

Fondul Proprietatea – Performance Report

September 2017



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The price of shares and income from them can go down as well as up and you may lose some or all of your capital invested. The previous results of a fund or company do not account for future performances. Currency fluctuations will affect the value of foreign investments. All investments are subject to certain risks. Generally, investments offering the potential for higher returns are accompanied by a higher degree of risk. Stocks and other equities representing an ownership interest in a corporation have historically outperformed other asset classes over the long term but tend to fluctuate more dramatically over the shorter term. Small or relatively new companies can be particularly sensitive to changing economic conditions due to factors such as relatively small revenues, limited product lines, and small market share. Smaller company stocks have historically exhibited greater price volatility than larger company stocks, particularly over the short term. The significant growth potential offered by Emerging Markets remains accompanied by heightened risks when compared to developed markets, including risks related to market and currency volatility, adverse social and political developments, and the relatively small size and lesser liquidity of these markets.

The Fund's headquarters are located at 78-80 Buzesti Street, 7th Floor, Bucharest, 1st District, 011017, Romania. Fund's Fiscal Identification Code is 18253260 and Trade Registry registration number is J40/21901/2005. The subscribed share capital is RON 5,238,521,987.92 and paid up share capital is RON 5,049,339,565.92.

Starting with 1 April 2016, in view of complying with the AIFMD, implemented in the Romanian legislation through Law no. 74/2015 on managers of alternative investment funds and Regulation no. 10/2015 on alternative investment fund management, Fondul Proprietatea SA, qualifying as an alternative investment fund, is managed by Franklin Templeton Investment Services S.À R.L. ("FTIS"), a société à responsabilité limitée qualifying as an alternative investment fund manager under Article 5 of the Luxembourg Law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B 36.979, registered with the Romanian Financial Supervisory Authority ("FSA") under number PJM07.1AFIASMDLUX0037/10 March 2016.

This presentation herein is issued by Franklin Templeton Investment Management Limited ("FTIML"), registered with the FSA under no. PJM01SFIM/400005/14 September 2009, which is authorized and regulated in the UK by the Financial Conduct Authority, registered therein under the number 121779, registered as a foreign equivalent of an investment adviser with the US Securities Exchange Commission, acting through its Romanian branch having its registered office at Premium Point, 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania.

FTIML acts herein as a delegate of FTIS with respect to the portfolio management functions as well as administration services over the Fund.

Performance Report

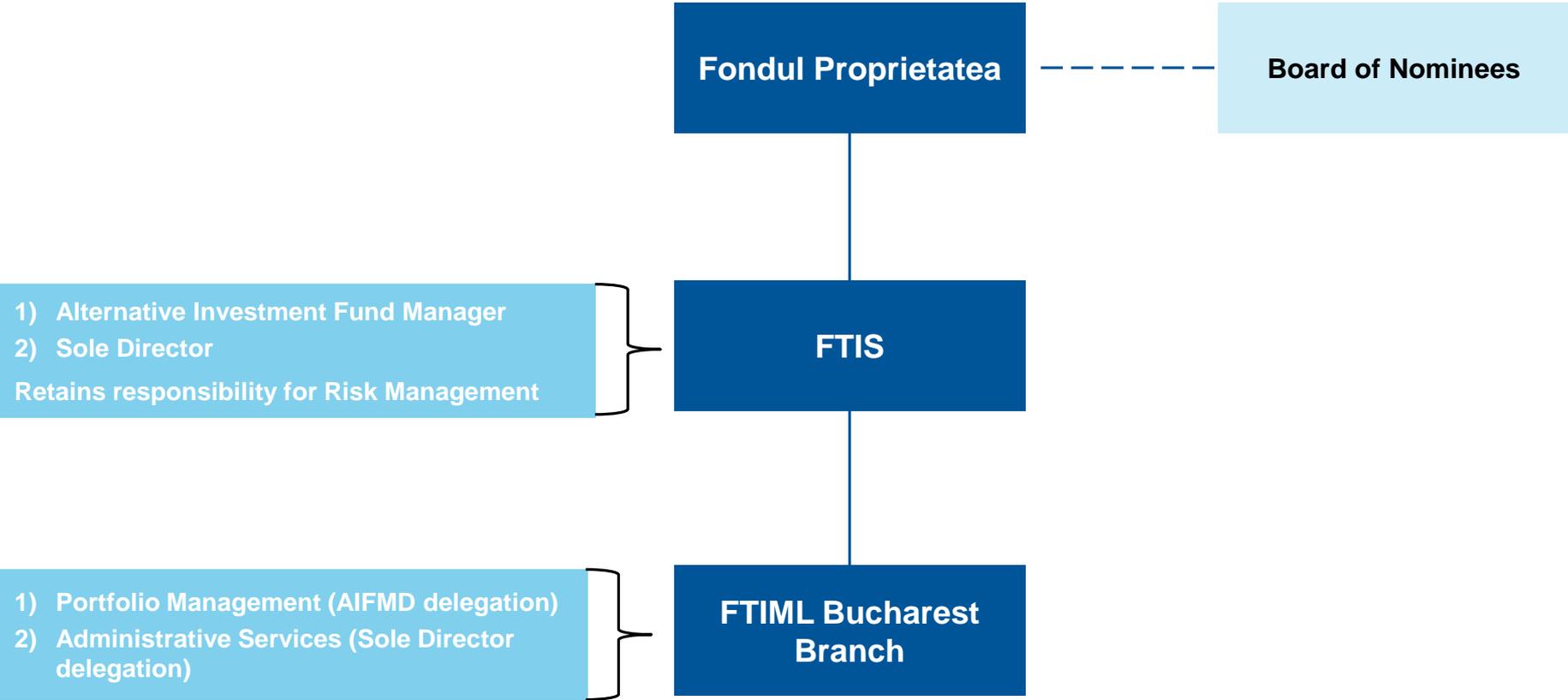


Content of the Performance Report – According to the IMA in force

**Reporting Period:
1 July 2016 – 30 June
2017 for Discount
Objective
1 July 2015 – 30 June
2017 for NAV Objective**

- The report on the fulfillment of the Discount Objective
- The report on the fulfillment of the NAV Objective
- The report on the fulfillment of the obligations regarding DCM
- Summary of the regulatory issues affecting the performance during the Reporting Period
- Summary of market conditions affecting the performance during the Reporting Period
- Other matters as the Fund Manager wishes to bring to the attention of the shareholders in relation to its activities and performance in the relevant period

Fondul Proprietatea Structure – since 1 April 2016



Primary Roles and Responsibilities of FTIS S.à r.l. – Management Company

Responsibilities of the AIFM:

- Risk Management
- Investment Management (Oversight of delegated portfolio management to FTIML Branch)
- Valuation
- Due Diligence on the Depositary (BRD Groupe Societe Generale)
- Reporting obligations - AIFMD Annex IV reporting

Responsibilities of the Sole Director:

- Responsibility to call & chair GSM, implement shareholder decisions
- Prepare Performance report for shareholders.
- Administration oversight (activity delegated back to FTIML Branch)
- Reporting obligations - annual financial statements; the annual activity report; the semi-annual report; the quarterly reports; the performance report.

FTIS interaction with FTIML Bucharest

- Attendance at GSM meetings;
- Participate in BoN meetings
- Participate in weekly Management meetings
- Regular one to one meetings with the Investment Manager
- Regular risk management meetings
- Regular meetings with fund accounting

- FTIS Sarl's primary responsibility is to monitor and highlight any material issues in respect of the risk management of Fondul Proprietatea, the oversight of portfolio management delegated to Franklin Templeton Investment Management Limited, new regulatory developments and any other matter which we believe should be brought to the attention of the Board or Shareholders.
- Since April 1, 2016 we have ensured that policies, controls and procedures in the major area of delegation and service provision – investment management – are adequate and effective.
- We have ensured that policies, controls and procedures in the major areas of risk management of Fondul Proprietatea, including portfolio risks (market, counterparty and issuer risks, etc.), operational risk and liquidity risk, are adequate and effective.
- There are no matters for the period since the April 1, 2016, to raise to the attention of the Board of Nominees or to Shareholders.

Investment

Objective:

- Maximization of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities



Investment Strategy:

- No new investments until the discount narrows significantly
- Active management and engagement with current portfolio companies to increase their value
- Continuing with buy-back programs of own shares (share repurchases and/or public tender offers) and cash distributions to shareholders (100% of dividends received from portfolio companies plus interest on cash less operating expenses and applicable taxes, and less compulsory allocation to reserves, in accordance with regulations in force)



Performance

Objectives (IPS):

- Discount of 15% or less for at least two thirds of the trading days between 1 July 2016 – 30 June 2017
- Higher adjusted NAV per share than the NAV per share reported as at 30 June 2015¹ (RON 1.1851 per share)



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

NAV, Share Price and GDR Performance

Cumulative Performance

	2011	2012	2013	2014	2015	2016	Q1 2017	Q2 2017	YTD ¹	Since Performance Inception ¹
NAV (RON)	(0.47)%	8.91%	13.29%	1.39%	(0.60)%	7.33%	4.88%	4.16%	9.24%	45.12%
Ordinary Share Price (RON)	(30.32)%	38.30%	61.34%	14.53%	(4.06)%	4.90%	18.07%	(1.17)%	16.68%	109.12%
GDR (USD)	N/A	N/A	N/A	N/A	N/A	1.15%	17.97%	4.62%	23.42%	14.22%

Average Annual Discount

2011	2012	2013	2014	2015	2016	YTD ²	Share Price Discount as at 30 June 2017	GDR Price Discount as at 30 June 2017
55.67%	50.09%	40.74%	30.87%	29.12%	32.08%	26.79%	35.12%	35.10%

Source: BVB, LSE, Bloomberg, FP NAV reports.

Note: The discount is calculated based on the latest published NAV available for the day of the calculation.

