 September 2015.

Currently, World Trade Center București SA is the object of insolvency procedure, but the Fund is not a party in this file, while the Ministry of Public Finance is a party 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”*.

8. SUBSEQUENT EVENTS

Completion of the Fifth Buy-Back Programme

On 30 July 2015, the Fund announced the completion of the fifth buy-back programme through which the Fund acquired 227,572,250 own shares (equivalent to 1.86% of the Fund's subscribed share capital) through daily acquisitions on the Bucharest Stock Exchange. The total value of the buy-back programme was RON 193,470,260 (excluding brokerage fees and other acquisition related costs), and the weighted average price was approximately RON 0.8501 per share. The Fund Manager will request shareholders' approval for the cancellation of the shares repurchased during this buy-back programme at the future shareholders' general meetings.

8. SUBSEQUENT EVENTS (continued)

Updates on the Shares Cancellation

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 beginning with 12 August 2015. Therefore, starting with 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.

FONDUL PROPRIETATEA S.A.

INFORMATIVE DATA

AS AT 30 JUNE 2015

FORM 30

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

Informative Data

	No	No of units	Amounts (RON)
I. Data regarding the financial result	Row	1	2
Units that incurred profit	01	1	356,571,711
Units that incurred losses	02	-	-

	No	Total	Of which:	
II. Data regarding the overdue payments	row	Col.2+3	For the current activity	For the investment activity
A	B	1	2	3
Overdue liabilities-total (row 05+09+15 to 19+23), of which:	04	51,441	51,441	-
Overdue suppliers – total (row 06 to 08), of which:	05	51,441	51,441	-
- over 1 year	08	51,441	51,441	-

IV. Interest, dividends and royalties paid during the reporting period. Subsidies collected and overdue receivables	No	Amounts
A	row	1
Gross dividend income paid to non-resident individuals, of which:	34	2,339,978
- taxes owed to the state budget	35	-
Gross dividend income paid to non-resident juridical persons, of which:	36	493,795
- taxes owed to the state budget	37	-
Gross dividend income paid to non-resident individuals in EU member states	38	54,958
Gross services income paid to non-residents, of which:	53	7,419,512
- taxes owed to the state budget	54	16,117
Gross services income paid to non-residents in EU member states, of which:	55	7,416,963
- taxes owed to the state budget	56	15,632
Overdue receivables, which were not collected at the terms provided in commercial contracts and/ or regulations in force, of which:	61	1,407,863
- Overdue receivables from private sector entities	63	1,407,863

VIII. Other information	No row	30 June 2014	30 June 2015
A	B	1	2
Financial assets, gross values (row 75+ 84), of which:	74	13,031,573,897	12,685,701,526
Shares held in subsidiaries, investments in associates, other non-current investments and bonds, gross values (row 76 to 83), of which:	75	13,031,573,897	12,685,701,526
- listed shares issued by residents	76	7,708,409,138	7,377,915,885
- unlisted shares issued by residents	77	5,323,164,759	5,307,785,641
Trade receivables, advances to suppliers and other similar accounts, gross values (account 4092 + 411 + 413 + 418), of which:	87	44	591
- external trade receivables, advances to foreign suppliers and other similar accounts, gross values (from account 4092 + from account 411 + from account 413 + from account 418), of which	88	-	507
Receivables from social security and state budget (account 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482), (row 92 to 96), of which:	91	38,662	2,727,842
- receivables from social securities (account 431 + 437 + 4382)	92	38,305	-
- fiscal receivables from state budget (account 441 + 4424 + 4428 + 444 + 446)	93	357	2,727,842
Other receivables (account 452 + 456 + 4582 + 461 + 471 + 473), of which:	99	236,177,485	329,786,630
- other receivables from individuals and legal entities, other than receivables from public institutions, (from account 461 + from account 471 + from account 473)	101	236,177,485	329,786,630
Interest receivable (account 5187), of which	103	100,186	4,724
- from non-residents	104	-	-
Short term investments, in gross amounts (account 501 + 503+ 505 + 506 + 507+ from the account 508) (row 107 to 115), of which:	106	933,469,705	5,831,691
- bonds issued by residents	110	933,469,705	5,831,691
Petty cash in RON and currency (row 118 + 119), of which:	117	38	438
- in RON (account 5311)	118	38	438
Bank accounts, in RON and currency (row 121 + 123), of which:	120	491,268,660	101,542,543
- in RON (account 5121), of which:	121	491,264,905	101,536,299
Bank accounts in RON opened with non-resident banks	122	-	-
- in currency (account 5124), of which:	123	3,755	6,244
Bank accounts in currency opened with non-resident banks	124	-	-

VIII. Other information (continued)	No row	30 June 2014	30 June 2015
A		1	2
Liabilities (row 129 + 132 + 135 + 138 + 141 + 144 + 147 + 150 + 153 + 156 + 159 + 160 + 164 + 166 + 167 + 172 + 173 + 174 + 180), of which:	128	649,914,092	544,464,122
Short-term domestic bank loans (acc. 5191 + 5192 + 5197), (row. 136 + 137), of which:	135	-	450,000,000
- in RON	136	-	450,000,000
Accrued interest on short term domestic loans (from acc. 5198), (row 139 + 140), of which:	138	-	130,375
- in RON	139	-	130,375
Trade payables, advances from clients and other similar accounts, gross values (account 401 + 403 + 404 + 405 + 408 + 419), of which:	164	18,535,636	29,281,222
- external trade payables, advances from foreign clients and other similar accounts, gross values (from account 401 + from account 403 + from account 404 + from account 405 + from account 408 + from account 419)	165	50,446	342,421
Liabilities to employees and similar accounts (account 421 + 423 + 424 + 426 + 427 + 4281)	166	54,470	-
Liabilities to social security and state budget (account 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481), (row 168 to 171), of which:	167	12,588,351	1,018,923
- liabilities to social securities (account 431 + 437 + 4381)	168	26,005	26,105
- fiscal liabilities to state budget (account 441 + 4423+ 4428 + 444 + 446)	169	12,562,346	992,818
Other liabilities (account 452 + 456 +457 + 4581+ 462 + 472 + 473 + 269 + 509), of which:	174	618,735,635	64,033,602
- settlements from associates, settlements with shareholders related to share capital, settlement related to joint ventures (from account 452 + 456 + 457 + 4581)	175	610,054,973	59,047,302
- other liabilities from individuals and juridical persons, other than liabilities to public institutions, (from account 462 + from account 472 + from account 473)	176	8,680,662	4,986,300
Subscribed paid in share capital (account 1012), (row 183 to 186), of which:	182	12,515,396,724	10,638,419,685
- listed shares	183	12,515,396,724	10,638,419,685
Brevets and licences (from account 205)	187	5,139	5,139

IX. Subscribed paid in share capital	Nr. rd.	30 June 2014		30 June 2015	
A	B	1		2	
		Amount	%	Amount	%
		(1)	(2)	(1)	(2)
Subscribed paid in share capital (account 1012) (row 189 + 192 + 196 to 198)	188	12,515,396,724	100.00%	10,638,419,685	100.00%
- share capital owned by public institutions, of which:	189	4,309,191	0.03%	4,238,310	0.04%
- public institution with Central subordination	190	4,309,191	0.03%	4,238,310	0.04%
- owned by companies with private capital	196	9,014,245,178	72.03%	7,622,522,941	71.65%
- owned by individuals	197	3,227,149,274	25.79%	2,788,676,537	26.21%
- owned by other entities	198	269,693,081	2.15%	222,981,897	2.10%

