

Fondul Proprietatea SA

(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” or “FP”) 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.
- During the reported period, the Fund was managed by Franklin Templeton International Services S.à r.l. (“FTIS” or “AIFM”) as its Sole Director and AIFM under the Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFM Directive”) and local implementation regulations, under the Management Agreement executed in 2015 (“2015 MA”) in order to comply with the AIFM Directive (FTIS mandate commenced on 1 April 2016). FTIS has delegated the role of Investment Manager as well as certain administrative functions to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML”/ “Investment Manager”) for the entire duration of its mandate as AIFM. FTIML was the previous Sole Director and Fund Manager of Fondul Proprietatea (between 29 September 2010 and 31 March 2016).
- 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 depository receipts (“GDRs”) have been listed on the Specialist Fund Market of the London Stock Exchange (“LSE”).

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

NAV* and share price developments	Notes	Q1 2017	Q1 2016	YE 2016	Change % Q1 2017 vs Q1 2016	Change % Q1 2017 vs YE 2016
Total shareholders' equity (RON million)	a	10,630.8	11,393.8	11,386.0	-6.7%	-6.6%
Total NAV (RON million)	b, n	10,689.5	11,440.1	11,427.4	-6.6%	-6.5%
NAV per share (RON)	b, n	1.1943	1.1004	1.1865	+8.5%	
NAV per share change in the period (%)	c	+0.7%	-4.8%	+2.6%		
NAV per share total return in the period (%)	c, i	+4.9%	-4.8%	+7.3%		
Share price as at the end of the period (RON)		0.8880	0.7710	0.7950		
Share price low (RON)	d	0.8000	0.7000	0.6780		
Share price high (RON)	d	0.9200	0.8040	0.8100		
Share price change in the period (%)	c	+11.7%	-4.8%	-1.9%		
Share price total return in the period (%)	c, j	+18.1%	-4.8%	+4.9%		
Share price discount to NAV as at the end of the period (%)	f	25.6%	29.9%	33.0%		
Average discount for the period (%)	f	26.8%	32.7%	32.1%		
Average daily share turnover (RON million)	e, l	11.2	5.6	6.7	+100.0%	
GDR price as at the end of the period (USD)		10.50	9.66	9.40		
GDR price low (USD)	g	9.40	8.50	8.50		
GDR price high (USD)	g	10.90	9.90	10.65		
GDR price change in the period (%)	c	+11.7%	-2.4%	-5.1%		
GDR price total return in the period (%)	c, k	+18.0%	-2.4%	+1.2%		
GDR price discount to NAV as at the end of the period (%)	f	25.1%	30.9%	31.8%		
Average GDR price discount for the period (%)	f	25.9%	31.4%	30.0%		
Average daily GDR turnover (USD million)	h, m	1.9	0.6	0.9	+216.7%	

Source: Fondul Proprietatea

*Net Asset Value (“NAV”) for the end of each period was computed in the last working day of the month.

Notes:

- a. Prepared on the basis of IFRS
- b. Prepared on the basis of local rules issued by the capital market regulator
- c. Compared to the end of the previous period (quarter or year-end)
- d. Source: BVB - REGS market - Closing prices
- e. Source: BVB
- f. Share Price/ GDR Price discount to NAV as at the end of the period (%) is calculated as the discount between FP share closing price on BVB/ FP GDR closing price on LSE on the last trading day of the period and the NAV per share at the end of the period; the average discount is calculated according with the Investment Policy Statement ("IPS"), using the latest published NAV per share at the date of calculation.
- g. Source: LSE - Closing prices
- h. Source: Bloomberg
- i. The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per share at the end of the period plus any cash distribution during the period, dividing the resulting sum by the official NAV per share at the beginning of the period. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS.
- j. The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS.
- k. The GDR Price Total Return is calculated in USD is by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS.
- l. Including the tender offer carried by the Fund in March 2017, with a total value of RON 337.3 million (excluding transaction costs) for the 370.7 million shares acquired on BVB
- m. Including the tender offer carried by the Fund in March 2017, with a total value of USD 57.9 million (excluding transaction costs) for the 269.3 million shares equivalent to the GDRs acquired on LSE
- n. The difference in change (%) between total NAV and NAV per share is due to the change in the number of treasury shares during the period (treasury shares acquired through buy-backs, both ordinary shares and GDRs, are excluded from the number of shares used in the computation of NAV per share)