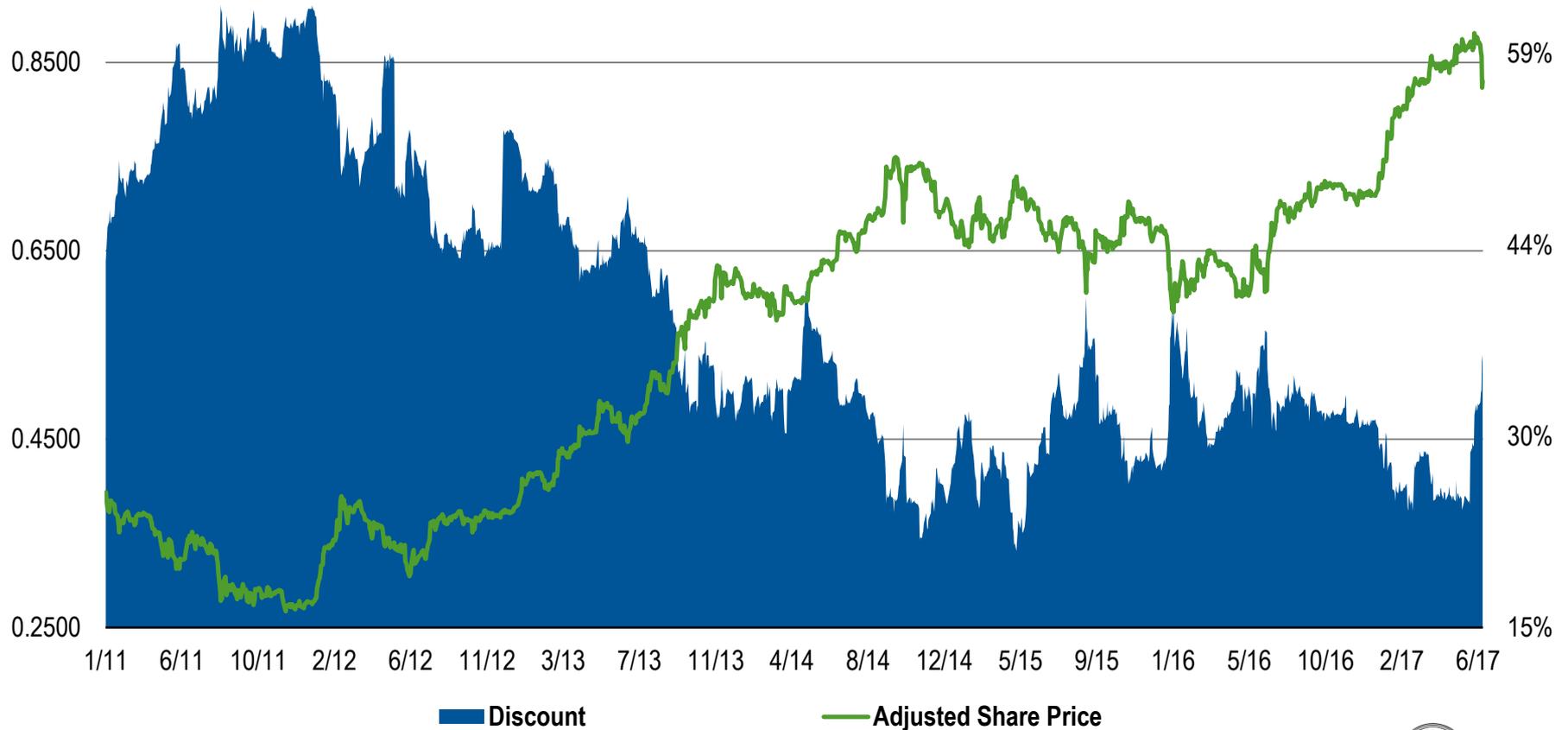
The Performance Inception date for the NAV is 31 December 2010, for the Share Price is 25 January 2011, and for the GDRs is 29 April 2015.

1. As at 30 June 2017.

2. For the period: 3 January – 30 June 2017.

FP Adjusted Share Price (RON) and Discount (%)

FP Adjusted Share Price (RON) and Discount (%)



Source: BVB, Bloomberg, for the period 25 January 2011 – 30 June 2017.

Report on the Discount Objective



Discount Objective

- **Objective**

- The discount between closing price and last reported NAV per share to be equal to or lower than 15%, in at least 2/3 of the trading days in the period 1 July 2016 – 30 June 2017

- **Monthly Monitoring – 30 June 2017**

- In the period 1 July 2016 – 30 June 2017, discount was higher than 15%, for both shares and GDRs.

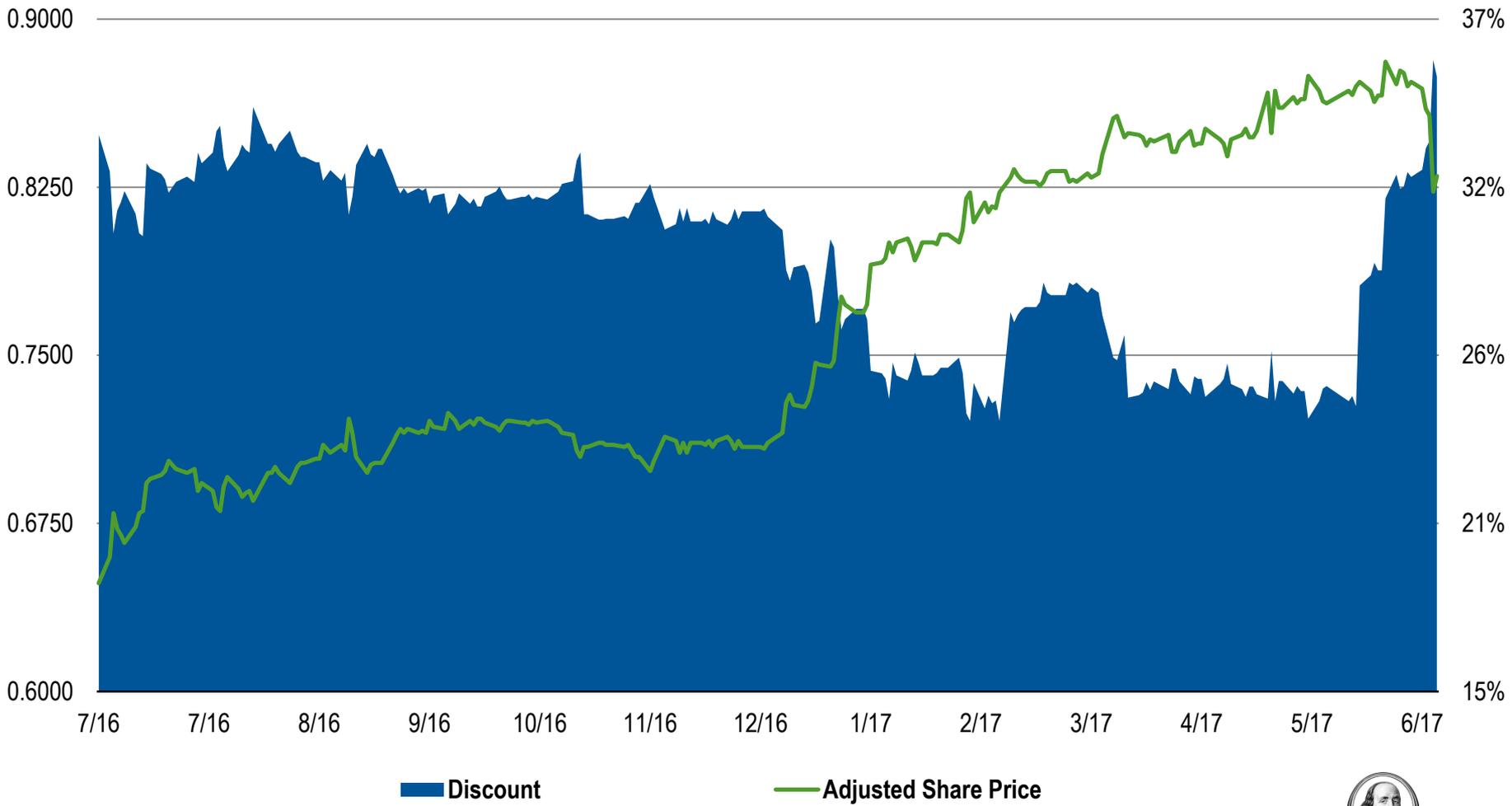
Discount Evolution

Discount at the Start of the Reporting Period – 1 July 2016	Discount as at 30 June 2017	Average for the Reporting Period 1 July 2016 – 30 June 2017	Discount Range for the Reporting Period
33.22%	35.12%	29.17%	23.85% - 35.67%

Source: Fondul Proprietatea Report.

Note: The discount is calculated based on the latest published NAV/share at the date of the calculation.

Discount Objective – Evolution During the Reporting Period



Source: BVB, for the period 1 July 2016 – 30 June 2017.



Discount Objective – Measures Taken

- Distributed RON 2.21 billion to the Fund's shareholders during 1 July 2016 – 30 June 2017 via:
 - Partial execution of the 6th buy-back program (1 July – 23 September 2016) and 8th buyback program (30 May – 30 June 2017) and full execution of the 7th buy-back program (29 September 2016 – 26 May 2017), through two tender offers and daily share repurchases of up to 25% of the average daily trading volumes for the last 20 trading sessions
 - Two Cash distributions to shareholders totaling RON 0.10 per share – paid on 27 March 2017 and 30 June 2017 respectively
 - The total amount distributed (including buy-backs and cash distributions) represents 18.83% of the Fund's NAV as at 30 June 2016
- Proactive investor relations program to increase the visibility of the Fund to a broader base of investors

Discount Objective – Creating Liquidity at the Portfolio Level during the Reporting Period¹

	Amount RON
Total Value of Disposals	801,883,058
Dividends Received (Collected)	503,786,280
Credit Facility (Committed) ²	763,000,000
Total	2,068,669,338

Source: Fund's periodical reports.

1. For the Reporting Period: 1 July 2016 - 30 June 2017.

2. The total credit facility as per contract is of RON 1 billion, out of which total drawings of RON 237 million, paid as at 25 July 2017.

Discount Objective – Distributions to Shareholders 1 July 2016 – 30 June 2017

RON	Distributions to shareholders in the period 1 July 2016 – 30 June 2017 (excluding related costs)	Expenses related to distributions recorded in the period 1 July 2016 – 30 June 2017	Total	% of the NAV as at 30 June 2016	% of the average market capitalization during the period
Buyback program 6	507,074,031	6,960,561	514,034,592	4.35%	6.42%
Buyback program 7	744,506,785	7,582,709	752,089,494	6.37%	9.40%
Return of capital March 2017	480,543,496	18,237	480,561,733	4.07%	6.01%
Return of capital June 2017	443,502,747	15,340	443,518,087	3.76%	5.54%
Buyback program 8	32,696,636	23,159	32,719,794	0.28%	0.41%
Total	2,208,323,695	14,600,005	2,222,923,700	18.83%	27.78%

Source: Fund's periodical reports.

