

To: **Bucharest Stock Exchange**
Financial Supervisory Authority
London Stock Exchange

Current report according to Article 113 point A, paragraph (1) letter j) of the Romanian National Securities Commission Regulation no. 1/2006 regarding the issuers and the operations with securities, as subsequently amended and completed, as well as the provisions of Article 99 of the Code of the Bucharest Stock Exchange, Title II, Issuers and Financial Instruments.

Important events to be reported:

Update on litigations between a litigant and Fondul Proprietatea SA

Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch (**“the Investment Manager”**), in its capacity as investment manager of Fondul Proprietatea SA (**“the Fund”**), would like to update shareholders and investors on ongoing cases between Ioana Sfiraiala (**the “Litigant”**) and the Fund, as set out in the table enclosed as Annex 1 to this report. The Fund Manager notes that, of the three ongoing litigations described in Annex 1, only one pertains to the annulment of shareholders’ resolutions and this is in the final appeal phase, having been won in the first instance by the Fund.

In particular, the Investment Manager would like to note that on 11 January 2017 the Bucharest Court of Appeal announced that it has rejected the Litigant’s claim in file no. 17107/3/2014. The said Litigant’s claim targeted the annulment of the shareholders resolutions described in Annex 2 herein. The court’s decision is final.

The updated table of all pending files, as well as all closed files with the same Litigant, is available on the Fund’s webpage at http://www.fondulproprietatea.ro/sites/default/files/list_of_pending_and_closed_cases_with_is_11_january_2017.pdf.

Franklin Templeton Investment Management Ltd. United Kingdom Bucharest Branch, in its capacity of Investment Manager of FONDUL PROPRIETATEA S.A.

Oana Valentina Truța
Legal Representative

Report date:

11 January 2017

Name of the issuing entity:

Fondul Proprietatea S.A.

Registered office:

78-80 Buzesti St.,
7th floor, district 1,
Bucharest, postal code 011017

Phone/fax number:

Tel.: + 40 21 200 9600

Fax: + 40 21 200 9631

Sole Registration Code with the

Trade Register Office:

18253260

Order number in the

Trade Register:

J40/21901/2005

Subscribed share capital:

RON 9,168,314,116.70

Paid-up share capital:

RON 8,859,073,619.20

Number of shares in issue:

10,786,251,902

Number of paid shares:

10,422,439,552

Regulated market on which the issued securities are traded:

Shares on Bucharest Stock Exchange

GDRs on London Stock Exchange

Crt.	File number	Court	The object of the court file	Status	Next hearing
1.	File no. 16453/3/2013*	Bucharest Court of Appeal	<p>The file has as subject the annulment request filed by the Litigant against the following Shareholders' Resolutions of the Fund:</p> <ul style="list-style-type: none"> - EGM Resolution no. 4/25 April 2012 regarding the approval of the buy-back programme; - EGM Resolution no. 5/25 April 2012 regarding the ratification of EGM Resolutions no. 1 and 2 of 6 September 2010; - EGM Resolution no. 6/25 April 2012 regarding the approval of EGM Resolutions no. 1 and 2 of 6 September 2010; - EGM Resolution no. 7/25 April 2012 regarding the ratification of EGM Resolutions; - EGM Resolution no. 8/25 April 2012 regarding the approval of EGM Resolution; - EGM Resolution no. 9/25 April 2012 regarding the ratification of the Articles of Association in the form approved through EGM Resolution no. 1/6 September 2010; - EGM Resolution no. 10/25 April 2012 regarding the approval of the Articles of Association in the form approved through EGM Resolution no. 1/6 September 2010; - OGM Resolution no. 9/25 April 2012 regarding the approval of the annual report; - OGM Resolution no. 11/25 April 2012 regarding the ratification of OGM Resolutions no. 8 and 9 of 6 September; - OGM Resolution no. 12/25 April 2012 regarding the approval of OGM 	<p>First decision in retrial favourable to the Fund. On 13 September 2013 Manchester Securities, as a significant shareholder of the Fund, has filed a request of intervention supporting the position of the Fund and asking the court to reject the claim of the Litigant. On 11 October 2013, the Court rejected the request of intervention filed and postponed the hearing for 8 November 2013. On 8 November 2013 the Court suspended the file due to procedural reasons. On 5 February 2014 the procedural reasons were solved by the Court of Appeal and a new hearing in front of the Bucharest Court has been set for 20 June 2014. On 20 June 2014 the Litigant filed a recusal claim. On 26 June 2014 the Court dismissed the said recusal claim. A new hearing has been set for 10 July 2014, when it was the last hearing. The Court postponed the issuance of a decision for 18 July 2014. On 21 July 2014 the Court announced that it has rejected the Litigant's request acknowledging that she does not have an interest to promote such an action. The Litigant filed an appeal (registered under number 5804/2/2014), with the first hearing being set for 10 December 2014. Next hearing has been set for 28 January 2015. On 28 January 2015 the Court postponed the hearing for 25 February 2015. On 25 February 2015 the Litigant filed a recusal</p>	23 January 2017