Share capital information	31 March 2017*	31 March 2016	31 December 2016
Issued share capital (RON)	5,742,226,025.22	9,869,265,720.90	9,168,314,116.70
Paid in share capital (RON)	5,534,852,985.72	9,541,834,605.90	8,859,073,619.20
Number of shares in issue	10,074,080,746	10,965,850,801	10,786,251,902
Number of paid shares	9,710,268,396	10,602,038,451	10,422,439,552
Nominal value per share (RON)	0.57	0.90	0.85

*Note: the following changes in the Fund's share capital took place in 2017:

1. On 18 January 2017, the Trade Registry registered Resolution no. 7/11 October 2016 of the Fund's Extraordinary General Shareholders Meeting ("EGM") for approving the decrease of the subscribed share capital from RON 9,168,314,116.70 to RON 8,562,968,634.10, pursuant to the cancellation of 712,171,156 own shares acquired by the Fund during the sixth buy-back programme, endorsed by the FSA through the Endorsement no. 1/12 January 2017.
2. On 24 March 2017 the Trade Registry registered Resolution no 10/31 October 2016 of the Fund's EGM for approving the subscribed share capital decrease from RON 8,562,968,634.10 to RON 5,742,226,025.22, through the reduction of the nominal value of the shares from RON 0.85 to RON 0.62, for the coverage of the cumulated accounting losses as reflected in the Fund's financial statements as at 31 December 2015 in amount of RON 2,473,157,471.66 and through the reduction of the nominal value of the Fund's shares from RON 0.62 to RON 0.57, as a result of the approved shareholders cash distribution of RON 0.05 per share, endorsed by the FSA through Endorsement 79/22 March 2017.

Share information

Primary listing	Bucharest Stock Exchange
Since	25 January 2011
Secondary listing	London Stock Exchange
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 ticker on BVB	FP.BX
Reuters ticker on LSE	FPq.L
ISIN	ROFPTAACNOR5
Financial Supervisory Authority register no	PJR09SIIR/400006/18.08.2010
CIVM registration no	AC-4489-1/05.04.2017

Shareholder Structure (as at 31 March 2017)

Shareholder categories	% 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) ²	33.61%	34.87%	37.75%
Foreign institutional shareholders	21.35%	22.15%	24.01%
Romanian private individuals	16.82%	17.45%	18.92%
Romanian institutional shareholders	13.95%	14.47%	15.69%
Foreign private individuals	3.17%	3.29%	3.57%
Ministry of Public Finance ³	0.06%	0.06%	0.06%
Treasury shares ⁴	7.43%	7.71%	-
Unpaid shares ⁵	3.61%	-	-

Source: Depozitarul Central SA ("Romanian Central Depository")

There were 6,941 shareholders as at 31 March 2017.

Largest Shareholders

Shareholder	Latest ownership disclosure	% of voting rights
Elliott Associates	21 October 2015	21.06%
City of London Investment Mgmt.	5 April 2016	5.04%
NN Group	27 March 2017	5.02%

Source: ownership disclosure submitted by shareholders

Contact Details

Address: 78-80 Buzesti Street (7th floor), District 1,
Postal Code 011017, Bucharest, Romania.