Note: The costs related to the distributions performed include only the expenses incurred as of 30 June 2017.

Discount Objective – Share Buybacks

Program	Period	Status	No. of shares to be repurchased / % of the Fund's issued share capital	Average share price (RON/share)	Broker	Cancellation of shares
Sixth	Sep 2015 – Sep 2016	Finalized	891.8 mn/8.13%	0.8208	Wood & Co., Goldman Sachs Int.	Finalized
Seventh	Sep 2016 – May 2017	Finalized	830.2 mn/ 8.2%	0.8967	Wood & Co., Goldman Sachs Int.	Partial cancellation approved by shareholders during the 3 May 2017 EGM
Eight	Started on 30 May 2017	20.98% Completed	177.2 mn/ 1.8%	0.8795 ¹	Wood & Co., Jefferies Internat.	-

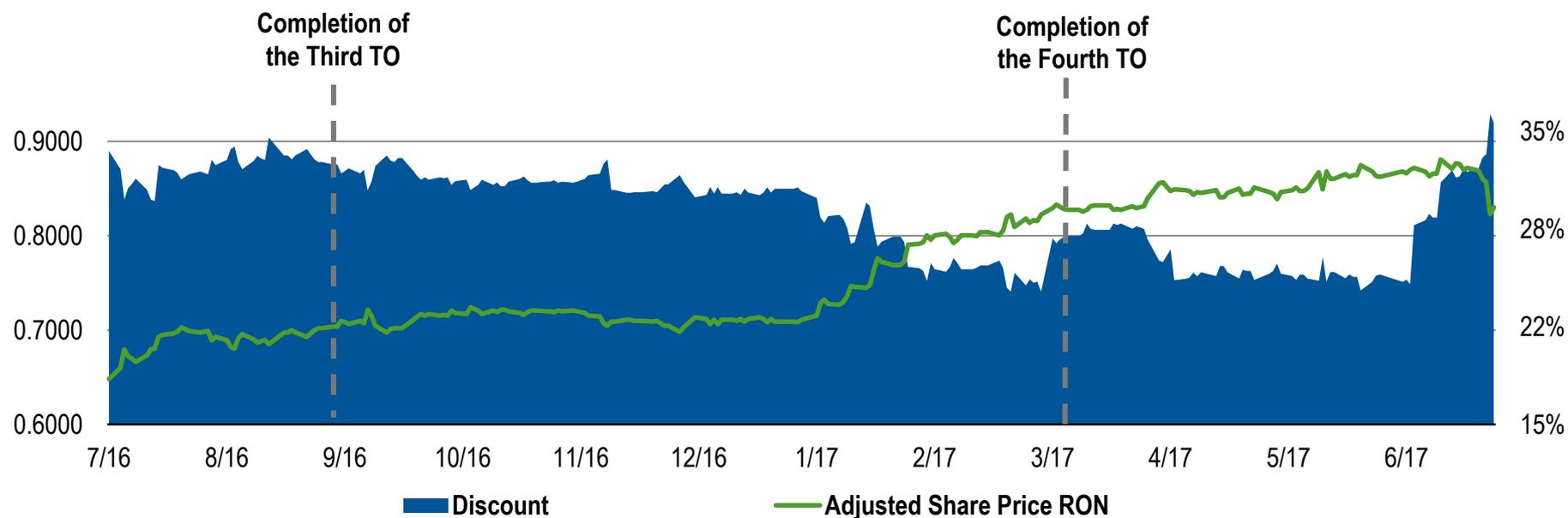
- In July 2016, the Fund Manager terminated the credit facility with Citi and signed a new agreement with BRD – Group Societe Generale for RON 1 billion
- In June 2017, the Fund Manager extended the credit facility until 4 July 2018

Program	Number of shares repurchased	Acquisition cost of shares repurchased, excluding transaction costs (RON)
Sixth	891,770,055	731,959,565
Seventh	830,247,619	744,506,785
Eighth	37,174,313 ¹	32,696,636 ¹
Total	1,759,191,987	1,509,162,986

1. As at 30 June 2017. Estimated value based on the 37,174,313 shares repurchased (16,581,063 ordinary shares and 20,593,250 equivalent shares of the GDRs repurchased).

Discount Objective – Tender Offers

Tender Offer	Number of Shares and Equivalent GDRs	Announcement date	Tender price (RON/share)	FP pre-announcement share price (RON/share)	Premium to pre-announcement share price (%)	Discount of offer price to NAV (%) ¹	Allocation ratio (%)
Third	575,000,000	5 July 2016	0.8420	0.7380	14.09%	26.43%	8.67%
Fourth	640,000,000	27 January 2017	0.9100	0.8640	5.32%	23.30%	10.44%



Source: Investment Manager current reports.

1. Latest NAV available at the date of the Tender offer announcement: 30 June 2016 NAV for the Third Offer, and 30 December 2016 NAV for the Fourth Tender.



FRANKLIN TEMPLETON
INVESTMENTS

Discount Objective – Investor Relations Activity

- New research coverage of the Fund:
 - January 2017: Renaissance Capital (United Kingdom) re-initiates coverage of the Fund
 - February 2017: Concorde Securities (Hungary) started covering the Fund
- During the period, the Fund Manager continued to actively promote Fondul Proprietatea, through:
 - 338 Investor Meetings
 - 68 Investor Conference Calls
 - 27 Investor Conferences and Road-shows
 - 3 Analyst and Investor Days (Bucharest in September 2016, London in March 2017, and New York in April 2017)
 - 4 Results Conference Calls with analysts and investors
- Investors that attended FP Investor Days in Bucharest in 2016 manage over USD 2,500 billion
- Investors that attended the Romania Day in London and Romania Investor Days in New York events in March and April 2017 have assets under management of over USD 4,000 billion

Report on the NAV Objective



NAV Objective

- **Objective**
 - The Adjusted NAV per share as at 30 June 2017, to be higher than the NAV per share as at 30 June 2015 (RON 1.1851 per share)
- **Monthly Monitoring – 30 June 2017**
 - Adjusted NAV as at 30 June 2017 is higher than the NAV per share as at 30 June 2015

NAV Objective	Amount RON	Comments
Total NAV as at 30 June 2017	10,570,251,408	
Costs related to the 2015; 2016 and 2017 returns of capital after 30 June 2015, until 30 June 2017	57,414	Fees charged by Central Depository and Paying Agent for the payments performed after 30 June 2015 (for the 2015; 2016 and 2017 returns of capital)
Costs related to buy-backs after 30 June 2015, until 30 June 2017	14,883,473	Fees related to fifth buy-back programme after 30 June 2015, sixth and seventh buy-back programmes (including the FSA fees of 1% of the tender offer value) and eight buy-back programme starting 30 May 2017
Distribution fees after 30 June 2015, until 30 June 2017	56,176,582	FT distribution fees for distributions to shareholders after 30 June 2015
2016 Return of capital to shareholders	516,886,344	2016 Return of capital (payment started in June 2016)
March 2017 Return of capital to shareholders	480,543,496	Payment started on 27 March 2017
June 2017 Return of capital to shareholders	443,502,747	Payment started on 30 June 2017
Total Adjusted NAV as at 30 June 2017	12,082,301,465	
Number of Fund's paid shares, less treasury shares and GDRs held as at 30 June 2017	8,842,846,464	
Adjusted NAV per share as at 30 June 2017	1.3664	
NAV per share as at 30 June 2015	1.1851	
Difference	0.1813	
%	15.30%	

Source: FP Report.

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

Contributors to Change in the NAV for the period 30 June 2015 – 30 June 2017

TOP PERFORMERS

Company	Status	% in Total NAV ¹	% change in NAV performance	Change in NAV per share (RON)
Hidroelectrica SA	Unlisted	32.0%	12.23%	0.1450
CN Aeroporturi Bucuresti SA	Unlisted	7.2%	3.95%	0.0468
CN Administratia Porturilor Maritime SA	Unlisted	2.0%	0.86%	0.0102
Electrica Furnizare SA	Unlisted	1.6%	0.80%	0.0094
BRD Groupe Societe Generale SA	Listed	3.2%	0.74%	0.0088

BOTTOM PERFORMERS

Company	Status	% in Total NAV ¹	% change in NAV performance	Change in NAV per share (RON)
OMV Petrom SA	Listed	19.1%	(9.25)%	(0.1096)
Romgaz SA ²	Listed	0.0%	(2.25)%	(0.0267)
Complexul Energetic Oltenia SA	Unlisted	0.0%	(0.86)%	(0.0102)
Zirom SA	Unlisted	0.2%	(0.16)%	(0.0019)
E-Distributie Muntenia SA	Unlisted	4.3%	(0.13)%	(0.0015)

TOTAL NAV VARIANCE

0.0102

Note 1: The analysis excludes E.ON Distributie Romania SA and E.ON Energie Romania SA.

Note 2: The amounts are adjusted with the dividends declared by the companies, recorded in the Fund's accounting according with FP accounting policy.

1. Source: NAV report as at 30 June 2017.

2. Holding disposed of in April 2016.

Contributors to Change in the NAV for the period 30 June 2016 – 30 June 2017

TOP PERFORMERS

Company	Status	% in Total NAV ¹	% change in NAV performance	Change in NAV per share (RON)
Hidroelectrica SA	Unlisted	32.0%	2.72%	0.0312
OMV Petrom SA	Listed	19.1%	2.57%	0.0294
CN Aeroporturi Bucuresti SA	Unlisted	7.2%	1.45%	0.0166
BRD Groupe Societe Generale SA	Listed	3.2%	0.94%	0.0108
Alro SA	Listed	1.2%	0.46%	0.0053

BOTTOM PERFORMERS

Company	Status	% in Total NAV ¹	% change in NAV performance	Change in NAV per share (RON)
Complexul Energetic Oltenia SA	Unlisted	0.0%	(0.53)%	(0.0061)
E-Distributie Banat SA	Unlisted	5.7%	(0.13)%	(0.0015)
E-Distributie Dobrogea SA	Unlisted	3.6%	(0.12)%	(0.0014)
Posta Romana SA	Unlisted	0.4%	(0.12)%	(0.0013)
E-Distributie Muntenia SA	Unlisted	4.3%	(0.05)%	(0.0006)

TOTAL NAV VARIANCE

0.0508

Note: The amounts are adjusted with the dividends declared by the companies according with FP accounting policy.