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

Oana Truța
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

Annex 2 Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 June 2015, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	31 December 2014				30 June 2015				Differences	
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	RON	RON
I. Total assets	100.4265%	100.0000%		13,293,182,958.63	104.4407%	100.0000%		13,207,479,977.82	(85,702,980.81)	
1 Securities and money market instruments, out of which:*	49.3065%	49.0972%		6,526,570,470.26	49.5666%	47.4591%		6,268,155,536.69	(258,414,933.57)	
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	49.5666%	47.4591%	-	6,268,155,536.69	(258,414,933.57)	
1.1.1 listed shares traded in the last 30 trading days	49.0112%	48.8033%	-	6,487,488,092.22	49.4780%	47.3743%	-	6,256,955,220.12	(230,532,872.10)	
1.1.2 listed shares not traded in the last 30 trading days	0.0554%	0.0551%	-	7,332,797.35	0.0886%	0.0848%	-	11,200,316.57	3,867,519.22	
1.1.3 government bonds	0.2399%	0.2388%	-	31,749,580.69	-	-	-	-	(31,749,580.69)	
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 recognized and opened to the public, approved by the FSA	-	-	-	-	-	-	-	-	-	
2 New issued securities	-	-	-	-	-	-	-	-	-	
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	48.9398%	48.7321%	-	6,478,030,691.25	51.1955%	49.0186%	-	6,474,126,116.04	(3,904,575.21)	
- shares not admitted at trading on a regulated market	48.9398%	48.7321%	-	6,478,030,691.25	51.1955%	49.0186%	-	6,474,126,116.04	(3,904,575.21)	
4 Bank deposits, out of which:	0.8267%	0.8232%	-	109,424,929.82	0.7991%	0.7652%	-	101,051,864.61	(8,373,065.21)	
4.1. bank deposits made with credit institutions from Romania	0.8267%	0.8232%	-	109,424,929.82	0.7991%	0.7652%	-	101,051,864.61	(8,373,065.21)	
- in RON	0.8267%	0.8232%	-	109,424,929.82	0.7991%	0.7652%	-	101,051,864.61	(8,373,065.21)	
- 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	0.0039%	0.0038%	-	495,839.77	(6,383,289.02)	
- in RON	0.0520%	0.0517%	-	6,877,087.90	0.0039%	0.0038%	-	489,596.26	(6,387,491.64)	
- in EUR	0.0000%	0.0000%	EUR 295.30	1,323.57	0.0000%	0.0000%	EUR 476.32	2,130.82	807.25	
- in USD	0.0000%	0.0000%	USD 103.36	381.07	0.0000%	0.0000%	USD 277.55	1,109.34	728.27	
- in GBP	0.0000%	0.0000%	GBP 58.55	336.25	0.0000%	0.0000%	GBP 477.51	3,003.35	2,667.10	
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	0.0461%	0.0442%	-	5,831,692.67	(157,007,708.49)	
- Treasury bills with discount, with original maturities of less than 1 year	1.2302%	1.2250%	-	162,839,401.16	0.0461%	0.0442%	-	5,831,692.67	(157,007,708.49)	
8 Participation titles of OCUI and/or UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-	
9 Other assets out of which:	0.0713%	0.0708%	-	9,438,337.35	2.8295%	2.7091%	-	357,818,928.04	348,380,590.69	
- net dividend receivable from Romanian companies	-	-	-	-	2.1746%	2.0822%	-	275,004,895.53	275,004,895.53	
- 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	-	-	-	-	0.4067%	0.3894%	-	51,435,272.70	51,435,272.70	
- the value of bonus shares from Banca Transilvania following the share capital increase from the incorporation of reserves	-	-	-	-	0.2022%	0.1936%	-	25,572,021.51	25,572,021.51	
- dividend withholding tax to be recovered from Austrian Tax Authorities	0.0078%	0.0078%	EUR 231,495.58	1,037,586.34	0.0082%	0.0078%	EUR 231,495.58	1,035,595.48	(1,990.86)	
- tax on dividends to be recovered from the State Budget	0.0011%	0.0011%	-	149,764.00	0.0053%	0.0051%	-	666,721.95	516,957.95	
- tax on profit to be recovered from the State Budget	0.0554%	0.0551%	-	7,330,440.00	0.0163%	0.0156%	-	2,061,120.00	(5,269,320.00)	
- intangible assets	0.0063%	0.0063%	-	837,387.74	0.0062%	0.0059%	-	783,974.25	(53,413.49)	
- other receivables, out of which:	0.0003%	0.0002%	-	38,531.79	0.0084%	0.0080%	-	1,057,849.59	1,019,317.80	
- in RON	0.0003%	0.0002%	-	38,531.79	0.0084%	0.0080%	-	1,057,342.26	1,018,810.47	
- in USD	-	-	-	-	0.0000%	0.0000%	USD 126.93	507.33	507.33	
- prepaid expenses	0.0004%	0.0003%	-	44,627.48	0.0016%	0.0015%	-	201,477.03	156,849.55	
II. Total liabilities	0.4265%	0.4249%		56,482,344.50	4.4407%	4.2520%		561,564,095.65	505,081,751.15	
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	0.2103%	0.2013%	-	26,591,552.89	10,527,349.57	
2 Liabilities related to the fees payable to the depository bank	0.0015%	0.0015%	-	201,047.17	0.0009%	0.0009%	-	113,590.90	(87,456.27)	
3 Liabilities related to the fees payable to intermediaries	-	-	-	-	-	-	-	-	-	
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-	
5 Interest payable	-	-	-	-	0.0010%	0.0010%	-	130,375.00	130,375.00	
6 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-	
7 Liabilities in relation with the fees/commissions to FSA	0.0088%	0.0088%	-	1,164,864.63	0.0078%	0.0074%	-	981,901.13	(182,963.50)	
8 Liabilities related to audit fees	-	-	-	-	-	-	-	-	-	
9 Other Liabilities, out of which:	0.2949%	0.2938%	-	39,052,229.38	4.2207%	4.0414%	-	533,746,675.73	494,694,446.35	
- short term credit facility	-	-	-	-	3.5585%	3.4072%	-	450,000,000.00	450,000,000.00	
- liabilities related to the return of capital	0.0863%	0.0860%	-	11,434,903.60	0.4551%	0.4358%	-	57,554,177.20	46,119,273.60	
- dividends payable	0.0412%	0.0410%	-	5,455,306.19	0.0118%	0.0113%	-	1,493,124.71	(3,962,181.48)	
- provisions for risks and expenses	0.1139%	0.1135%	-	15,085,941.78	0.1352%	0.1295%	-	17,099,974.69	2,014,032.91	
- liabilities related to buybacks under settlement	0.0262%	0.0261%	-	3,468,113.79	0.0386%	0.0370%	-	4,880,466.66	1,412,352.87	
- remunerations and related contributions	0.0002%	0.0002%	-	25,420.00	0.0002%	0.0002%	-	26,234.00	814.00	
- VAT payable to State Budget	0.0038%	0.0038%	-	499,696.28	0.0001%	0.0001%	-	10,029.83	(489,666.45)	
- other liabilities, out of which:	0.0233%	0.0232%	-	3,082,847.74	0.0212%	0.0203%	-	2,682,668.64	(400,179.10)	

FONDUL PROPRIETATEA SA

Item	31 December 2014				30 June 2015				Differences
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
- in RON	0.0222%	0.0221%	-	2,938,636.95	0.0185%	0.0177%	-	2,340,248.13	(598,388.82)
- in EUR	0.0004%	0.0004%	EUR	11,499.00	0.0004%	0.0004%	EUR	51,440.78	(98.89)
- in GBP	0.0007%	0.0007%	GBP	16,136.36	0.0023%	0.0022%	GBP	290,979.73	198,308.61
III. Net Asset Value (I - II)	100.0000%	99.5751%		13,236,700,614.13	100.0000%	95.7480%		12,645,915,882.17	(590,784,731.96)

* = Includes also the value of holdings in companies admitted to trading on Rasdaq market and AeRo market (alternative trading system)

Unitary Net Asset Value

Item	30 June 2015	31 December 2014	Differences
Net Asset Value	12,645,915,882.17	13,236,700,614.13	(590,784,731.96)
Number of outstanding shares	10,670,555,366	10,915,975,273	(245,419,907)
Unitary net asset value	1.1851	1.2125	(0.0274)

Detailed statement of investments as at 30 June 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/Jun/2015	72,884,714	0.5	1.2000	87,461,656.80	10.21%	0.6622%	0.6916%	Closing price
Banca Transilvania SA	TLV	30/Jun/2015	75,070,521	1	2.1290	159,825,139.21	2.87%	1.2101%	1.2638%	Closing price
BRD Groupe Societe Generale SA	BRD	30/Jun/2015	25,387,456	1	10.7800	273,676,775.68	3.64%	2.0721%	2.1642%	Closing price
Conpet SA	COTE	30/Jun/2015	524,366	3.3	69.8000	36,600,746.80	6.05%	0.2771%	0.2894%	Closing price
Nuclearelectrica SA	SNN	30/Jun/2015	27,408,381	10	7.4800	205,014,689.88	9.09%	1.5523%	1.6212%	Closing price
Oil Terminal SA	OIL	30/Jun/2015	36,796,026	0.1	0.0865	3,182,856.25	6.31%	0.0241%	0.0252%	Closing price
OMV Petrom SA	SNP	30/Jun/2015	10,758,648,186	0.1	0.3769	4,054,934,501.30	18.99%	30.7018%	32.0652%	Closing price
Palace SA	PACY	16/Jun/2015	5,832,482	0.1	0.2500	1,458,120.50	15.42%	0.0110%	0.0115%	Reference price - Average price
Primcom SA	PRIB	22/Jun/2015	1,427,188	0.1	9.9000	14,129,161.20	76.03%	0.1070%	0.1117%	Reference price - Average price
Romaero SA	RORX	2/Jun/2015	1,311,691	2.5	13.5000	17,707,828.50	20.99%	0.1341%	0.1400%	Reference price - Average price*
Romgaz SA	SNG	30/Jun/2015	38,542,960	1	36.4000	1,402,963,744.00	10.00%	10.6225%	11.0942%	Closing price
Total						6,256,955,220.12		47.3743%	49.4780%	

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

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	9/Jan/2015	89,249	2.5	116.6335	10,409,423.24	71.89%	0.0788%	0.0823%	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
IOR SA	IORB	23/Apr/2015	2,622,273	0.1	0.2100	550,677.33	2.81%	0.0042%	0.0044%	Fair value / share (last trading price)
Mecon SA	MECP	1/Jul/2014	60,054	11.6	4.0000	240,216.00	12.51%	0.0018%	0.0019%	Fair value / share (last trading price)
Romplumb SA	ROMR	5/Oct/2001	1,595,520	2.5	-	-	33.26%	-	-	- Priced at zero (company in insolvency)
Total						11,200,316.57		0.0848%	0.0886%	