Web: www.fondulproprietatea.ro

E-mail: investor.relations@fondulproprietatea.ro

Telephone: +40 21 200 9600

Fax: +40 21 200 9631/32

¹ The unpaid shares of the Romanian State, represented by the Ministry of Public Finance, and the treasury shares held by Fondul Proprietatea were not taken into consideration at the calculation of the total number of voting rights

² Fondul Proprietatea held 80,000 global depository receipts as at 31 March 2017 (4,000,000 shares equivalent)

³ The percentage represents the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 3.67%, including the unpaid shares

⁴ 748,771,002 treasury shares acquired by the Fund in the seventh buy-back programme, based on settlement date (479,200,052 ordinary shares acquired and 269,570,950 shares corresponding to GDRs acquired, converted into shares)

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

Overview

Franklin Templeton International Services S.à r.l, as Sole Director and AIFM of Fondul Proprietatea presents the results of the Fund in accordance with IFRS for the first quarter ended 31 March 2017, with an unaudited net profit of RON 293.0 million, as compared to the unaudited net loss for the first quarter of 2016 of RON 585.6 million.

The main contribution to the profit recorded in the first quarter of 2017 was the positive net change in fair value related to equity investments classified at fair value through profit or loss, principally OMV Petrom SA, due to the positive evolution of the share price of this company during the period (increase of 15.9%). For more details, please see section *Financial Analysis*.

Total shareholders' equity was RON 10,630.8 million as at 31 March 2017, decreased by 6.6% as compared to the value of RON 11,386.0 million as at 31 December 2016.

The Fund reported a Net Asset Value of RON 10,689.5 million as at 31 March 2017 and a Net Asset Value per Share ("NAV per share") of RON 1.1943 (a positive NAV per Share total return of 4.9% compared to 31 December 2016).

In the first quarter of 2017, the BVB outperformed the largest markets in Central Europe, in both local currency and EUR terms, as shown in the table below:

% change in Q1 2017	in local currency	in EUR
BET-XT (Romania)	+12.98%	+12.80%
WIG20 (Poland)	+11.71%	+16.32%
ATX (Austria)	+8.03%	+8.03%
PX (Czech Republic)	+6.46%	+6.47%
BUX (Hungary)	-1.15%	-0.98%

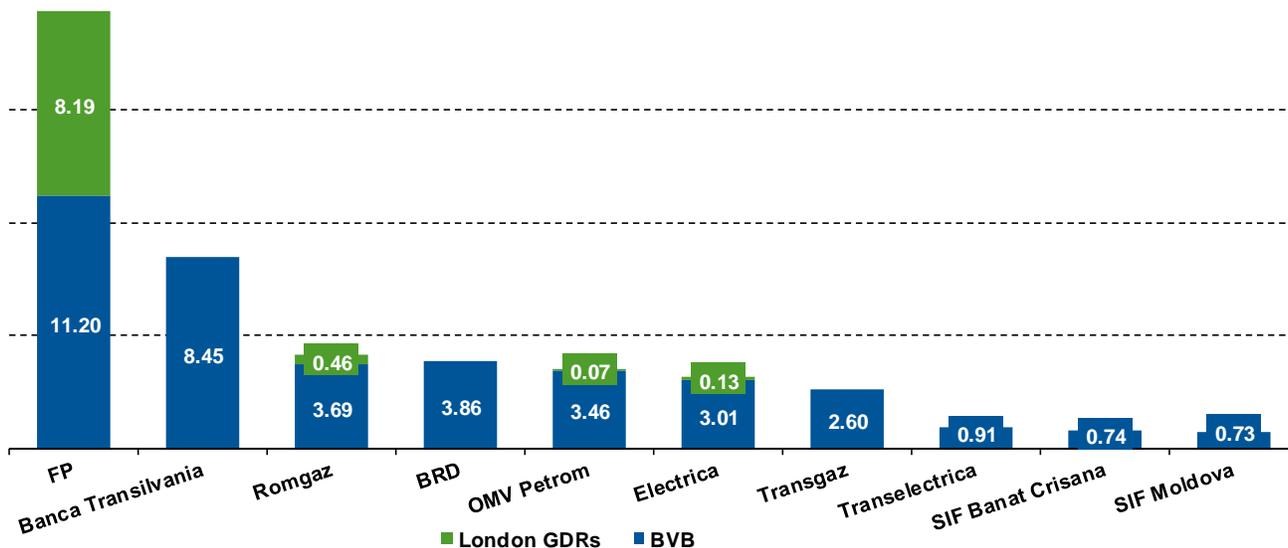
Source: Bloomberg

The discount of the Fund's share price to NAV was 25.6% as at 31 March 2017, based on NAV as at 31 March 2017. In the quarter ended 31 March 2017, the discount calculated according with the Investment Policy Statement ranged between 23.9% and 30.1%.