1. Source: NAV report as at 30 June 2017.

NAV Objective – Major Equity Transactions

Completed Major Equity Transactions

Company	Transaction	Seller	Offering Stake	Transaction Value (RON mn)	Investment Consortium Selected	Comments
OMV Petrom	SPO	FP	6.43%	760.8	Goldman Sachs, Wood & Co, BCR	Completed in October 2016
Total				760.8		

NAV Objective – Changes in the Valuations of Portfolio Companies (I)

Portfolio company	Listed / Unlisted 30 June 2017	Value of FP holding as at 30 June 2015	Value of FP holding as at 30 June 2017	Comments on disposals & participation in share capital increase
Hidroelectrica SA	Unlisted	2,178,093,960.01	3,383,996,049.14	Participation in share capital increase (3,358 shares RON 33,580) in April 2017
OMV Petrom SA	Listed	4,054,934,501.30	2,017,824,880.11	Partial disposed (3,641,100,108 shares) during October 2016
CN Aeroporturi Bucuresti SA	Unlisted	332,285,905.54	760,999,792.08	
E-Distributie Banat SA	Unlisted	640,490,827.98	599,899,708.96	
Engie Romania SA	Unlisted	461,320,800.50	453,399,939.89	
E-Distributie Muntenia SA	Unlisted	465,768,832.67	449,399,906.90	
E-Distributie Dobrogea SA	Unlisted	396,894,780.04	380,199,699.47	
BRD Groupe Societe Generale SA	Listed	273,676,775.68	341,899,386.88	Partially disposed (24,000 shares) in April 2016
Electrica Distributie Muntenia Nord SA	Unlisted	235,599,682.85	255,199,661.76	
Electrica Distributie Transilvania Sud SA	Unlisted	206,499,494.38	246,199,204.76	
CN Administratia Porturilor Maritime SA	Unlisted	132,593,826.03	215,999,747.09	Participation in share capital increase (7,015 shares, RON 70,150) in April 2016
Electrica Distributie Transilvania Nord SA	Unlisted	201,599,594.03	208,299,651.03	
Societatea Nationala a Sarii SA	Unlisted	142,881,925.56	180,999,939.80	

Source: Fund's periodical reports.

NAV Objective – Changes in the Valuations of Portfolio Companies (II)

Portfolio company	Listed / Unlisted 30 June 2017	Value of FP holding as at 30 June 2015	Value of FP holding as at 30 June 2017	Comments on disposals & participation in share capital increase
Nuclearelectrica SA	Listed	205,014,689.88	175,139,554.59	
Electrica Furnizare SA	Unlisted	126,367,968.02	167,722,973.76	
Alro SA	Listed	87,461,656.80	123,175,166.66	
ENEL Energie SA	Unlisted	74,376,960.00	75,499,872.00	
Enel Energie Muntenia SA	Unlisted	65,143,965.15	70,299,964.96	
Conpet SA	Listed	36,600,746.80	49,919,643.20	
Posta Romana SA	Unlisted	55,894,725.60	44,999,537.23	
Romaero SA	Listed	17,707,828.50	30,168,893.00	
Zirom SA	Unlisted	39,337,980.60	25,511,991.76	Participation in share capital increase (669,162 shares, RON 6,691,620) in August 2015, December 2015, April and September 2016
CN Administratia Canalelor Navigabile SA	Unlisted	16,474,345.98	15,648,845.95	
Alcom SA	Listed	10,409,423.24	9,906,746.10	
Primcom SA	Listed	14,129,161.20	9,537,239.36	Partially disposed (152,156 shares) in December 2015
Aeroportul International Timisoara - Traian Vuia SA	Unlisted	3,934,913.67	3,625,997.69	

Source: Fund's periodical reports.

NAV Objective – Changes in the Valuations of Portfolio Companies (III)

Portfolio company	Listed / Unlisted 30 June 2017	Value of FP holding as at 30 June 2015	Value of FP holding as at 30 June 2017	Comments on disposals & participation in share capital increase
CN Administratia Porturilor Dunarii Fluviale SA	Unlisted	2,946,503.52	3,514,749.66	
Palace SA	Listed	1,458,120.50	2,624,616.90	
Plafar SA	Unlisted	1,833,999.33	2,156,996.41	
Aeroportul International Mihail Kogalniceanu - Constanta SA	Unlisted	2,279,998.92	1,695,998.42	
CN Administratia Porturilor Dunarii Maritime SA	Unlisted	1,158,329.32	1,155,274.54	
IOR SA	Listed	550,677.33	1,153,800.12	
Cetatea SA	Unlisted	336,886.39	349,328.21	
Mecon SA	Listed	240,216.00	278,050.02	
Romgaz SA	Listed	1,402,963,744.00	-	Entirely disposed through transactions carried on in October 2015 and April 2016
E.ON Distributie Romania SA	Unlisted	445,916,727.31	-	Entirely disposed in June 2016
Banca Transilvania SA	Listed	159,825,139.21	-	Partially disposed (87,081,803 shares) during the period April - July 2016 Entirely disposed (8,622,074 shares) during period March - April 2017

Source: Fund's periodical reports.

NAV Objective – Changes in the Valuations of Portfolio Companies (IV)

Portfolio company	Listed / Unlisted 30 June 2017	Value of FP holding as at 30 June 2015	Value of FP holding as at 30 June 2017	Comments on disposals & participation in share capital increase
E.ON Energie Romania SA	Unlisted	133,899,605.89	-	Entirely disposed in June 2016
Complexul Energetic Oltenia SA	Unlisted	108,472,675.16	-	
Oil Terminal SA	Listed	3,182,856.25	-	Entirely disposed (36,796,026 shares) during period February – March 2017
Comsig SA	Unlisted	1,720,901.59	-	
Romplumb SA	Listed	-	-	
BAT Service SA	Unlisted	-	-	
World Trade Center Bucuresti SA	Unlisted	-	-	
Simtex SA	Unlisted	-	-	
Petrotel - Lukoil SA	Unlisted	-	-	Entirely disposed in November 2015
Gerovital Cosmetics SA	Unlisted	-	-	
World Trade Hotel SA	Unlisted	-	-	
Salubriserv SA	Unlisted	-	-	
TOTAL		12,742,281,652.73	10,308,402,808.41	

Source: Fund's periodical reports.

Actions to Protect and Increase Value of the Portfolio Companies (I)

Aeroporturi Timisoara	<ul style="list-style-type: none">• Worked closely with the majority shareholder to select a new non-executive board and a new CEO according to GEO 109; the Fund's board representative was a member of the committee interviewing the candidates• Pushed against initiatives to merge the airport with the one in neighboring Arad and another aiming to transfer land from the state to the company, which could not have been used efficiently
Alro	<ul style="list-style-type: none">• Continued to actively engage with the management for improved corporate governance, improved transparency and adoption of a more investor friendly attitude. Also, we have been discussing with the Chairman of the Board about possible options to improve the liquidity of the stock• We sent to the management a detailed letter on key aspects that, in our view, the board should improve, and which should have a positive effect of the company's valuation• The management has been taking the first steps to improve communication with investors by attending Fondul Proprietatea Investors Days events, and organizing semi-annual conference calls. The management has promised to also improve the overall IR function
Administratia Canalelor Navigabile (ACN)	<ul style="list-style-type: none">• Rejected the 2015 financial statements which showed the company making a loss even though operationally it was a very good year for the company. The financial statements were restated, some unnecessary provisions were canceled and the company showed a profit which allowed a dividend to be paid to the Fund in 2016• We worked with the majority shareholder and we approved that the company pays a special dividend in 2017 from the retained earnings
Administratia Porturilor Dunarii Maritime (APDM)	<ul style="list-style-type: none">• Our legal actions have been successful in irrevocably annulling the share capital increase with the value of certain state-subsidies decided back in 2012 following which the Fund's share in the company was diluted to 7.7% from previously 20%

Actions to Protect and Increase Value of the Portfolio Companies (II)

Administratia Porturilor Dunarii Fluviale (APDF)

- Engaged with the majority shareholder (Ministry of Transport) and the top management in the context of severe financial difficulties experienced by the company due to a significant decrease of the turnover caused by the loss of a business line, to implement a series of urgent decisions, such as a significant increase of harbor tariffs and the sale of non-operational assets to allow the company to solve the issue of increased liabilities, decisions that have been eventually implemented over the past 12 months
- Officially proposed to the majority shareholder a merger between APDF (Inland Danube Ports) and APDM (Maritime Danube Ports Administration) in order to increase the size of the company, reduce administrative costs and create synergies

BRD

- Continued to encourage the management to improve the investor relations efforts and to actively participate in investor events and management road-shows
- Engaged in active discussions with BRD's top management to bring an additional independent director with significant internal experience on the board of BRD
- Actively engaged (both in meetings and in written) with the bank's top management and chairman of the board on issues related to dividend policy, capital structure optimization and board composition
- In the 2017 annual GSM, we added several points on the agenda, aiming at a higher dividend pay-out, capital optimization measures and proposed an independent director with extensive banking background. Societe Generale, voted against the proposals added to the GSM agenda by Fondul, including to the application of the cumulative vote. However, our proposals gathered quite a sizable support from the other minority shareholders (between 14-20% of the votes)
- We have continued discussions with the General Manager and the Board Chairman on the topics added on the agenda of the April 2017 GSM



Actions to Protect and Increase Value of the Portfolio Companies (III)

Bucharest Airports

- As active members of the Board, we worked with 6 separate interim Boards and 4 interim General Managers to continue improving the company's profitability through cost management and initiatives aimed at opening new routes and enhance non-aeronautical revenues
- Continued to support proper implementation of Corporate Governance legislation through ongoing litigations
- Provided balanced opinions and challenged some of the assumptions behind planned capital expenditure projects.
- Continued to push for the listing of the company
- Pushed for better planning of the development strategy, presented a cheaper, faster alternative for increasing total capacity vs. plans in place to build a brand new terminal in a new location on the other side of the runways from the current terminals
- In 2016, we presented to the Government the reasons why the company can sustain a higher dividend payout ratio at 75% vs. the minimum 50% required by existing regulations