FONDUL PROPRIETATEA SA
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	98.4498	2,279,998.92	20.00%	0.0173%	0.0180%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	122.9046	3,934,913.67	20.00%	0.0298%	0.0311%	Unlisted companies, in function	Shareholders equity/share
BAT Service SA	194,022	19/Jul/2005	656,686	-	-	33.00%	-	-	Dissolution	Priced at zero
Cetatea SA	354,468	19/Jul/2005	118,840	0.9504	336,886.39	20.43%	0.0026%	0.0027%	Unlisted companies, in function	Shareholders equity/share
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	81.0905	16,474,345.98	20.00%	0.1247%	0.1303%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	106.9356	2,946,503.52	20.00%	0.0223%	0.0233%	Unlisted companies, in function	Shareholders equity/share
CN Administratia Porturilor Dunarii Maritime SA	56,675	19/Jul/2005	1,706,051	20.4381	1,158,329.32	7.70%	0.0088%	0.0092%	Unlisted companies, in function	Fair value / share (Shareholders' equity adjusted with dividends declared/ share)
CN Administratia Porturilor Maritime SA	2,651,113	19/Jul/2005	65,441,294	50.0144	132,593,826.03	19.99%	1.0039%	1.0485%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
CN Aeroporturi Bucuresti SA **	2,875,443	5/Feb/2010	131,168,263	115.5599	332,285,905.54	20.00%	2.5159%	2.6276%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	3.9606	108,472,675.16	21.55%	0.8213%	0.8578%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Comsig SA	75,655	19/Jul/2005	132,633	22.7467	1,720,901.59	69.94%	0.0130%	0.0136%	Unlisted companies, in function	Shareholders equity/share
E.ON Distributie Romania SA*****	56,749,014	19/Jul/2005	169,541,165	7.8577	445,916,727.31	18.34%	3.3762%	3.5262%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
E.ON Energie Romania SA	9,903,524	19/Jul/2005	45,765,358	13.5204	133,899,605.89	13.39%	1.0138%	1.0588%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Distributie Muntenia Nord SA	7,796,022	19/Jul/2005	165,221,141	30.2205	235,599,682.85	21.99%	1.7838%	1.8630%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Distributie Transilvania Nord SA	8,167,813	19/Jul/2005	113,299,904	24.6822	201,599,594.03	22.00%	1.5264%	1.5942%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Distributie Transilvania Sud SA	9,327,282	19/Jul/2005	125,918,629	22.1393	206,499,494.38	21.99%	1.5635%	1.6329%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Electrica Furnizare SA ***	1,366,412	22/Jul/2011	17,819,672	92.4816	126,367,968.02	22.00%	0.9568%	0.9993%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
ENEL Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	69.4627	640,490,827.98	24.12%	4.8495%	5.0648%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
ENEL Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	58.7720	396,894,780.04	24.09%	3.0051%	3.1385%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Enel Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	143.0320	465,768,832.67	12.00%	3.5266%	3.6832%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	146.7028	65,143,965.15	12.00%	0.4932%	0.5151%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
ENEL Energie SA	1,680,000	19/Jul/2005	26,124,808	44.2720	74,376,960.00	12.00%	0.5631%	0.5882%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
GDF Suez Energy Romania SA	2,390,698	19/Jul/2005	62,610,812	192.9649	461,320,800.50	11.99%	3.4929%	3.6480%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	-	-	9.76%	-	-	Dissolution	Priced at zero
Hidroelectrica SA	89,378,235	19/Jul/2005	3,107,667,996	24.3694	2,178,093,960.01	19.94%	16.4914%	17.2237%	Judicial reorganisation	Fair value / share (Value as per independent valuator's report)
Petrotel - Lukoil SA	2,152,291	19/Jul/2005	2,787,316	-	-	1.18%	-	-	Unlisted companies, in function	Priced at zero (negative equity)
Plafar SA	132,784	28/Jun/2007	3,160,329	13.8119	1,833,999.33	48.99%	0.0139%	0.0145%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	3.7584	55,894,725.60	25.00%	0.4232%	0.4420%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Salubriserv SA	43,263	19/Jul/2005	207,601	-	-	17.48%	-	-	Insolvency	Priced at zero
Simtex SA	132,859	28/Jun/2007	3,059,858	-	-	30.00%	-	-	Judicial reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	71.2314	142,881,925.56	48.99%	1.0818%	1.1299%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	-	-	19.90%	-	-	Insolvency	Priced at zero
World Trade Hotel SA	17,912	19/Jul/2005	17,912	-	-	19.90%	-	-	Unlisted companies, in function	Priced at zero (lack of annual financial statements for the year-ended 31 December 2013)
Zirom SA	4,735,921	28/Jun/2007	47,146,452	8.3063	39,337,980.60	100.00%	0.2978%	0.3111%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report)
Total			5,307,785,641		6,474,126,116.04		49.0186%	51.1955%		

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 Distributie SA (absorbed company) merged into E.ON Gaz Distributie SA (absorbing company) and the name of the combined entity became E.ON Distributie România SA

FONDUL PROPRIETATEA 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
RO1415CTN0B1	1,169	7/Aug/2014	10/Aug/2015	5,723,903.29	332.68	107,789.38	5,831,692.67	0.0442%	0.0461%	BRD Groupe Societe Generale	Acquisition price cumulated with the related daily interest since the acquisition date
Total							5,831,692.67	0.0442%	0.0461%		

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	25/Jun/2015	2/Jul/2015	RON 25,000,000.00	RON 222.22	RON 1,333.33	RON 25,001,333.33	0.1893%	0.1977%	
Banca Comerciala Romana	25/Jun/2015	9/Jul/2015	RON 25,000,000.00	RON 381.95	RON 2,291.67	RON 25,002,291.67	0.1893%	0.1977%	Bank deposit value cumulated with the daily
ING Bank	29/Jun/2015	6/Jul/2015	RON 25,000,000.00	RON 381.95	RON 763.89	RON 25,000,763.89	0.1893%	0.1977%	related interest for the period from starting
BRD Groupe Societe Generale	30/Jun/2015	1/Jul/2015	RON 7,206,486.19	RON 136.12	RON 136.12	RON 7,206,622.31	0.0546%	0.0570%	date
BRD Groupe Societe Generale	30/Jun/2015	1/Jul/2015	RON 18,840,654.54	RON 198.87	RON 198.87	RON 18,840,853.41	0.1427%	0.1490%	
TOTAL						101,051,864.61	0.7652%	0.7991%	

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

	31 December 2013	31 December 2014	30 June 2015
Net Asset	15,013,742,081.74	13,236,700,614.13	12,645,915,882.17
NAV/share	1.2436	1.2125	1.1851

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

BRD Groupe Societe Generale

Oana Truța
Legal representative

Marius Nechifor
Compliance Officer

Claudia Ionescu
Director

Victor Strâmbei
Manager Depository Department

Annex 3

FONDUL PROPRIETATEA SA
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2015

Prepared in accordance with IAS 34 Interim Financial Reporting

(This is a translation from the official Romanian version)

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	6 months ended 30 June 2015	6 months ended 30 June 2014
Gross dividend income	5	434,527,163	655,108,974
Net gain /(loss) from equity investments at fair value through profit or loss	6	(326,618,114)	166,081,386
Impairment losses on equity investments available for sale	11	(20,077,006)	(296,446,787)
Interest income		1,530,507	8,427,503
Reversal of impairment losses on receivables, net		18,212,824	19,471,399
Gain /(Loss) on disposal of equity investments available for sale, net	7	(93)	495,045,878
Net foreign exchange losses		(54,851)	(775,053)
Other income / (expenses), net		1,173,231	(1,074,991)
Net operating income		108,693,661	1,045,838,309
Operating expenses	8	(68,645,313)	(49,443,241)
Finance costs	14	(236,208)	-
Profit before income tax		39,812,140	996,395,068
Income tax expense	9	(129,450,457)	(14,502,150)
Profit / (Loss) for the period		(89,638,317)	981,892,918
Other comprehensive income			
Net change in fair value of available for sale equity investments		152,560,895	445,627,271
Deferred tax on other comprehensive income		(29,822,766)	(6,146,819)
Decrease in fair value reserve following the disposal of available for sale equity investments		(702,288)	(518,850,703)
Total other comprehensive income		122,035,841	(79,370,251)
Total comprehensive income for the period		32,397,524	902,522,667
Basic and diluted earnings per share		(0.0073)	0.0721

The financial statements were authorised for issue on 12 August 2015 by:

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

Oana Truta
Legal Representative

Prepared by
Mihaela Moleavin
Financial Reporting Manager

The notes on pages 64 to 86 are an integral part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	30 June 2015	31 December 2014
Assets			
Cash and current accounts		495,840	6,879,129
Deposits with banks		101,051,865	109,424,930
Treasury bills		5,831,693	162,839,401
Government bonds		-	31,749,581
Dividends receivable	10	275,004,896	-
Equity investments	11	12,731,261,692	12,927,656,781
Deferred tax assets	12	-	152,678,949
Other assets		57,242,008	9,438,338
Total assets		13,170,887,994	13,400,667,109
Liabilities			
Short term bank loans	14	450,130,375	-
Other liabilities	13	105,823,656	52,794,086
Total liabilities		555,954,031	52,794,086
Equity			
Share capital	15	10,965,850,800	11,815,279,887
Fair value reserve on available for sale financial assets	15	4,142,391,313	4,020,355,472
Other reserves		646,959,473	610,197,299
Treasury shares	15	(1,142,588,135)	(1,189,918,464)
Retained earnings		(1,997,679,488)	(1,908,041,171)
Total equity		12,614,933,963	13,347,873,023
Total liabilities and equity		13,170,887,994	13,400,667,109