Significant Events

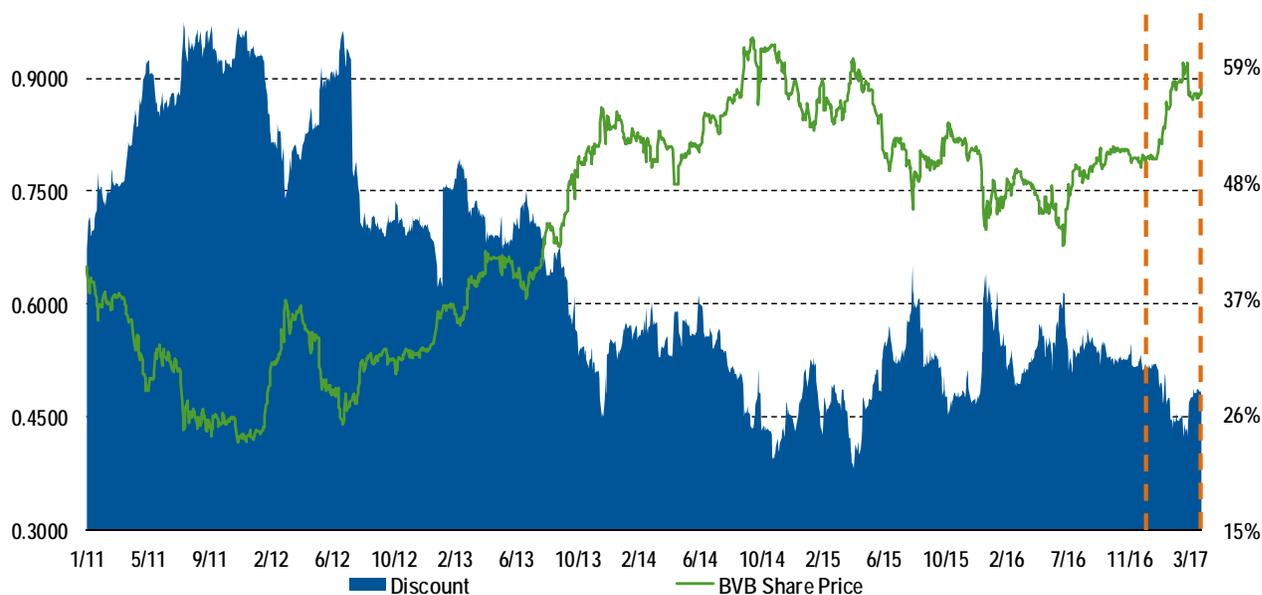
Regulated Stock Market Trading

Average Daily Turnover in the first quarter of 2017 (RON million)



Note: the values include the Fund tender offer from March 2017 of RON 337.3 million for the 370.7 million shares acquired on BVB and RON 245.7 million for the 269.3 million shares equivalent to the GDRs acquired on LSE, based on the exchange rate at the transaction date, as communicated by the National Bank of Romania (RON/USD)
Source: BVB, Bloomberg