Constanta Port

- Supported the Board and executive management in the ongoing effort to improve revenues from renting land in the ports and keeping operating costs under control
- Presented to the Government the reasons why the company can sustain a higher dividend payout ratio at 75% vs. the minimum 50% required by existing regulations
- Continued to push for the IPO of the company

Conpet

- Continued to advocate with the company's management for the distribution of a special dividend given the very high cash position on the balance sheet. In April 2017, the board proposed and shareholders approved a partial distribution of the excess cash out of retained earnings
- We have made aware the company management, the majority shareholder and the other institutional investors about our negative view on the occasion of a proposed share capital operation in which the State would have contributed in kind with real estate at over-priced valuation. On the back of an overwhelmingly negative vote from institutional investors, the resolution did not pass on the occasion of two GSM called during 2016
- Our legal actions were successful and the Court of Cassation over-ruled the initial negative ruling for the Fund issued by the Court of Appeal regarding the Fund's ownership right on the remaining 6.1% stake. Subsequently, in 2017, the Court of Appeal issued a positive ruling for the Fund in the matter

Actions to Protect and Increase Value of the Portfolio Companies (IV)

CE Oltenia

- Successfully replaced, after several attempts, in December 2015, the general manager of the company, who took value destructive management decisions in the past. The company's CFO who had been selected according with GEO 109 was appointed as the new interim general manager. He was the first general manager to show some tangible results in terms of cost cutting
- Worked closely with the new team to draft the restructuring plan for the next 5 years: we pushed for the most important measure in the restructuring plan which is the labor cost reduction – 5,000 employees will leave the company in the next 5 years (2,000 in 2016, 2,000 in 2017 and 1,000 afterwards). In the restructuring plan approved by the Supervisory Board, a number of other measures are mentioned, which started to be implemented since the beginning of 2016. These led to a return to profitability in Q1 2016 when the company recorded a gross profit of RON 149 million compared to Q1 2015 when it registered a loss of RON 20 million
- Started litigations against the value destructive management decisions (e.g.: taking over operation of the Chiscani gas fired power plant; also submitted a complaint at the European Competition Council with regards to this action, and litigations against the members of the Directorate for continuing to supply coal to clients (SOEs) with overdue payments

E.ON Companies

- Successfully negotiated and executed the exit from the shareholders structure of both E.ON Distribuție România and E.ON Energie România, operation completed in October 2016

Engie Romania

- Raised in shareholder meeting the issue of related management contracts between the company and majority shareholder which we deem to be poor corporate governance. As a result of our action, the management contract was not approved by shareholders

Actions to Protect and Increase Value of the Portfolio Companies (V)

Electrica Companies

- Disagreed with the way the NGO was intended to be set up at the level of the subsidiaries. As a consequence, changes were brought to the NGO legal acts that make it easier to supervise and control
- Following lawsuits brought against shareholders decisions to approve new constitutive acts for the subsidiaries, Electrica asked to settle with us and we reverted to the previous version of the constitutive acts (less detrimental to FP)

Hidroelectrica

- Continued to work with and to support the judicial administrator in the measures taken in order to maximize returns and decrease costs. The company exited insolvency with impressive margins: 68% EBITDA margin and more than 30% net profit margin
- Worked with the company to change the accounting policy with regards to the residual asset lives; the changes are in line with similar European peers. As a consequence the net profits of the company will increase by 20-30%, provided everything else stays equal
- We are intervening in several litigations on behalf of the company (claims filed by the trade unions against the company worth more than 100mn Euros, claims filed against the regulator, claims filed against third parties)
- We are contesting the appointment of the new Directorate. The appointment breached the principles of the Corporate Governance Code and the Code of Ethics.

Nuclearelectrica

- Emphasized to the Company's management the importance of a predictable dividend policy for the next years
- Proposed the following measures in the GSM for approval of the 2016 financial statements: 1) increasing the dividend payout ratio for 2016 to 100% (vs 92% payout ratio proposed by the management) and 2) distributing a special dividend of RON 452 million from the company's other reserves.

Actions to Protect and Increase Value of the Portfolio Companies (VI)

<p>OMV Petrom</p>	<ul style="list-style-type: none"> • Pushed for a better defined dividend policy • Encouraged management to continue with investor relations efforts and to participate to more investor events and management road-shows • Continued to actively support a fair and balanced taxation regime for the oil and gas sector • Presented the risks developing in the gas market, where some of the major consumers continued to face financial difficulties
<p>Oil Terminal</p>	<ul style="list-style-type: none"> • Initiated legal action in order to address the issue of a share capital increase with the value of land for which company obtained property deeds and which is potentially highly dilutive for minority shareholders
<p>Posta Romana</p>	<ul style="list-style-type: none"> • Continued to push initiatives aimed at improving the cash flow position of the company in the short term while supporting initiatives aimed at stabilizing the decline of revenues over the medium term • Worked with the majority shareholder to identify solutions for attracting new capital for much needed investments from International Financial Institutions such as EBRD • Continued to push for a commitment from the Government to list the company
<p>Primcom</p>	<ul style="list-style-type: none"> • Continued to return cash to the shareholders: in December 2015, the Fund sold 152,156 shares in Primcom SA, at the price of RON 30 per share, within the buy-back program carried by the Company
<p>Petrotel-Lukoil</p>	<ul style="list-style-type: none"> • Successfully negotiated with the controlling shareholder the exit from the refinery Petrotel – Lukoil, at an attractive valuation. The exit was finalized in November 2015. The refinery had been historically loss-making and was valued in the Fund’s NAV at zero. • The Fund had been constantly engaging with the company on a number of topics such as transfer pricing issues and parent company financing.

Actions to Protect and Increase Value of the Portfolio Companies (VII)

Romgaz

- Continued to actively support a fair and balanced taxation regime for the oil and gas sector
- Presented the risks developing in the gas market, where some of the major consumers continued to face financial difficulties
- Pushed for elimination of very generous discount schemes offered to large consumers
- We asked for safety mechanisms in Constitutive Act to protect against other “donations” to the state budget as was the case in late 2010
- Encouraged increased transparency regarding exploration budgets, results, reserve replacement and efficiency of maintenance CAPEX spent

Salrom

- Actively involved in the selection of a new CEO and CFO according with the corporate governance law for SOEs
- Worked closely with the management team to improve operations: drafting an updated commercial policy which lead to an increase of the client base and better pricing for their products, and helped the company with legal advisory in different litigations
- Organized several meetings with the majority shareholder in order to speed up the selection process of a new executive and non-executive management team which was successfully completed in July 2017
- Worked with the management to prepare meetings with investors in Bucharest, London and New York City

Actions to Protect and Increase Value of the Portfolio Companies (VIII)

General Actions

- Worked with the Ministry of Public Finance on the changes to the Government Ordinance 109/2011 (GEO 109) proposed by the Government. GEO 109 was passed as a law (111/2016) in June 2016
- Continued monitoring the implementation of GEO 109 and have sent letters to the companies outlining GEO 109 breaches and asked for quick and correct implementation

Top 20 Portfolio Holdings – Key Financials

Top 20 Holdings ¹	EBITDA (RON mn)					Net Profit (RON mn)				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Hidroelectrica SA	707.3	2,008.3	2,189.3	2,100.2	2,249.9	(508.0)	718.8	941.5	899.4	1,227.7
OMV Petrom SA	8,270.2	9,313.0	8,145.0	6,231.1	4,641.8	3,946.1	4,820.9	2,100.0	(676.0)	1,037.7
CN Aeroporturi Bucuresti SA	205.0	238.4	257.5	331.7	388.1	53.1	72.0	98.8	178.8	234.5
E-Distributie Banat SA ⁴	292.4	335.1	323.2	315.8	238.7	167.2	190.7	172.2	157.9	93.6
Engie Romania SA ²	582.6	730.5	838.8	716.1	657.9	360.1	447.1	439.4	380.5	382.0
E-Distributie Muntenia SA ⁴	357.9	424.0	439.9	451.4	396.6	206.3	267.2	240.8	237.9	151.7
E-Distributie Dobrogea SA ⁴	189.7	248.2	239.0	252.9	195.1	94.5	133.5	87.7	114.8	73.5
BRD Groupe Societe Generale SA ²	-	-	-	-	-	(290.6)	(384.3)	63.1	465.8	763.5
SDEE Muntenia Nord SA ⁵	165.6	146.8	271.7	289.6	231.5	87.2	126.5	140.3	153.2	103.7
SDEE Transilvania Sud SA ⁵	156.4	211.9	242.2	318.1	291.1	45.8	69.4	100.1	152.6	116.4
CN Administratia Porturilor Maritime SA	80.8	110.3	123.4	150.1	84.7	35.6	65.0	70.3	97.4	36.8
SDEE Transilvania Nord SA ⁵	161.6	146.8	255.4	313.5	292.7	53.1	126.5	95.3	158.8	119.4
SN a Sarii Salrom SA	41.1	65.4	51.0	47.7	72.1	20.8	42.8	24.5	15.8	30.1
Nuclearelectrica SA	549.1	892.5	605.7	652.9	632.5	34.5	426.9	137.1	147.4	110.8
Electrica Furnizare SA	108.2	107.2	230.5	150.5	208.4	90.5	101.5	204.7	131.1	175.8
Alro S.A.	323.0	(43.0)	155.0	306.0	292.3	(240.0)	(102.0)	0.0	0.0	71.5
Enel Energie SA	281.3	(20.5)	133.5	46.7	49.8	331.3	(39.5)	129.9	34.8	39.0
Enel Energie Muntenia SA	52.5	27.0	48.6	27.5	53.1	72.4	28.1	46.8	24.9	39.3
Conpet SA	85.2	66.6	101.3	120.6	120.6	30.9	31.3	51.4	63.2	71.5
Posta Romana SA	0.5	20.1	77.5	6.5	53.6	(52.1)	(29.4)	22.9	(33.0)	10.5
TOTAL	12,610.4	15,028.6	14,728.5	12,828.9	11,150.7	4,538.7	7,113.0	5,166.8	2,705.3	4,889.0
WEIGHTED TOTAL	2,391.7	2,792.6	2,715.4	2,343.1	1,738.8	924.6	1,381.9	941.2	418.0	723.5
WEIGHTED TOTAL LISTED COMPANIES³	1,720.6	1,870.7	1,627.6	1,281.2	678.1	758.1	941.9	417.5	(94.2)	179.9
WEIGHTED TOTAL UNLISTED COMPANIES³	671.1	921.9	1,087.8	1,062.0	1,060.6	157.3	440.1	523.6	512.2	543.5

Note: EBITDA = Operational result + Depreciation. Source: Companies' financial statements, Hidroelectrica Judicial Administrator's reports.