The notes on pages 64 to 86 are an integral part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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	-	-	-	-	(89,638,317)	(89,638,317)
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	152,560,895	-	-	-	152,560,895
Decrease in fair value following the disposal of available for sale equity investments	-	(702,288)	-	-	-	(702,288)
Deferred tax on other comprehensive income	-	(29,822,766)	-	-	-	(29,822,766)
Total other comprehensive income	-	122,035,841	-	-	-	122,035,841
Total comprehensive income for the period	-	122,035,841	-	-	(89,638,317)	32,397,524
Transactions with owners, recorded directly in equity						
Decrease of the nominal value of the shares	(609,213,934)	-	-	56,700,448	-	(552,513,486)
Acquisition of treasury shares	-	-	-	(212,823,098)	-	(212,823,098)
Cancellation of treasury shares	(240,215,153)	-	36,762,174	203,452,979	-	-
Total transactions with owners recorded directly in equity	(849,429,087)	-	36,762,174	47,330,329	-	(765,336,584)
Balance as at 30 June 2015	10,965,850,800	4,142,391,313	646,959,473	(1,142,588,135)	(1,997,679,488)	12,614,933,963

The notes on pages 64 to 86 are an integral part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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	-	-	-	-	981,892,918	981,892,918
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	445,627,271	-	-	-	445,627,271
Decrease in fair value following the disposal of available for sale equity investments	-	(518,850,703)	-	-	-	(518,850,703)
Deferred tax on other comprehensive income	-	(6,146,819)	-	-	-	(6,146,819)
Total other comprehensive income	-	(79,370,251)	-	-	-	(79,370,251)
Total comprehensive income for the period	-	(79,370,251)	-	-	981,892,918	902,522,667
Transactions with owners, recorded directly in equity						
Decrease of the nominal value of the shares	(676,904,370)	-	-	57,379,239	-	(619,525,131)
Acquisition of treasury shares	-	-	-	(169,902,201)	-	(169,902,201)
Cancellation of treasury shares	(240,304,801)	-	120,036,218	120,268,583	-	-
Total transactions with owners recorded directly in equity	(917,209,171)	-	120,036,218	7,745,621	-	(789,427,332)
Balance as at 30 June 2014	12,861,183,037	3,933,748,499	432,594,969	(1,087,347,629)	(1,301,858,230)	14,838,320,646

The notes on pages 64 to 86 are an integral part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

	6 months ended 30 June 2015	6 months ended 30 June 2014
Cash flows from operating activities		
Disposals/ maturity of treasury bills and bonds	227,019,112	353,660,859
Dividends received (net of withholding tax)	158,197,313	419,880,328
Maturity of bank deposits with original maturities of more than three months	25,000,000	-
Interest received	3,497,617	7,701,924
Proceeds from sale of equity investments	617,240	759,610,537
Suppliers and other taxes and fees paid	(58,778,656)	(46,555,837)
Acquisitions of treasury bills and bonds	(40,421,126)	(1,073,888,818)
Remunerations and related taxes paid	(549,722)	(490,075)
Income tax paid	-	(3,909,312)
Subscriptions to share capital increase of portfolio companies	(88,350)	-
Realised foreign exchange gain / (loss) on cash and cash equivalents	8,516	(929,812)
Other receipts	192,183	3,775,341
Net cash flows from operating activities	314,694,127	418,855,135
Cash flows from financing activities		
Short term bank loans	450,000,000	-
Return of capital to shareholders	(488,203,595)	-
Acquisition of treasury shares	(211,490,326)	(161,214,966)
Payments to Central Depository in relation with 2015 return of capital to shareholders	(51,435,273)	-
Dividends paid (including related taxes)	(3,180,079)	(3,945,086)
Net cash flows used in financing activities	(304,309,273)	(165,160,052)
Net increase in cash and cash equivalents	10,384,854	253,695,083
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	101,542,981	491,268,698
	30 June 2015	30 June 2014
Cash	495,840	737,382
Bank deposits with original maturities of less than three months	101,047,141	490,531,316
	101,542,981	491,268,698

The notes on pages 64 to 86 are an integral part of these financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 investments, in the form of a closed end investment company, established in accordance with Law 247/2005 regarding the reform in property and justice, as well as certain adjacent 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 Director of the Fund and the mandate was renewed on 30 September 2014 for two years.

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

Starting 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, 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.

These condensed interim financial statements for the six-month period ended 30 June 2015 are not audited.

2. Basis of preparation

(a) Statement of compliance

On 6 August 2014, the FSA issued Instruction no. 2/ 6.08.2014 („Instruction 2/2014”), whereby entities authorised, regulated and supervised by the FSA in the Financial Investments and Instruments Sector (including the Fund), were required to apply International Financial Reporting Standards as adopted by European Union (“IFRS”) as official accounting regulations with effect from 1 January 2015. As a result, starting 1 January 2015, the Fund adopted IFRS as the official basis of accounting.

However, during 2015, the FSA decided to postpone the implementation of IFRS as the official accounting regulations for regulated entities. FSA Instruction no. 1/19.05.2015 regarding the amendment of Instruction 2/2014 („Instruction 1/2015”), 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 again became Romanian Accounting Regulations for the year 2015.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

These condensed interim financial statements for the six-month period ended 30 June 2015 have been prepared in accordance with *IAS 34 Interim financial reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, prepared in accordance with IFRS.

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.

(b) Basis of measurement

The condensed interim 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 condensed interim financial statements.

(c) Functional and presentation currency

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

(d) Use of estimates

The preparation of the condensed interim 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 condensed interim financial statements is included in the following notes:

- Note 8 – Operating expenses;
- Note 11 – Equity investments;
- Note 12 – Deferred tax assets;
- Note 13 – Other liabilities;
- Note 16 – Contingencies.

3. Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Fund's financial statements as at and for the year ended 31 December 2014 and have been applied consistently to all periods presented in these condensed interim financial statements.

Starting from 2014, the Fund applied the *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)*, being classified as an investment entity. As a result, the Fund changed its accounting policies for investments in subsidiaries and associates, classifying and measuring them at fair value through profit or loss, while all the other equity investments of the Fund were classified as available for sale financial assets with the changes in fair value recognised in other comprehensive income (equity).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)*Comparative financial information*

During 2014, the Fund issued condensed interim IFRS financial statements for informative purposes. In those informative condensed interim financial statements all Fund's equity investments were classified and measured at fair value through profit or loss, the comparative information being restated accordingly.

Following the changes in local accounting legislation, according to the Instruction no. 2/2014 issued by FSA in August 2014 (before its subsequent amendment in 2015), starting 1 January 2015, IFRS became the official accounting regulation of the Fund for both accounting and fiscal basis.

In that context, the classification and measurement of the equity investments of the Fund were reconsidered for the preparation of the annual financial statements for the year ended 31 December 2014, the initial classification and valuation of other equity investments (other than subsidiaries and associates, which continued to be recorded at fair value through profit or loss), as reported in the previously published annual IFRS financial statements (as available for sale financial assets) was considered the most appropriate option.

As a result, for consistency with the current period (six-month period ended 30 June 2015), the comparative information for the six-month period ended 30 June 2014 was restated accordingly.

Also, for the six-month period ended 30 June 2014 the Fund reclassified certain items in the Statement of Comprehensive Income, in order to be consistent with current period presentation.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

4. 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
30 June 2015						
Cash and current accounts	495,840	-	-	-	495,840	495,840
Deposits with banks	101,051,865	-	-	-	101,051,865	101,051,865
Treasury bills	-	5,831,693	-	-	5,831,693	5,831,693
Dividends receivable	275,004,896	-	-	-	275,004,896	275,004,896
Equity investments	-	8,466,013,705	4,265,247,987	-	12,731,261,692	12,731,261,692
Other receivables	57,242,008	-	-	-	57,242,008	57,242,008
Short term bank loans	-	-	-	(450,130,375)	(450,130,375)	(450,130,375)
Other liabilities	-	-	-	(105,823,656)	(105,823,656)	(105,823,656)
	433,794,609	8,471,845,398	4,265,247,987	(555,954,031)	12,614,933,963	12,614,933,963

	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	-	-	-	(52,794,086)	(52,794,086)	(52,794,086)
	125,742,397	8,530,379,662	4,591,866,101	(52,794,086)	13,195,194,074	13,195,194,074

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

5. Gross dividend income

	6 months ended 30 June 2015	6 months ended 30 June 2014
Hidroelectrica SA	128,915,587	-
OMV Petrom SA	120,496,860	331,366,364
Electrica Furnizare SA	38,285,340	19,637,608
Electrica Distributie Muntenia Nord SA	24,653,094	23,212,248
GDF Suez Energy Romania SA	24,000,000	33,599,997
Enel Distributie Banat SA	20,673,959	-
Electrica Distributie Transilvania Sud SA	17,568,497	12,733,949
Electrica Distributie Transilvania Nord SA	16,701,528	11,666,199
Enel Distributie Dobrogea SA	10,504,848	-
CN Aeroporturi Bucuresti SA	10,232,630	-
Nuclearelectrica SA	8,222,514	33,164,141
Enel Energie SA	7,420,314	-
CN Administratia Porturilor Maritime SA	6,453,567	10,118,830
CN Administratia Canalelor Navigabile SA	235,450	175,612
Romgaz SA	-	148,509,917
Transelectrica SA	-	22,046,532
Conpet SA	-	8,773,485
Others	162,975	104,092
	434,527,163	655,108,974

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 at least one year prior to the dividend distribution, no withholding tax was due.