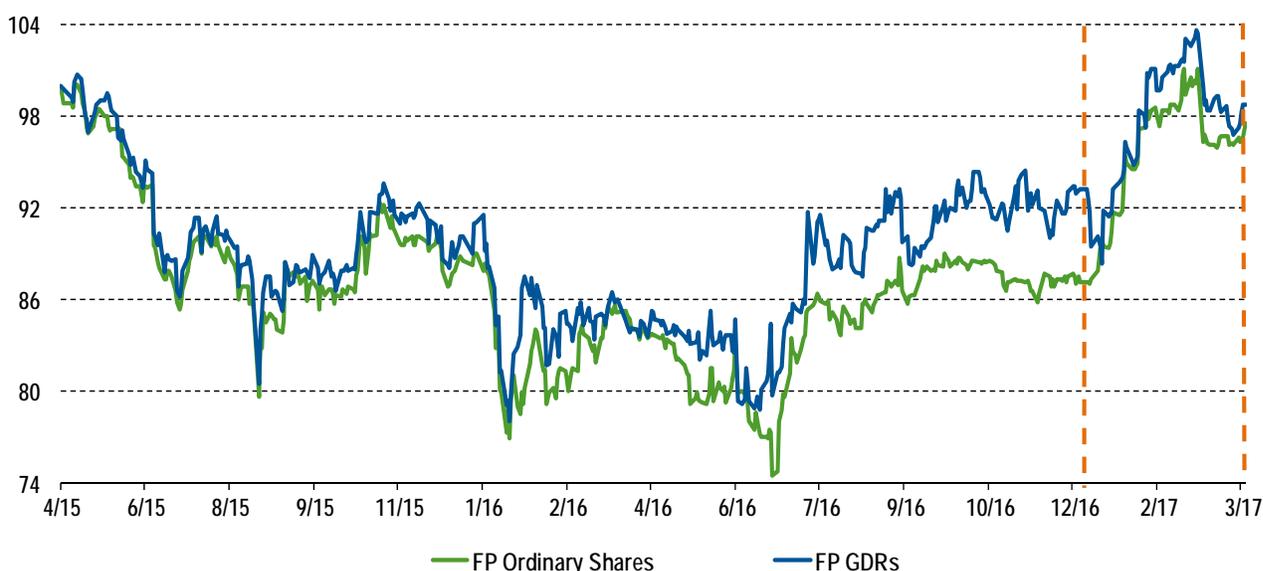
Fund's Share Price and Discount History (RON per share)



Source: BVB

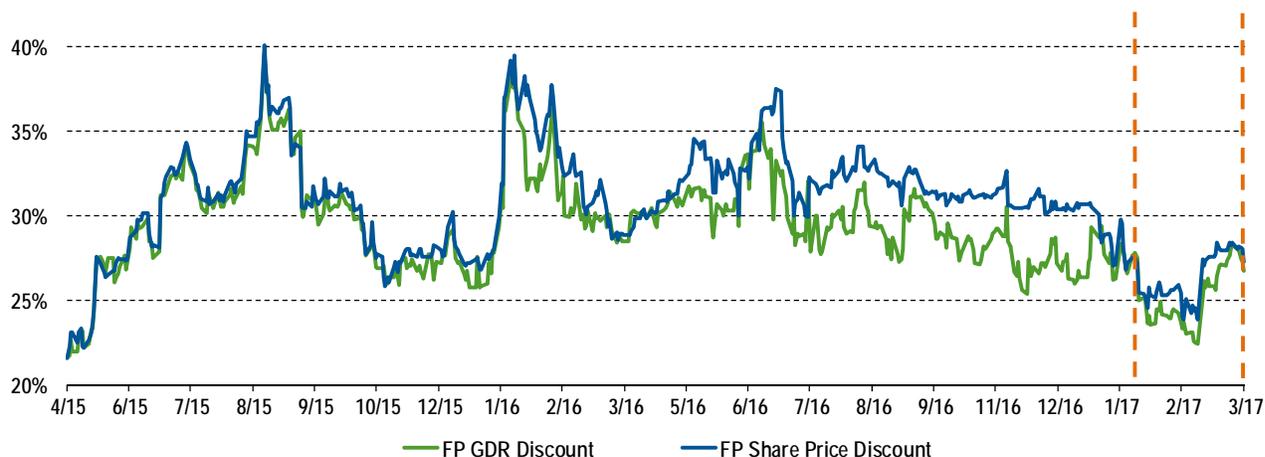
Note: The discount is calculated in accordance with the IPS i.e. the discount between the FP shares closing price on the BVB for each trading day and the latest published NAV per share at the date of calculation