			<p>Resolutions no. 8 and 9 of 6 September;</p> <ul style="list-style-type: none"> - OGM Resolution no. 13/25 April 2012 regarding the ratification of OGM Resolutions; - OGM Resolution no. 14/25 April 2012 regarding the approval of OGM resolutions; - OGM Resolution no. 15/25 April 2012 regarding the ratification of the Investment Management Agreement; - OGM Resolution no. 16/25 April 2012 regarding the approval of the Investment Management Agreement; - OGM Resolution no. 17/25 April 2012 regarding the ratification of all the legal acts of the Fund Manager; - OGM Resolution no. 18/25 April 2012 regarding the approval of all the legal acts of the Fund Manager. 	<p>claim against the judges; the recusal claim was dismissed and a new hearing was set for 27 May 2015, when the last hearing was held. After several postponements of the decision, the Court has announced on 18 June 2015 that it has admitted the Litigant's appeal and sent the file to the Bucharest Court for a retrial. After the hearing on 28 March 2016 the Court announced that it has rejected the Litigant's claim. The decision is not final and may be appealed. The Litigant appealed the decision and the first hearing has been set for 23 January 2017.</p>	
2.	File no. 692/299/2014	1 st District Court House	<p>Legal action filed by the Fund against the Litigant and her husband for the annulment of certain legal deeds concluded between them with an aim of separating the assets between them; this legal case in relation to the forced execution initiated by the Fund against the Litigant for the recovery of legal fees.</p>	<p>After first procedural hearings, the next hearing has been set for 10 December 2014. Next hearing has been set for 28 January 2015. On 28 January 2015 the Court has postponed the hearing for 11 March 2015. On 11 March 2015 the Court set a new hearing for 22 April 2015. A new hearing has been set for 17 June 2015. On 17 June 2015 the Court postponed the hearing for 16 September 2015. Litigant filed a recusal claim, which was dismissed. On the last hearing on 23 March 2016, the judge declared that she abstains. The abstention was dismissed and trial resumed.</p>	8 February 2017
3.	File no. 2808/2/2013	Supreme Court of Justice	<p>Challenging CNVM Decision no. 34/18.08.2010 for registering the Fund as closed-end investment company</p>	<p>Decision in favour of the Fund. On 27 November 2013, the Litigant asked the Court to summon the Fund as defendant in this file. It</p>	16 March 2017

				was the last hearing and the Court decided to postpone the issuance of a decision in this file for 4 December 2013. On 4 December 2013 the Court decided to postpone the issuance of a decision for 11 December 2013. On 11 December 2013, the Court decided to rule in favour of CNVM and the Fund and thus rejected the Litigant's request. An appeal was declared.	
--	--	--	--	---	--

Short description of the Shareholders' Resolutions challenged by the Litigant in File no. 17107/3/2014

- Ordinary Shareholders' General Meeting Resolution no. 2/28 April 2014 for the renewal/extension of FTIML Bucharest Branch mandate;
- Ordinary Shareholders' General Meeting Resolution no. 7/28 April 2014 for the ratification of OGM Resolutions;
- Extraordinary Shareholders' General Meeting Resolution no. 4/28 April 2014 for the amendment of Article 19 (1) of the Constitutive Act;
- Extraordinary Shareholders' General Meeting Resolution no. 6/28 April 2014 for the approval of the secondary listing on the London Stock Exchange;
- Extraordinary Shareholders' General Meeting Resolution no. 10/28 April 2014 for the ratification of EGM Resolutions.