1. Based on the 30 June 2017 Detailed Statement of Investments.

2. Consolidated IFRS financial statements.

3. Weighted for the Fund's stake in the companies.

4. Enel Distributie companies changed their names to E-Distributie.

5. Electrica Distributie companies changed their names to Societatea de Distributie Energie Electrica ("SDEE").



Report on the Obligations regarding the Discount Control Mechanism



- **According to Article 9 of the Management Agreement under AIFMD, as approved by the Fund's Shareholders on 29 October 2015, which commenced on 1 April 2016:**

“FUND MANAGER PERFORMANCE OBJECTIVES. ANNUAL REPORTING

9.1. For the duration of this Management Agreement, the Fund Manager must manage the Portfolio in accordance with, and must comply with, all the obligations undertaken under the IPS and seek to achieve the objectives therein, including (without limitation) the Discount Objective and the NAV Objective (together the “Performance Objectives”). The Customer and the Fund Manager acknowledge and agree that there is no guarantee that the Performance Objectives will be achieved and the Fund Manager does not warrant, undertake or represent that it will achieve them.

9.2. The Fund Manager will call a BoN meeting to discuss the Discount Control Mechanism (“DCM”) strategy if the Discount stays above 15% for more than half of the Trading Days in any financial quarter of the Customer. In addition, if the Discount stays wider than 15% for more than half of the Trading Days in any two successive financial quarters of the Customer, the Fund Manager will call a GSM (which would be held no later than the end of the next quarter) at which the Fund Manager would propose, for the Customer's shareholders' approval, specific DCM measures pre-agreed with the BoN and which are in line with the IPS, unless such actions are already pending and soon to be implemented based on shareholder approvals obtained during the relevant preceding two quarter periods.”

Discount Control during Q3 2016 – Q2 2017 (the new IMA into force)

- If the discount stays above 15% for more than half of the trading days in any quarter, the Fund Manager will call a Board meeting to discuss the DCM
- The Board meetings took place on the following dates: 7 Jun 2016, 3 Aug 2016, 6 Sep 2016, 11 Oct 2016, 17 Jan 2017, 3 Mar 2017, 24 Apr 2017 and 31 May 2017
- There were:
 - 4 quarterly calculation periods (Q3 2016, Q4 2016, Q1 2017 and Q2 2017), and
 - 4 two-quarter valuation periods (Q2+Q3 2016, Q3+Q4 2016, Q4 2016 + Q1 2017, and Q1+Q2 2017)

Ongoing DCM Measures

- **Cash Distributions:** the Fund Manager proposed and shareholders approved two cash distributions for 2017 totaling RON 0.10/share. Payment of each RON 0.05/share distributions was done on 27 March 2017 and 30 June 2017.
- **Share Buy-backs:** the 8th buy-back is ongoing.
- **Tender offer:** the Fund Manager has been monitoring market developments closely and is prepared to restart the process for a Tender Offer, subject to market conditions and financing sources during H2 2017.
- **Asset Disposals:**
 - The sale of Electrica subsidiaries stakes is ongoing
 - Ongoing discussions for selling unlisted stakes and listed stakes of the Fund
- **Credit facility:** the RON 1 billion credit facility with BRD has been extended until 4 July 2018
- **Investor Relations Activities:**
 - In April, we organized, in collaboration with Auerbach Grayson, Bucharest Stock Exchange, BCR and ERSTE, the fourth edition of the Romania Investor Days in New York event. 41 investors from 29 investment management firms, with assets under management of over USD 2,000 bn, and 13 Romanian companies with 28 representatives participated to the event, and to the 127 company meetings, including 1-on-1, and group meetings. We also participated in several regional and global emerging and frontier market conferences, as well as dedicated conferences for closed-end funds in London, New York, Zurs, Singapore, Warsaw, and Paris
 - Further promotion of the Fund through road-shows to US, Middle East, and United Kingdom and participation in the most important investor conferences
 - Organizing the 10th Fondul Proprietatea Analyst and Investor Days in Bucharest on 6-8 September 2017

DCM Techniques based on the Current IPS

Recommendation of buy-back programs of the Fund's shares and GDRs	<ul style="list-style-type: none">• 8th Buy-back Programme is ongoing
Cash distributions to shareholders	<ul style="list-style-type: none">• Annual cash distribution has started on 30 June 2017
Execution of buy-back programs via trading on the regular market	<ul style="list-style-type: none">• 8th Buy-back Programme ongoing
Maintaining a transparent cash distribution policy	<ul style="list-style-type: none">• The cash distribution policy has been updated and communicated to the market in September 2016 and is currently implemented
Increasing the share of the listed companies in the portfolio	<ul style="list-style-type: none">• Potential IPO of Hidroelectrica in H1 2018• Discussions continue on starting IPO processes for 4 of the Fund's unlisted companies (Salrom, Bucharest Airports, Constanta Port, and Posta Romana)
Building good communication through active investor relations work	<ul style="list-style-type: none">• Proactive investor relations outreach through participation to regional and global emerging and frontier market conferences, as well as dedicated closed-end funds conferences
Supporting initiatives to make the Romanian capital market more attractive for investors	<ul style="list-style-type: none">• Organization of several road-shows to US, UAE, UK, participation to conferences in London, and organization of the Fund's Investor Days

Summary of the Regulatory Issues Affecting the Performance during the Reporting Period



**Regulatory issues
affecting the
Performance during
the reporting period**

- Delays in implementation of Corporate Governance Legislation (OUG 109/2011)
- Delays in the IPO calendar of the SOEs
- Delays in the gas price liberalization for households
- Delay in the publication of the new royalty scheme for the oil and gas sector

Summary of the Market Conditions Affecting the Performance during the Reporting Period



Summary of Market Conditions

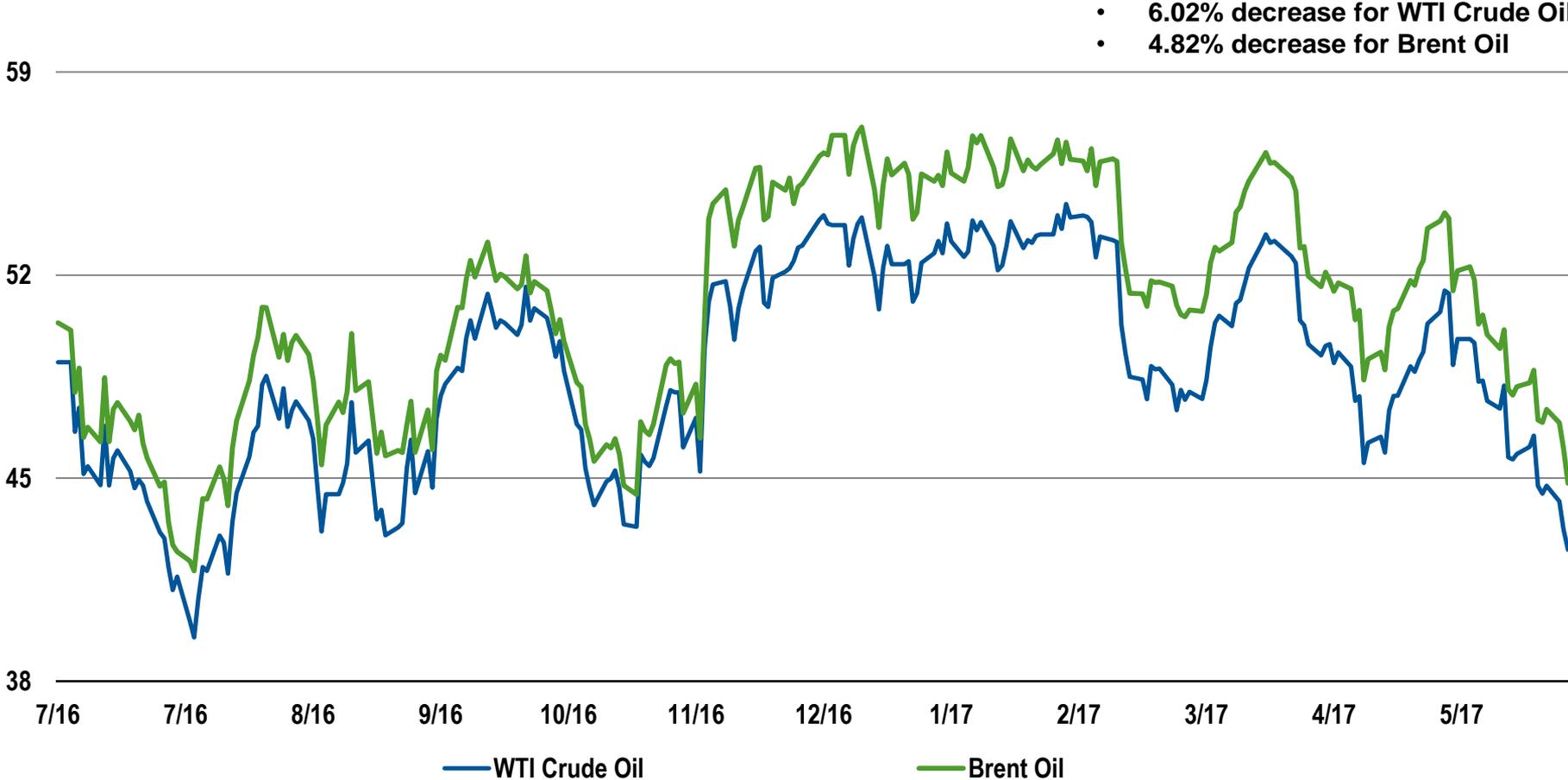
Market Conditions Affecting the Performance during the Reporting Period