FP Share Price vs. FP GDR price



Note: As at 31 March 2017, FP GDRs were trading on LSE at a 0.78% premium to the FP share price on BVB.
 Source: BVB, LSE, for the period 29 April 2015 – 31 March 2017

FP Share Price Discount vs. FP GDR Price Discount



Source: BVB, Bloomberg, for the period 29 April 2015 – 31 March 2017

Note: The discount is calculated in accordance with the IPS i.e. the discount between the FP shares closing price on the BVB for each trading day and the latest published NAV per share at the date of calculation

Performance Objectives

For the reporting period between 1 July 2016 and 30 June 2017, in accordance with the Fund’s IPS, there are two performance objectives that the AIFM is aiming to achieve. The NAV objective refers to a higher adjusted NAV¹ per share as at 30 June 2017, compared to the NAV per share as at 30 June 2015, i.e. higher than RON 1.1851 per share. The discount objective implies the discount between the closing price of the Fund’s shares and the latest reported NAV per share to be equal to or lower than 15%, in at least 2/3 of the trading days in the period from 1 July 2016 and 30 June 2017.

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 Objective – interim monitoring

As at 31 March 2017, the adjusted NAV per share was 10.78% higher than the 30 June 2015 NAV per share of RON 1.1851.

NAV Objective	Amount RON	Details
Total NAV as at 31 March 2017	10,689,514,558	
Costs related to the 2015 and 2016 returns of capital after 30 June 2015 , until 31 March 2017	35,029	Fees charged by the Romanian Central Depository and Paying Agent for the payments performed after 30 June 2015 (for the 2015, 2016 and March 2017 returns of capital)
Costs related to buy-backs after 30 June 2015 , until 31 March 2017	14,281,795	Fees related to fifth buy-back programme after 30 June 2015 and sixth and seventh buy-back programmes, including the FSA fees of 1% of the tender offer value
Distribution fees after 30 June 2015, until 31 March 2017	48,024,862	Distribution fees for distributions to shareholders (including 2016 and 2017 return of capital and tender offer during the 7th BB program) after 30 June 2015
2016 Return of capital to shareholders	516,886,344	2016 Return of capital (payment started in June 2016)
2017 Return of capital to shareholders	480,543,496	2017 Return of capital (started on 27 March 2017)
Total Adjusted NAV as at 31 March 2017	11,749,286,084	
Number of Fund's paid shares, less treasury shares and GDRs held as at 31 March 2017	8,950,257,013	
Adjusted NAV per share as at 31 March 2017	1.3128	
NAV per share as at 30 June 2015	1.1851	
Difference	0.1277	
%	10.78%	

Source: Fondul Proprietatea

Discount Objective – interim monitoring

In the period between 1 July 2016 and 31 March 2017 the discount to NAV was greater than 15%, for both shares and GDRs.

Discount Evolution¹

Discount at 31 March 2017	Minimum discount in the interim monitoring period	Maximum discount in the interim monitoring period	Average discount for the interim monitoring period
27.3%	23.9%	30.1%	26.8%

Source: Fondul Proprietatea

The AIFM and the Investment Manager will continue its efforts to reduce the discount to NAV as we firmly believe that the Fund's shares should be trading at a significantly lower discount than the current levels, given the quality of the underlying portfolio assets, our track record in working with the portfolio companies to improve efficiency and profitability, the attractive cash distribution yield for 2017 of over 11%², the ongoing buy-back programmes and our transparency, disclosure, and proactive investor relations efforts.