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

	6 months ended 30 June 2015	6 months ended 30 June 2014
Realised net gain / (loss) from equity instruments	-	2,023,243
Unrealised net gain / (loss) from equity instruments	(326,618,114)	164,058,143
Total	(326,618,114)	166,081,386

The unrealised net gain or loss from equity investments at fair value through profit or loss for the first six months of 2015 and 2014 were mainly generated by the net change in the fair value for the holding in OMV Petrom, due to the evolution of the price of the shares of this company during the respective periods.

No realised net gain or loss from equity investments at fair value through profit or loss was recorded in the six month period ended 30 June 2015. Realised net gain from equity investments at fair value through profit or loss for the six-month period ended 30 June 2014 was calculated as the difference between the proceeds from the disposal during the period of the relevant equity investments and the fair value of the equity investments disposed of at the beginning of the period. If we calculate this realised net gain from equity investments at fair value through profit or loss by reference to the historical cost, this gain would be RON 1,972,612.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

7. Gain/ (Loss) on disposal of equity investments available for sale

During the six-month period ended 30 June 2015 the Fund sold its entire holdings in Forsev SA, SIFI CJ Agro SA and Electroconstructia Elco Cluj SA. The net loss on disposal of these equity investments was RON 93 representing the difference between the proceeds from disposals (RON 1,646,833) and the carrying values of the equity investments as at disposal date (RON 2,349,214), plus the net unrealised gain related to these investments disposed, transferred from equity (other comprehensive income) to profit or loss upon their derecognition (RON 702,288).

During the six-month period ended 30 June 2014, the Fund sold its entire holdings in Erste Group Bank, Raiffeisen Bank, Resib SA, Turdapan SA and part of its holdings in Oil Terminal SA and Romgaz SA. The net gain on disposal of these equity investments was RON 495,045,878 representing the difference between the proceeds from disposals (RON 758,334,944) and the carrying values of the equity investments as at disposal date (RON 782,139,769), plus the net unrealised gain related to these investments disposed, transferred from equity (other comprehensive income) to profit or loss upon their derecognition (RON 518,850,703).

8. Operating expenses

	6 months ended 30 June 2015	6 months ended 30 June 2014
Investment management and administration fees	40,385,776	26,216,262
Financial Supervisory Authority monthly fees	5,903,796	7,399,770
Depository fee	694,251	921,935
Remunerations and related taxes	550,536	545,100
Intermediaries fees related to disposal of portfolio holdings	-	3,854,864
Other fees related to disposal of portfolio holdings	-	1,227,278
Third party services	18,583,939	8,050,447
Other operating expenses	2,527,015	1,227,585
	68,645,313	49,443,241

Investment management and administration fees increased in the six-month period ended 30 June 2015 as compared to the six-month period ended 30 June 2014 mainly due to the distribution fees which were accrued starting 20 March 2015 (RON 12.6 million) when the Amendment no. 2 to the new Investment Management Agreement was partially endorsed by the FSA, but also to the increase of base fees following the positive evolution of the Fund's share price, based on which these fees were calculated, and the change in the base fee rate starting September 2014 from 0.479% per year to 0.60% per year (when the new Investment Management Agreement entered into force). The investment management and administration fees are invoiced and paid on 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 to the decrease of the Fund's total NAV on which these fees are based.

Third party services increased in the first six months of 2015 as compared to the first six months of 2014 mainly due to the secondary listing expenses incurred in this period.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

9. Income tax expense

	6 months ended 30 June 2015	6 months ended 30 June 2014
Current tax expense		
Current tax (16%)	(5,269,320)	(14,984,466)
Dividend withholding tax	(1,324,954)	(5,322,313)
	(6,594,274)	(20,306,779)
Deferred tax related to:		
Equity investments	(122,856,183)	6,146,819
Fiscal loss used	-	(342,190)
	(122,856,183)	5,804,629
Income tax expense	(129,450,457)	(14,502,150)

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

	6 months ended 30 June 2015	6 months ended 30 June 2014
Reconciliation of effective tax rate		
Profit / (Loss) for the period	(89,638,317)	981,892,918
Income tax expense	(129,450,457)	(14,502,150)
Profit excluding income tax	39,812,140	996,395,068
 Income tax using the standard tax rate (16%)	 (6,369,942)	 (159,423,211)
Effect of:		
Taxation applied on dividend income	67,086,430	95,024,380
Gain on cancellation of treasury shares (taxable equity item)	(5,508,875)	(19,205,795)
Decrease of the nominal value of the treasury shares (taxable equity item)	(9,072,072)	(9,180,678)
Non-taxable income	3,070,738	106,757,772
Non-deductible expenses	(868,030)	(23,162,370)
Reversal of deferred tax previously recognised	(152,732,979)	-
Impact of non-recognition of deferred tax on change in fair value of equity investments	(25,055,727)	(5,312,248)
Income tax expense	(129,450,457)	(14,502,150)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

9. Income tax expense (continued)

	6 months ended 30 June 2015	6 months ended 30 June 2014
Income tax recognised directly in equity:		
On equity investments carried at fair value	(29,822,766)	(6,146,819)

Please see note 12 for details regarding deferred tax computation and recognition.

10. Dividends receivable

	30 June 2015	31 December 2014
Dividends receivable		
Hidroelectrica SA	128,915,587	-
Electrica Furnizare SA	38,285,340	-
Electrica Distributie Muntenia Nord SA	24,653,094	-
Enel Distributie Banat SA	20,673,959	-
Electrica Distributie Transilvania Sud SA	17,568,497	-
Electrica Distributie Transilvania Nord SA	16,701,528	-
Enel Distributie Dobrogea SA	10,504,848	-
CN Aeroporturi Bucuresti SA	10,280,469	47,839
Enel Energie SA	7,420,314	-
Other dividends receivable	858,356	819,414
	275,861,991	867,253
Impairment loss allowance	(857,095)	(867,253)
	275,004,896	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015(all amounts are in RON unless otherwise stated)

11. 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) and financial assets available for sale (all the other equity investments).

The equity investments classified as financial assets at fair value through profit or loss are valued:

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

The equity investments classified as financial assets available for sale are valued:

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

The movement in the carrying amounts of equity investments for the six-month period ended 30 June 2015 and the six-month period ended 30 June 2014 is presented below:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

11. 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	-	88,350	88,350
Disposals	-	(2,349,214)	(2,349,214)
Impairment losses	-	(20,077,006)	(20,077,006)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	152,560,895	152,560,895
Net loss from equity investments at fair value through profit or loss	(326,618,114)	-	(326,618,114)
30 June 2015	4,265,247,987	8,466,013,705	12,731,261,692
	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	-	1,269,030	1,269,030
Disposals	(2,020,548)	(782,139,770)	(784,160,318)
Return of share capital by portfolio companies	(3,748,753)	-	(3,748,753)
Impairment losses	-	(296,446,787)	(296,446,787)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	445,627,271	445,627,271
Net gain from equity investments at fair value through profit or loss	164,058,143	-	164,058,143
30 June 2014	5,362,167,118	8,476,660,593	13,838,827,711

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

11. Equity investments (continued)
Impairment losses

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

Company	6 months ended 30 June 2015	6 months ended 30 June 2014
Nuclearelectrica SA	12,059,688	85,788,232
Alro SA	8,017,318	8,726,515
Complexul Energetic Oltenia SA	-	201,932,040
Total	20,077,006	296,446,787

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

	30 June 2015	31 December 2014
Equity investments at fair value through profit or loss		
OMV Petrom SA	4,054,934,501	4,389,528,460
Societatea Nationala a Sarii SA	142,882,000	142,882,000
Zirom SA	39,338,000	39,338,000
Primcom SA	14,129,161	12,345,176
Other	13,964,325	7,772,465
	4,265,247,987	4,591,866,101

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

11. Equity investments (continued)

Equity investments available for sale	30 June 2015	31 December 2014
Hidroelectrica SA	2,178,094,000	2,178,094,000
Romgaz SA	1,402,963,744	1,362,879,066
Enel Distributie Banat SA	640,491,000	640,491,000
Enel Distributie Muntenia SA	465,769,000	465,769,000
GDF Suez Energy Romania	461,321,000	461,321,000
E.ON Distributie Romania SA	445,920,000	441,456,000
Enel Distributie Dobrogea SA	396,895,000	396,895,000
CN Aeroporturi Bucuresti SA	332,286,000	332,286,000
Electrica Distributie Muntenia Nord SA	235,600,000	235,600,000
BRD - Groupe Societe Generale SA	273,676,776	222,140,240
Nuclearelectrica SA	205,014,690	212,140,869
Electrica Distributie Transilvania Sud SA	206,500,000	206,500,000
Electrica Distributie Transilvania Nord SA	201,600,000	201,600,000
Banca Transilvania SA	185,397,161	143,234,554
E.ON Energie Romania SA	133,900,000	133,900,000
Administratia Porturilor Maritime SA	132,594,000	132,594,000
Electrica Furnizare SA	126,368,000	126,368,000
Complexul Energetic Oltenia SA	108,474,000	108,474,000
Alro Slatina SA	87,461,657	84,546,268
Enel Energie SA	74,377,000	74,377,000
Enel Energie Muntenia SA	65,144,000	65,144,000
Posta Romana SA	55,896,000	55,896,000
Other	50,270,678	54,084,683
	8,466,013,705	8,335,790,680
Total equity investments	12,731,261,692	12,927,656,781

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

11. Equity investments (continued)
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).

As at 30 June 2015:

	Level 1	Level 2	Level 3	Total
Equity investments	6,212,631,385	-	6,447,563,000	12,660,194,385
Treasury bills	5,831,693	-	-	5,831,693
Government bonds	-	-	-	-
	6,218,463,078	-	6,447,563,000	12,666,026,078

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 adjustment based on unobservable inputs, that financial instrument is classified in Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset. The 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 2014 (except the valuation for E.ON Distributie Romania SA for which it was used an independent valuation report as at 31 December 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 (30 June 2015). 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 condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

11. Equity investments (continued)

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

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

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 30 June 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, determined in accordance to the regulations issued by the FSA/CNVM, in amount of RON 71,067,307 (31 December 2014: RON 66,145,439).