- General Risks
- Oil Prices
- Electricity Prices
- Market Sentiment in Emerging and Frontier Markets
- Volatility in developed markets

Market Conditions Affecting the Performance during the Reporting Period

- The Fund's investments are concentrated in a limited number of industry sectors
- Risks related to the oil, gas industry and electricity sectors
- Risks related to poor performance of poorly managed companies in the Fund's portfolio
- Potential difficulties in implementing the Fund's strategy related to the companies in the Fund's portfolio
- Risks related to the liquidity of investments held by the Fund
- Risks related to holdings in majority State-owned companies
- There are certain risks associated with an investment in developing markets, including Romania, which may be greater than risks inherent in more developed markets
- Risks relating to global events
- The Romanian judicial system and Romanian legislation continue to develop and this may create an uncertain environment for investment and for business activity
- Frequent changes in tax legislation without respecting transparency rules

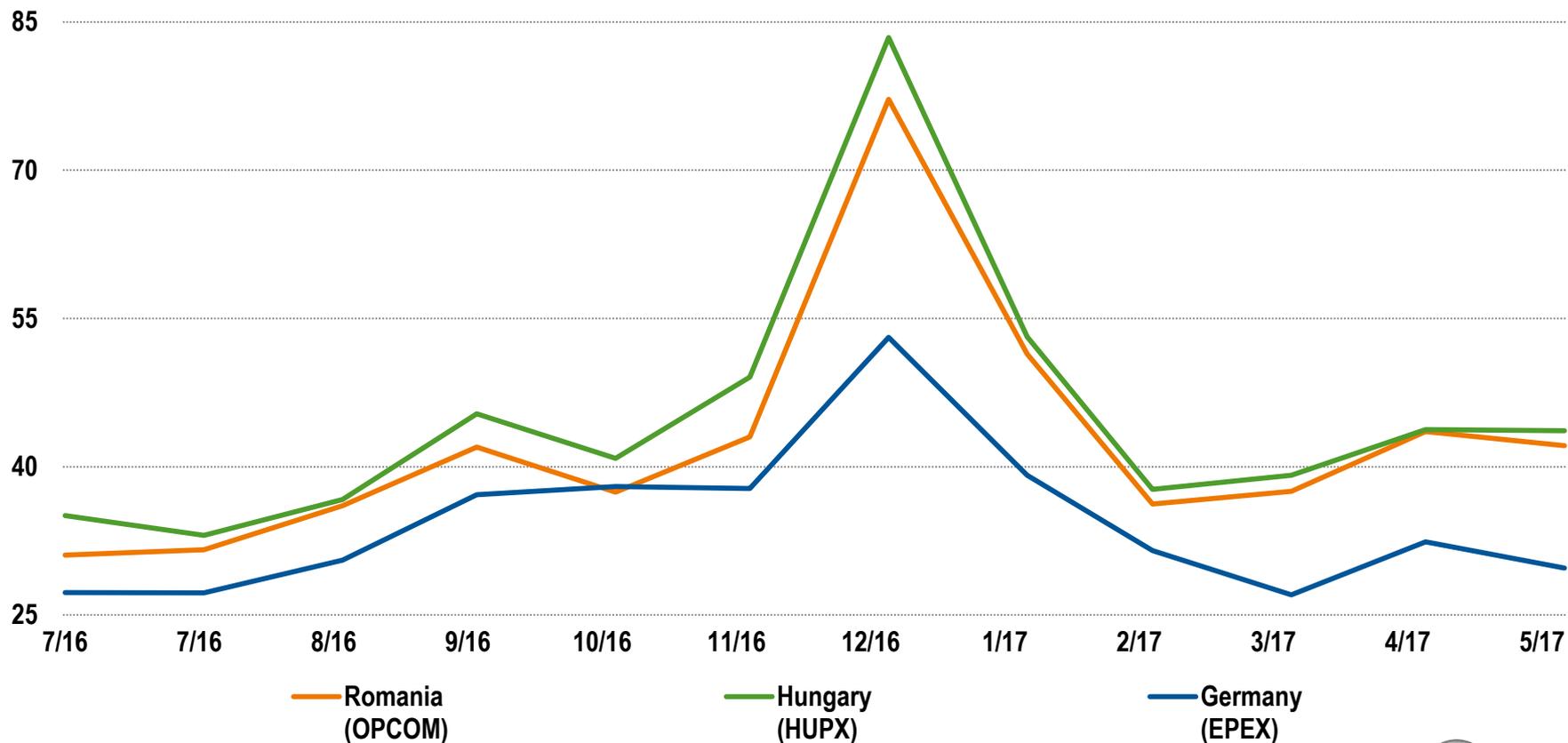
Oil Price Volatility



Source: Bloomberg, for the period 1 July 2016 – 30 June 2017.

Electricity Prices

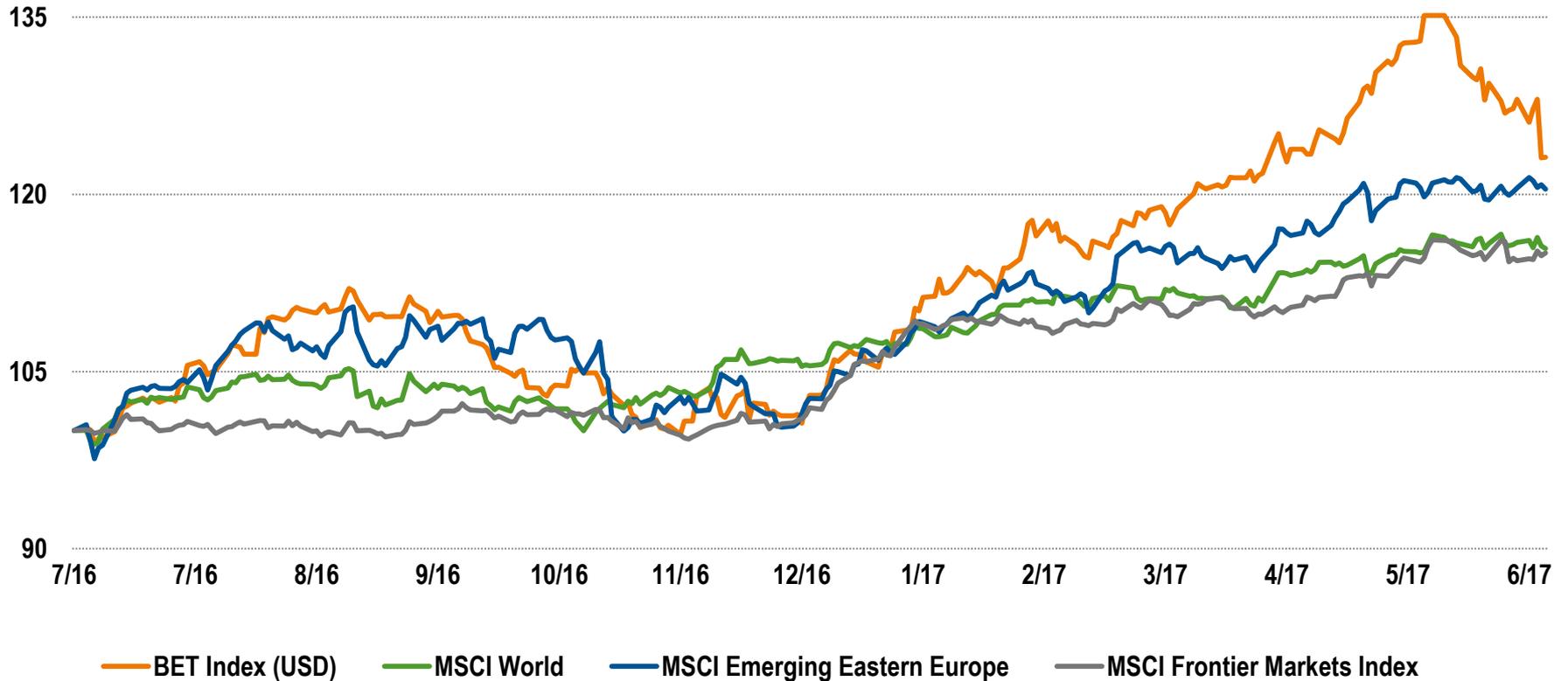
Electricity prices (EUR/MWh)



Source: Hidroelectrica, Bloomberg, as at 30 June 2017.
Note: Base load prices.

Romania vs. MSCI Eastern Europe vs. Frontier Markets vs. World

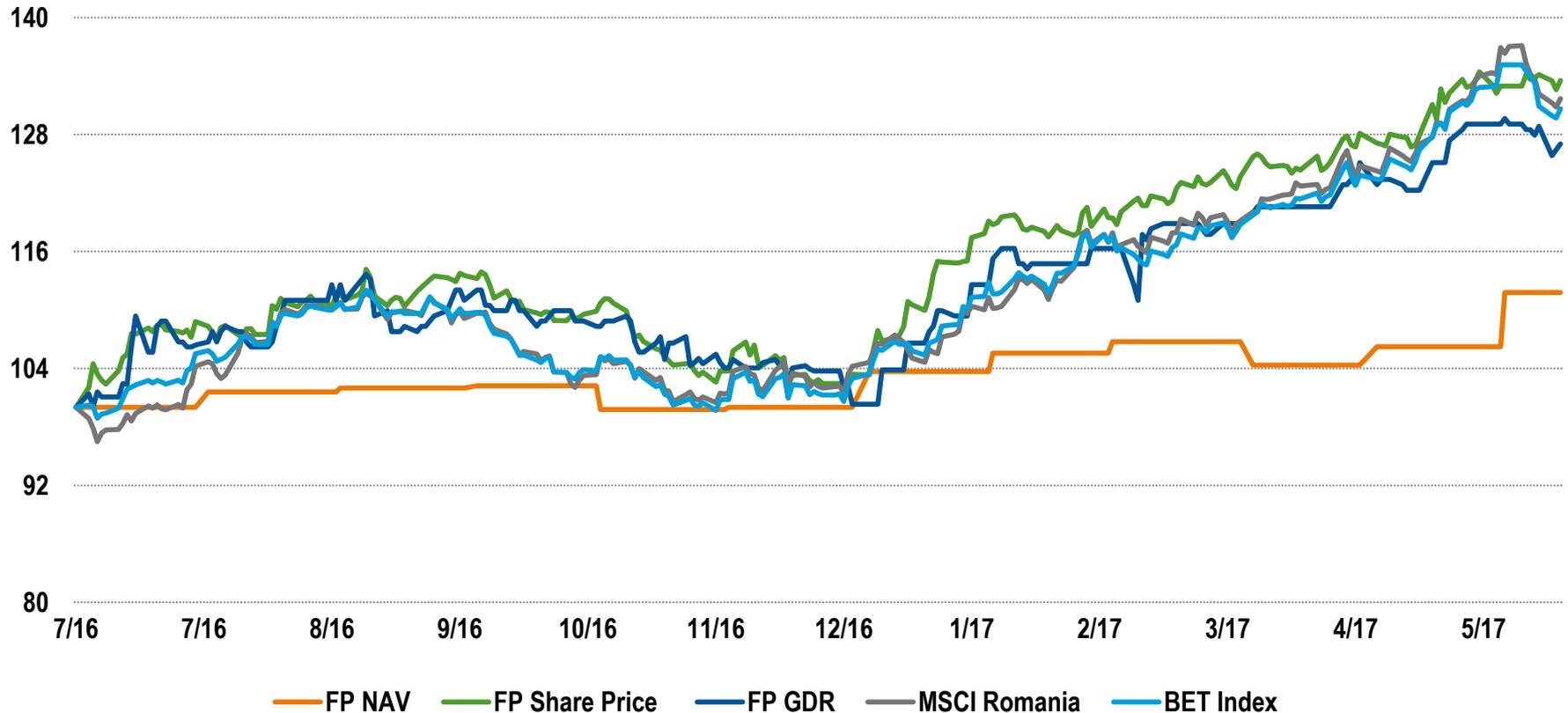
% (USD)