Investor Relations Update

In the first quarter of 2017, 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 5 regional emerging and frontier market conferences in London, and Zurs, and met with over 40 investment professionals interested in finding out more details about the Fund and its equity story, and in receiving updates on the Fund, its corporate actions, and the main portfolio holdings, as well as on the Romanian macro-economic environment.

¹ The daily discount is calculated in accordance with the IPS, i.e. the discount between the FP shares closing price on the BVB for each trading day and the latest reported NAV per share.

² The attractive cash distribution yield was calculated considering the March 2017 special cash distribution of RON 0.05 per share, the expected June 2017 cash distribution approved in the GSM from 28 February 2017 of RON 0.05 per share and the average closing share price on BVB, for the period.

During this period, we also organised 3 road-shows in the United Kingdom (London), and South Africa (Cape Town and Johannesburg). During the road-shows, the Investment Manager participated in individual and group meetings with representatives of 52 international institutional investment firms, both current shareholders and potential investors.

On 1 and 2 March we organised, in collaboration with WOOD & Company, the fourth edition of the “Romania Investor Days in London” event. 87 representatives from 50 international investments firm, with assets under management of over EUR 2,000 billion, and 46 representatives from 20 Romanian companies, listed or candidates for IPOs, participated to the event.

The first part of the first day of the event featured presentations and speeches from the British Ambassador to Romania, the Ambassador of Romania to the United Kingdom, the Deputy Governor of the National Bank of Romania, the Chief Economist of WOOD & Company, the Manager of the Strategy and Financial Stability Directorate within the Financial Supervisory Authority, the Head of the Treasury from the Ministry of Public Finances, and the CEO of Fondul Proprietatea. During the event, over 162 individual and group meetings were held between the investors and the management teams of the Romanian corporates present at the event.

On 15 February, we organised a conference call to present and discuss the 2016 preliminary results. Over 40 analysts and investors participated to the call, and received information regarding the 2016 preliminary results published in the same day.

Furthermore, during the first quarter, we organised 24 additional meetings with analysts, brokers, current and prospective investors, as well as 12 conference calls with institutional investors, and analysts covering Fondul Proprietatea, interested in the latest developments regarding the Fund’s corporate actions, and its portfolio companies.

During the period, in our efforts to update the retail investors on the latest developments regarding the Fund, we have sent in February, a letter to all shareholders of the Fund.

Communication between the Investment 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.

GDR Facility Update

The GDR facility is limited to one-third of the Fund’s subscribed share capital under the Romanian securities regulations or 71,908,346 GDRs until 18 January 2017 and 67,160,538 GDRs after that date, each GDR representing 50 shares. As at 31 March 2017, 33.61% of the Fund’s issued shares were converted into GDRs, accounting for 37.75% of the voting rights.

The Bank of New York Mellon, the depositary bank of the GDRs, has notified that the total GDR holdings have reached the limit for GDR issuance, of one third of the Fund’s issued share capital, according to regulations in force. As a result, until further notice from The Bank of New York Mellon with respect to the GDR facility, no new GDRs can be issued.

Credit Facility Agreement

On 4 July 2016 the Fund has contracted a revolving committed credit facility for a maximum amount of RON 1 billion from BRD Groupe Société Générale SA. The availability period of the facility is for one year with the possibility to extend it with the same period.

The purpose of the credit facility is for general corporate use, including share buy-backs and distributions to shareholders, but excluding investments.

The Fund did not use the credit facility during the quarter ended 31 March 2017.

For more details regarding the extension of the credit facility, please see section *Subsequent events*.

Buy-back Programmes

Overview of share buy-backs during the first quarter ended 31 March 2017

During the first quarter of 2017, the Fund bought back a total number of 680,674,662 own shares within the seventh buy-back programmes (out of which 407,103,712 ordinary shares and 273,570,950 ordinary shares corresponding to GDRs), representing 6.76% of the total issued shares as at 31 March 2017, for a total acquisition value, of RON 617,840,520, excluding transaction costs.

The total number of own shares held by the Fund as at 31 March 2017 is 760,011,383, having a total nominal value of RON 433,206,488.31 (RON 0.57 per share), which will be cancelled.