As at 30 June 2015, unlisted equity investments with a carrying amount of RON 6,447,563,000 (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 2,841,152,854 represents the total net change in fair value recognised in equity (other comprehensive income) as at 30 June 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 30 June 2015 and 31 December 2014 in measuring equity instruments categorised as Level 3 in the fair value hierarchy:

Financial assets	Fair value as at 30 June 2015	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Total	6,447,563,000			
Unlisted equity instruments	6,099,139,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 3.88 to 9.36 Discount for lack of marketability: 15% or 20%	The higher EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	108,474,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 1 Discount for lack of marketability: 20%	The higher Revenue multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	239,950,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 12.17% to 16.26%. Discount for lack of marketability ranging from 0% to 15%. Discount for lack of control ranging from 0% to 20%. Long-term revenue growth rate ranging from 1.5% to 2.5%	The lower the weighted average cost of capital, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. The lower discount for lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

11. Equity investments (continued)

Financial assets	Fair value as at 31 December 2014	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Total	6,443,756,000			
Unlisted equity instruments	6,094,675,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 3.88 to 9.36 Discount for lack of marketability: 15% or 20%	The higher EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	108,474,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 1 Discount for lack of marketability: 20%	The higher Revenue multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	240,607,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 12.17% to 16.26%. Discount for lack of marketability ranging from 0% to 15%. Discount for lack of control ranging from 0% to 20%. Long-term revenue growth rate ranging from 1.5% to 2.5%	The lower the weighted average cost of capital, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. The lower discount for lack of control, the higher the fair value. The higher the 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.

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(all amounts are in RON unless otherwise stated)

12. Deferred tax assets

	30 June 2015	31 December 2014
<i>Temporary differences - deductible</i>		
On equity investments	-	954,243,433
Recognised deferred tax asset at 16%	-	152,678,949

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

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).

In the six-month period ended 30 June 2015, the Fund reversed the deferred tax assets recorded as at 31 December 2014, for prudence reasons, due to the fact that, even if starting 1 January 2015 Instruction 2/2014, stating IFRS as official accounting regulations for entities authorised, regulated and supervised by the FSA entered into force, in May 2015 the FSA issued Instruction 1/2015 according to which the adoption of IFRS as statutory accounting basis (official accounting regulations) is postponed until 1 January 2016.

13. Other liabilities

	30 June 2015	31 December 2014
Payable to shareholders related to the return of capital	57,554,177	11,434,904
Investment Management and Administration fees	26,591,553	16,064,203
Provision for litigations	11,489,910	11,397,683
Payables related to treasury shares under settlement	4,880,467	3,468,114
Prior years dividends payable	1,493,125	5,455,306
Financial Supervisory Authority fees	981,901	1,164,865
Other liabilities	2,832,523	3,809,011
	105,823,656	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.

14. Short term bank loans

As at 30 June 2015, short term bank loans included the amounts drawn from the revolving credit facility granted by Citibank Europe Plc, Dublin – Romania Branch and related accrued interest payable. On 23 June 2015 the Fund drew an amount of RON 450 million from the total credit facility of RON 500 million, which was used for the funding of the 2015 return of capital to shareholders.

The finance costs category included in the Statement of Comprehensive Income comprised of the accrued interest expense on the amounts drawn from the credit facility and of the commitment fee on undrawn amounts.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

15. Shareholders' equity

(a) Share capital

As at 30 June 2015, the subscribed share capital was RON 10,965,850,800.30 (31 December 2014: RON 11,815,279,886.85) representing 12,184,278,667 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).

In January 2015, the paid in share capital of the Fund decreased by RON 240,215,153 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 591,023,316 following the reduction of the nominal value of the shares from RON 0.95 to RON 0.90 per share.

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 10,638,419,685.30 as at 30 June 2015 (divided in 11,820,466,317 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 10,965,850,800.30 as at 30 June 2015 (divided in 12,184,278,667 shares with a nominal value of RON 0.90 per share).

Unpaid share capital 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). Holders of unpaid shares are not entitled to vote or to receive dividends.

As at 30 June 2015, the Romanian State's share in the Fund's subscribed share capital was 3.02% (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%).

(b) Fair value reserve on available for sale financial assets

The fair value reserve of RON 4,142,391,313 as at 30 June 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 until the investments are derecognised or impaired, net of the related deferred tax recognised through equity.

(c) 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. During the GSM held on 27 April 2015 Fund's the shareholders approved the decrease of the share capital through the cancellation of the shares repurchased by the Fund in the fourth buy-back programme. The shareholders resolution was published in the Official Gazette of Romania on 12 May 2015.

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(all amounts are in RON unless otherwise stated)

15. Shareholders' equity (continued)
(c) Treasury shares (continued)

The cancellation of the shares acquired within this buy-back programme was effective on 12 August 2015, when the new Constitutive Act was endorsed by FSA. For more details regarding the cancellation of the shares acquired within the fourth buy-back programme, please see note 18 Subsequent events.

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, starting with the date when the share capital decrease approved through Extraordinary General Shareholders' Meeting ("EGM") Resolution on 23 September 2014 (regarding the cancellation of the shares purchased by the Fund in the third buy-back programme) is effective, until August 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 transaction 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 fifth buy-back programme started on 10 February 2015 and until 30 June 2015, 159,055,335 treasury shares were acquired, at a total acquisition value, including transaction costs, of RON 138,414,159. The fifth buy-back programme was finalised on 30 July 2015. For more details regarding the finalisation of the fifth buy-back programme please see note 18 Subsequent events.

The sixth buy-back programme

The Fund Manager intends to continue with share buy-backs in accordance with the Fund's Investment Policy Statement, and on 27 April 2015 the GSM 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 transaction can only be applied for fully paid shares.

The shares repurchased will be cancelled. The implementation of this buy-back programme will be subject to the availability of the necessary cash.

(d) 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 Depository 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 30 June 2015, shareholders had collected over 90% of the total distribution of RON 534,322,868.

(e) Dividends

In June 2014, the FSA has issued the Endorsement no.71/19.06.2014, which states the fact that the methodology for net asset value computation in accordance with CNVM Regulation 4/2010, as subsequently amended, shall not be applied in the context of the requirements of article 69 in Law 31/1990 related to profit distribution. The FSA has also clarified that the Endorsement is applicable prospectively from the date of its official publication, respectively 19 June 2014.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

15. Shareholders' equity (continued)

(e) Dividends (continued)

According to this Official interpretation of the FSA regarding the computation of Fund 'net asset value', dividend distributions cannot be made to shareholders at the present time because the Fund's shareholders' equity computed in accordance with Romanian accounting regulations (CNVM Regulation 4/2011, as subsequently amended), of RON 9,339,030,996 as at 31 December 2014 is lower than the share capital of the Fund of RON 11,815,279,887 as at 31 December 2014.

The Fund Manager remains committed to ensuring annual cash distributions to the Fund's shareholders, based on the compliance with the applicable regulations. The Fund Manager has recommended, and the shareholders have approved (on 21 January 2015), 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. Based on current understanding of Romanian tax law, no Romanian tax will arise for the Fund or its shareholders on this distribution. For details, please see note 15 (d) above.

16. Contingencies

1. Litigations

As at 30 June 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 condensed interim financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

- Some minority shareholders of the Fund (acting individually) have filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders' Meeting and others seeking to block the registration of some resolutions with the Trade Register. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by Management through the Bucharest Stock Exchange news system.
- In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the administrator of the Fund.

These decisions are irrevocable and they were implemented by Trade Register, without any changes in the Management of the Fund considering that:

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new changes and versions of the Constitutive Act were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, 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 and the 27 April 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 and the 27 April 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).

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 CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

16. Contingencies (continued)

In June 2014, in another case started by the Fund against one of the shareholders 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 of the Fund included the receivables from World Trade Center București SA as follows:

Title II, Article 4 of Government Emergency Ordinance 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 30 June 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 4 September 2015.

Currently, World Trade Center București SA is the object of insolvency procedure, but the Fund is not a party in this file, while the Ministry of Public Finance is a party 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"*.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

17. Related parties
(a) Key management

	6 months ended 30 June 2015	6 months ended 30 June 2014
Remunerations		
Members of the Board of Nominees	450,000	450,000

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in the first six months of 2015 or in the first six months of 2014.

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

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

Transactions	6 months ended 30 June 2015	6 months ended 30 June 2014
Investment management and administration fees	40,385,776	26,216,262
Rental expense	33,673	52,916
Operating cost	12,055	11,618
	40,431,504	26,280,796

During the six-month period ended 30 June 2015, the Fund recorded also an amount of RON 1,243,922 representing expenses incurred by the Fund Manager on its behalf (six-month period ended 30 June 2014: RON 941,685). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the Investment Management Agreement and was subject to Board of Nominees' approval.