Source: Bloomberg, for the period 1 July 2016 – 30 June 2017

FP Share Price and NAV Performance vs. MSCI Romania vs. BET Index

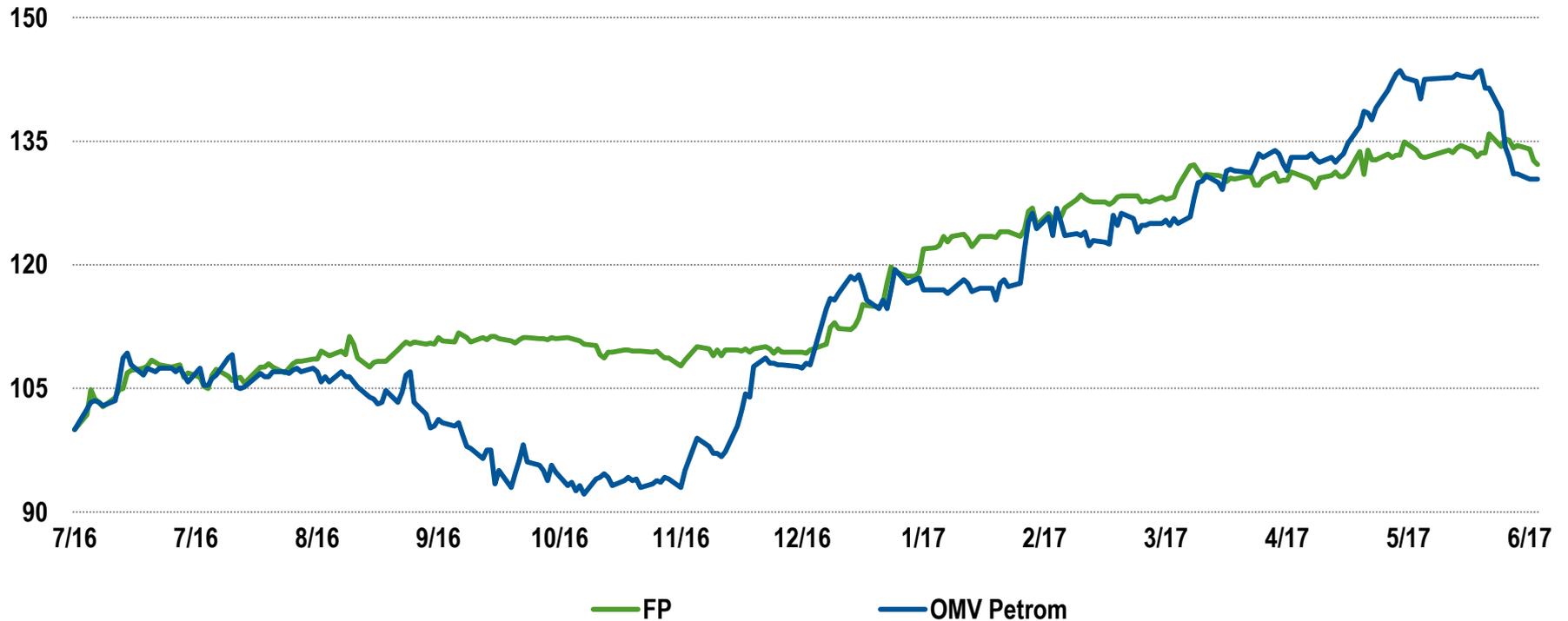
% (USD)



Source: Bloomberg, for the period 1 July 2016 – 30 June 2017

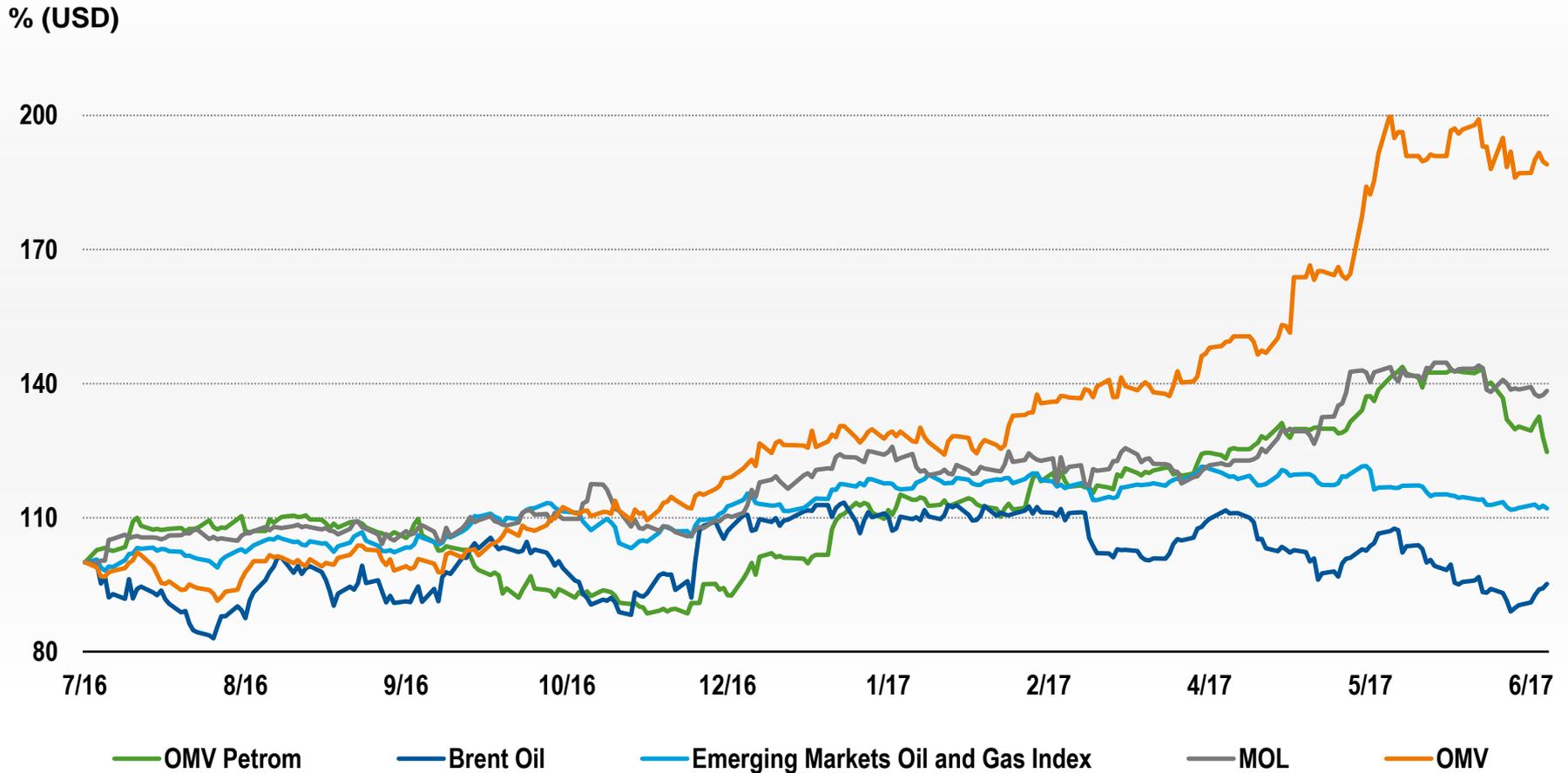
FP Share Price vs. Petrom Share Price

% (USD)



Source: Bloomberg, as at 30 June 2017.

OMV Petrom – Share Price Performance



Source: Bloomberg, for the period 1 July 2016 - 30 June 2017.

Other Developments during the Reporting Period



Delay of a potential transaction with OMV Petrom shares

- The significant decrease in the oil prices globally led to a delay in the transaction with OMV Petrom shares
- The transaction was completed in October 2016

Hidroelectrica's IPO

- After the prolonged insolvency, the company exited only in June 2016
- The IPO has been postponed due to delays in key decisions to be taken by the Romanian Government as the majority shareholder of the company: independent Board, professional management
- As a result, it is expected that the IPO could take place only in H1 2018

Delay in the IPO of Salrom and other SOEs

- Although the Fund Manager has been in constant discussions with the Government to support further listings of SOEs in which the Fund is a minority shareholder, there has been no formal Government decision with regards to the IPOs of several companies in the Fund's portfolio
- The prime candidates for an IPO discussed with the Government were: Bucharest Airports, Constanta Port, and Salrom
- The majority shareholder of Salrom has delayed our proposal to IPO the Company through an offering of the Fund's stake in the company

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