As at 30 June 2015, the Fund owed an amount of RON 27,311,470 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:

	30 June 2015	31 December 2014
Ownership interest		
Alcom SA	72%	72%
Comsig SA	70%	70%
Primcom SA	76%	69%
Zirom SA	100%	100%

On 13 February 2015, Primcom SA finalised the registration within 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 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 per share to RON 0.1 per share.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

17. Related parties (continued)
(b) Subsidiaries (continued)

The fair value of investments in subsidiaries is presented in the below table:

	30 June 2015	31 December 2014
Alcom SA	10,409,423	4,399,976
Comsig SA	1,720,902	1,538,490
Primcom SA	14,129,161	12,345,176
Zirom SA	39,338,000	39,338,000
	65,597,486	57,621,642

As at 30 June 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 financial or other support was provided by the Fund during the reporting periods.

As at 30 June 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 the six-month period ended 30 June 2015, the Fund recorded and received a dividend of RON 104,524 from Alcom SA (six-month period ended 30 June 2014: nil).

(c) Associates

As at 30 June 2015 and 31 December 2014, the Fund had three associates, all of them incorporated in Romania:

	30 June 2015	31 December 2014
Ownership interest		
OMV Petrom SA	19%	19%
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

During the six-month period ended 30 June 2015, the Fund recorded and collected from OMV Petrom SA a dividend of RON 120,496,860 (six-month period ended 30 June 2014: RON 331,366,364).

18. Subsequent events
Completion of the Fifth Buy-Back Programme

On 30 July 2015, the Fund announced the completion of the fifth buy-back programme through which the Fund acquired 227,572,250 own shares (equivalent to 1.86% of the Fund's subscribed share capital) through daily acquisitions on the Bucharest Stock Exchange. The total value of the buy-back programme was RON 193,470,259.59 (excluding brokerage fees and other acquisition related costs), and the weighted average price was approximately RON 0.8501 per share. The Fund Manager will request shareholders' approval for the cancellation of the shares repurchased during this buy-back programme at the future shareholders' general meetings.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

(all amounts are in RON unless otherwise stated)

18. Subsequent events (continued)**Updates on the Shares Cancellation**

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 beginning with 12 August 2015. Therefore, starting with 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.

Annex 4

STATEMENT OF PERSONS RESPONSIBLE

In accordance with the provisions of Art.30 of Accounting Law no. 82/1991 and

CNVM Regulation no. 1/2006, Art.112¹, par. 1, letter c

The semi-annual financial statements as at 30 June 2015 have been prepared for:

Entity: Fondul Proprietatea SA

Address: Bucharest, District 1, 78–80, Buzești 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, Oana Truta, 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 semi-annual financial statements as at 30 June 2015 and confirm that:

- a) The accounting policies used for the preparation of the semi-annual financial statements are in compliance with the applicable accounting regulations;
- b) The semi-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 semi-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 first half of 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 S.A

Oana Truta
Legal Representative

Mihaela Moleavin
Financial Reporting Manager

Annex 5 Changes to the Constitutive Act of Fondul Proprietatea SA during the six-month period ended 30 June 2015

Resolution no. 1/21 January 2015 of the Shareholders' Extraordinary General Meeting of FONDUL PROPRIETATEA SA

Headquarters: 78-80 Buzesti St, 7th floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 21 January 2015, 14:00 (Romanian time), the shareholders of Fondul Proprietatea SA ("the Fund") have met during the Shareholders' Extraordinary General Meeting ("EGM") of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the EGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, having its headquarters in Bucharest, 78-80 Buzesti Street, 7th and 8th floors, 1st District, registered with the Trade Register under no. J40/8587/2009, sole identification code 25851096 ("the Sole Administrator") and with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001.

Whereas:

- The convening notice of the EGM was published on the Fund's website (www.fondulproprietatea.ro) on 18 November 2014, in the Official Gazette of Romania, Part IV, number 7092/24 November 2014 and in "Bursa" newspaper no. 222/24 November 2014;
- The supplemented convening notice of the EGM (following the request of a shareholder holding more than 5% of the share capital) was published on the Fund's website (www.fondulproprietatea.ro) on 11 December 2014, in the Official Gazette of Romania, Part IV, number 7434/12 December 2014 and in "Bursa" newspaper no. 234/12 December 2014;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 297/2004 on capital market, with its subsequent amendments and supplementations (Law no. 297/2004);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" SA, as well as on trading the shares issued by this company;

Following debates, the Fund's shareholders decide as follows:

- I. The approval of the EGM agenda.

This item is adopted with 3,728,666,717 votes representing 99.9571% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Constitutive Act corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 3,728,666,717 votes “for”;
- 2 votes „against”;
- 1,597,778 votes „not given”;
- 0 abstains;
- 0 annuled votes.

II. The approval of the decrease of the subscribed share capital of Fondul Proprietatea SA as follows.

The approval of the decrease of the subscribed share capital of Fondul Proprietatea SA from RON 11,575,064,733.65 to RON 10,965,850,800.30 through the reduction of the par value of the shares of Fondul Proprietatea SA from RON 0.95 to RON 0.90. The decrease is motivated by the optimization of the share capital of Fondul Proprietatea SA, involving the return to the shareholders of a part of their contributions, proportionally with their participation to the paid-up share capital of Fondul Proprietatea SA.

After the decrease, the subscribed share capital of Fondul Proprietatea SA shall have a value of RON 10,965,850,800.30 being divided in 12,184,278,667 shares, each having a par value of RON 0.90. The decrease of the share capital is performed based on Article 207 para. (2) letter (b) of Law no. 31/1990 and shall be effective, in accordance with Article 208 para. (1) of Law no. 31/1990, after the expiry of a two months term starting with the publication of the general meeting of shareholders resolution in the Official Gazette of Romania, Part IV, provided that Financial Security Authority (FSA) shall have endorsed the amendment of Article 7 paragraph 1 and Article 9 para. (2) of the Constitutive Act of Fondul Proprietatea SA as approved by shareholders during this meeting.

The approval of the amendment of the Article 7 paragraph (1) of the Constitutive Act of Fondul Proprietatea SA as follows. *“(1) The subscribed share capital of Fondul Proprietatea is in amount of RON 10,965,850,800.30, divided in 12,184,278,667 ordinary, nominative shares, having a face value of RON 0.90/each. The capacity as shareholder of Fondul Proprietatea is attested by a statement of account issued by the Central Depository.”*

The approval of the amendment of the Article 9 paragraph (2) of the Constitutive Act of Fondul Proprietatea SA as follows. *“(2) The nominal value of a share is RON 0.90”.*

The approval of the payment to the shareholders registered as such at the registration date of RON 0.05/share, proportionally with their participation to the paid-up share capital of Fondul Proprietatea SA. The payment shall start on the Payment Date of this EGM, provided that the decrease of the share capital mentioned above is effective by that time.

This item is adopted with 3,730,113,399 votes representing 99.9959% of the total votes held by the present or represented shareholders, in accordance with Article 14 (5) and (6) of the Constitutive Act corroborated with Article 115 (2) of Law no. 31/1990. The votes were recorded as follows:

- 3,730,113,399 votes „for”;
- 42 votes „against”;
- 84,952 abstains;
- 66,104 votes „not given”;
- 0 annuled votes.

III. In accordance with Article 1292 of Regulation no. 1/2006, the approval of:

- a) 24 June 2015 as the registration date, in accordance with the provisions of Article 238 paragraph (1) of Capital Market Law no. 297/2004.
- b) 23 June 2015 as the Ex – Date, computed according to the definition set by Article 2 letter f) of Regulation no. 6/2009.
- c) 29 June 2015 as the Payment Date, as it is defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with 3,727,420,278 votes representing 99.9255% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Constitutive Act corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 3,727,420,278 votes „for”;
- 8,347 votes „against”;
- 2,769,768 abstains;
- 0 votes „not given”;
- 0 annuled votes.

IV. The empowerment, with authority to be substituted, of Grzegorz Maciej KONIECZNY, as legal representative of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, to sign the shareholders’ resolutions and the amended and restated form of the Constitutive Act, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders’ resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item is adopted with 3,727,536,623 votes representing 99.9286% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Constitutive Act corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 3,727,536,623 votes „for”;
- 2,576,818 votes „against”;
- 84,952 abstains;
- 0 votes „not given”;
- 0 annuled votes.

This decision is drafted and signed on behalf of the shareholders by:

Grzegorz Maciej KONIECZNY

Chairman

Daniel Gavrilă

Meeting secretary

Valeriu Ionita

Technical secretary

Resolution no. 4/27 April 2015 of the Shareholders' Extraordinary General Meeting of FONDUL PROPRIETATEA SA

Headquarters: 78-80 Buzesti St, 7th floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 27 April 2015, 13:00 (Romanian time), the shareholders of Fondul Proprietatea SA ("the Fund") have met during the Shareholders' Extraordinary General Meeting ("EGM") of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the EGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of legal representative of Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch, having its headquarters in Bucharest, 78-80 Buzesti Street, 7th and 8th floors, 1st District, registered with the Trade Register under no. J40/8587/2009, sole identification code 25851096 ("the Sole Administrator") and with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001.

Whereas:

- The convening notice of the EGM was published on the Fund's website (www.fondulproprietatea.ro) on 26 February 2015, in the Official Gazette of Romania, Part IV, number 1.100/2 March 2015 and in "Bursa" newspaper no. 41/2 March 2015;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 297/2004 on capital market, with its subsequent amendments and supplementations (Law no. 297/2004);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" SA, as well as on trading the shares issued by this company.

Following debates, the Fund's shareholders decide as follows.

I. The approval of the EGM agenda.

This item is adopted with 3,891,561,773 votes representing 99.86% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Constitutive Act corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 3,891,561,773 votes „for”;
- 1,466,842 votes „against”;
- 1,548,116 abstains;
- 2,162,832 votes „not given”.

II. The approval of the decrease of the subscribed share capital of Fondul Proprietatea SA as follows.

The decrease of the subscribed registered share capital of Fondul Proprietatea SA from RON 10,965,850,800.30 to RON 10,074,080,745.90, pursuant to the cancellation of 990,855,616 own shares acquired by the Company. After the share capital decrease the subscribed share capital of the Company will be RON 10,074,080,745.90 being divided into 11,193,423,051 shares, with a nominal value of RON 0.90 / share. The subscribed share capital decrease will take place on the basis of Article 207 paragraph 1 letter c) of Law 31/1990. The first paragraph of Article 7 of the Constitutive Act after the share capital decrease will be changed as follows.

“(1) The subscribed share capital of Fondul Proprietatea is in amount of RON 10,074,080,745.90, divided in 11,193,423,051 ordinary, nominative shares, having a nominal value of RON 0.90 each. The capacity as shareholder of Fondul Proprietatea is attested by a statement of account issued by Depozitarul Central SA”.

The subscribed share capital decrease will be effective after the following three conditions are met: (i) the share capital decrease for the return of capital as approved by shareholders on 21 January 2015 is effective; (ii) this resolution is published in the Official Gazette, Part IV for at least two months; and (iii) Financial Supervisory Authority (FSA) endorses the changing of first paragraph of Article 7 of the Constitutive Act, as modified based on this resolution, where required by applicable law or regulation.

This item is adopted with 3,886,645,085 votes representing 99.74% of the total votes held by the present or represented shareholders, in accordance with Article 14 (5) and (6) of the Constitutive Act corroborated with Article 115 (2) of Law no. 31/1990. The votes were recorded as follows:

- 3,886,645,085 votes „for”;
- 3,069,163 votes „against”;
- 5,512,408 abstains;
- 1,512,907 votes „not given”.

III. In accordance with Article 1292 of Regulation no. 1/2006, the approval of 20 May 2015 as the registration date, in accordance with the provisions of Article 238 paragraph (1) of Capital Market Law no. 297/2004, and 19 May 2015 as the Ex – Date, computed according to the definition set by Article 2 letter f) of Regulation no. 6/2009. As no payments to the shareholders shall be triggered by the decisions herein, shareholders do not decide upon the Payment Date, as it is defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with 3,891,761,375 votes representing 99.87% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Constitutive Act corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 3,891,761,375 votes „for”;
- 3,787,000 votes „against”;
- 22,746 votes annulled;
- 1,168,442 votes „not given”.

IV. The empowerment, with authority to be substituted, of Grzegorz Maciej KONIECZNY, as legal representative of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, to sign the shareholders’ resolutions and the amended and restated form of the Constitutive Act, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders’ resolutions, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

V.

This item is adopted with 3,888,050,534 votes representing 99.77% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Constitutive Act corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 3,888,050,534 votes „for”;
- 4,917,545 votes „against”;
- 1,363,042 abstains;
- 2,408,442 votes „not given”.

This decision is drafted and signed on behalf of the shareholders by:

Grzegorz Maciej KONIECZNY
Chairman

Vlad Neacșu
Meeting secretary

Valeriu Ioniță
Technical secretary

Annex 6 Changes to the Investment Management Agreement during the six-month period ended 30 June 2015 (Addendum no. 2 for the Investment Management Agreement)

This Addendum Agreement no. 2 (“Addendum no. 2”) to the Management Agreement no. 45 dated 29 April 2014 signed between FONDUL PROPRIETATEA SA and FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED,

This Addendum no. 2 to the Management Agreement is made on 24 September 2014

Between:

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 (**“Fund Manager”**) (**“S.A.I.”** in Romanian language); and,

FONDUL PROPRIETATEA SA of 78-80 Buzesti Street 78-80, 1st District, Bucharest, Romania (the **“Customer”**),

the Fund Manager and the Customer together, the **“Parties”**.

The Investment Management Agreement no. 45 signed on 29 April 2014 between the Customer and the Fund Manager, amended by Addendum no. 1 of 24 September 2014, will be modified as follows.

Clause 2. Definitions: “Force Majeure Event” is modified and will have the following content:

“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, devaluations and fluctuations, 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.”

Clause 2. Definitions: “New Appointment Date” is modified and will have the following content:

“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”;

Clause 9.6 is modified and will have the following content:

“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”.

Clause 13.3 is modified and will have the following content:

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”.

Clause 13.4 letter b) is modified and will have the following content:

“(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”

Clause 14.3 is modified and will have the following content:

“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”.

Clause 18.4 is modified and will have the following content:

“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”.

Clause 19.1 is modified and will have the following content:

“19.1. This Management Agreement is governed by and shall be construed in accordance with the laws of England & Wales”.

Clause 19.2 is modified and will have the following content:

“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.”

Clause 21.2 is modified and will have the following content:

“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”.

Clause 22 is modified and will have the following content:

“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”.

The Annex is modified and will have the following content:**“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 (and including) 30 September 2014 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 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."

Entry into force

This Addendum no. 2 shall be effective from the latest of the following dates: (i) the date of the endorsement by the FSA of such; and (ii) 15 October 2014.

The other clauses of the Investment Management Agreement no. 45 signed on 29 April 2014 between the Customer and the Fund Manager, amended by Addendum no. 1 of 24 September 2014 remain unchanged.

SIGNATORIES

This Addendum will be signed in Romanian and English languages and executed in a number of three (3) counterparts, all of which taken together constitute the agreement, one (1) for the Fund Manager and two (2) for the Customer.

AS WITNESS the hands of the duly authorized representatives of the parties on the date which appears first on page 1.

Signed by and for:

FONDUL PROPRIETATEA SA

Sorin Mindrutescu, Chairman of the Board of Nominees

Signed by and for:

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED UNITED KINGDOM

Konieczny Grzegorz Maciej,

Legal Representative of the Romanian Branch

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 SA (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 an Investment 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

The 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 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 September 30th 2013 (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 September 30th 2013, and
- (iii) any Distribution Fee (as defined in the IMA) and any transaction costs relating to non-dividend distributions including buy-backs executed after 30 September 2013.

c. 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, 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 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).

In the absence of investment opportunities offering better returns for shareholders, the Fund Manager will use all or a significant part of the proceeds from dividends and disposal of portfolio companies to implement measures aimed at maximizing cash returns to shareholders and fulfilling the Performance Objectives. Discount management techniques may include (but are not limited to) the following:

- recommendation to shareholders for approval of buy-back programs of FP’s shares, global depositary receipts or depositary interests corresponding to shares of the Fund, subject to compliance with the Constitutive Act and all applicable legislation.
- reduction of nominal value of shares, accompanied by cash distribution to shareholders.
- execution of buy-back programs via (i) trading on the regular market on which FP’s shares are listed (ii) public tender offers, and (iii) purchasing global depositary receipts or depositary interests corresponding to shares of the Fund on the regular market on which such are listed, in each case subject to available liquidity, compliance with the Constitutive Act and all applicable legislation, and receipt of all necessary regulatory approvals.
- increasing investor demand for the shares, with the aim of increasing the market price, by:
 - maintaining a transparent dividend policy;
 - increasing the share of listed companies in the portfolio and their transparency;
 - building good communication through active investor relations work; 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 and newly issued securities

** Shares received from Romanian State on the basis of Law No. 247/2005 are exempted from the general rules on allocation. Where the Fund acquires further securities in the same issuer as securities received from Romanian State, the general rules on allocation shall apply to the newly acquired securities only. For the calculation of the ownership limit for securities not admitted to trade, shall be excluded from the value of assets not admitted to trade the value of securities not admitted to trade owed from the Romanian State on the basis of Law No. 247/2005. Therefore, any part of the current Fondul Proprietatea Portfolio (as it has been set up, on securities not admitted to trade owed from the Romanian State on the basis of Law No. 247/2005 and including the modifications made by GEO No. 81/2007) shall be exempted from the general rules on allocation. However, any new acquisition made by the Fund shall observe the general rules on allocation.*

All investment restrictions are available on Fondul Proprietatea website, Investment Policy Statement Section.

V. ADDITIONAL GUIDELINES

Subject to applicable legal provisions in force and the FP Constitutive Act, all decisions regarding sector and security selection, portfolio construction, timing of buy or sell transactions and choice of venue and structure of transaction are delegated to the Fund Manager.

Subject to the applicable legal provisions and 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 global depositary receipts 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 regulations in force issued by the Financial Supervisory Authority and in accordance with the internal regulations of Fondul Proprietatea.

VI. LIMITATIONS OF DISCRETIONARY MANAGEMENT

The Fund Manager assumes the management over the entire Portfolio, subject to the 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.

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 payments and share 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 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 FSA regulations applicable to other undertakings for collective investment and FP's Constitutive Act.

XI. POLICY REVIEW

The IPS shall be reviewed on regular basis by the Fund manager and Board of Nominees in order to ensure that it remains consistent with overall objectives of FP.

Any changes to the investment policy proposed by the Fund Manager and/or the Board of Nominees shall be approved by the General Shareholders Meeting, with observance of investment limits provided in the applicable legislation in force.



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