The sixth buy-back programme

During the first quarter of 2017 the Fund has finalised the cancellation process for the shares acquired during the sixth buy-back programme. The FSA endorsed through Endorsement no. 1/ 12 January 2017, the decrease of the subscribed share capital of the Fund, following the cancellation of 712,171,156 shares repurchased by the Fund during the sixth buy-back programme in 2016. With effect from 18 January 2017 the Trade Registry registered the Resolution no. 7/ 11 October 2016 of the Fund's **EGM** for approving the decrease of the Fund's subscribed share capital from RON 9,168,314,116.70 to RON 8,562,968,634.10, being divided into 10,074,080,746 shares.

The seventh buy-back programme

On 29 October 2015 the Fund's shareholders approved the seventh buy-back programme that refers to the acquisition of a maximum number of shares computed so that all the outstanding treasury shares (acquired during this programme and/ or previous ones) do not exceed 10% of the issued share capital at the relevant time, with effect from the date when the share capital decrease regarding the cancellation of the shares repurchased within the fifth buy-back programme is effective, valid until 26 May 2017. The buy-back shall be performed at a price between RON 0.2 per share and RON 2 per share. The transactions can only be applied to fully paid shares or GDRs corresponding to the shares of the Fund, which will be cancelled. The implementation of this buy-back programme is subject to the availability of the necessary cash.

The seventh buy-back programme started on 29 September 2016 and, until 31 March 2017, the total number of shares repurchased was 760,011,383 shares (486,440,433 ordinary shares and 273,570,950 equivalent shares of the GDRs repurchased, where 1 GDR represents 50 ordinary shares), at a total acquisition value of RON 681,158,205 (excluding transaction costs).

During the first quarter, the Fund converted 5,391,419 GDRs into 269,570,950 ordinary shares.

At 31 March 2017, there are 80,000 GDRs corresponding to the Fund's shares acquired within the seventh buy-back programme, which were not yet converted into shares.

Tender Offer within the seventh buy-back programme

On 27 January 2017 the Fund submitted to the FSA for approval an application for endorsement of a tender offer to accelerate the seventh buy-back programme.

As such, the daily execution of the seventh buy-back programme with respect to shares on the BVB and GDRs on the LSE was suspended starting with 23 January 2017. Wood & Company Financial Services a.s. has been engaged as intermediary in relation to the purchase of shares, Goldman Sachs International and Wood & Company Financial Services a.s. have been engaged as dealer managers and The Bank of New York Mellon has been appointed as tender agent in relation to the purchase of GDRs.

On 20 March the Investment Manager announced the results of the tender offer: total subscriptions of 6,130,412,058 shares (3,550,648,558 were subscribed in the form of shares and 2,579,763,500 equivalent shares in the form of GDRs, namely 51,595,270 GDRs) representing 957.88% of the Offer.

Under this tender offer, the Fund repurchased 640,000,000 shares (370,679,050 in the form of shares and 269,320,950 shares in the form of GDRs, namely 5,386,419 GDRs, where 1 GDR represents 50 ordinary shares), representing RON 337,317,935.50 and USD 57,933,629.55 (excluding transaction costs).

The daily execution of the seventh buy-back programme restarted on 27 March.

The eighth buy-back programme

On 11 October 2016 the Fund's shareholders approved the eighth buy-back programme that refers to the acquisition of a maximum number of shares computed so that all the outstanding treasury shares (acquired during this programme and/ or previous ones) do not exceed 10% of the issued share capital at the relevant time, with effect from the date when the share capital decrease regarding the cancellation of the shares repurchased within the sixth buy-back programme is effective, for a maximum period of 18 months as of the date when this shareholders' resolution is published in the Official Gazette of Romania, Part IV. The buy-backs shall be performed at a price between RON 0.2 per share and RON 2 per share. The transactions can only be applied to fully paid shares or GDRs corresponding to the shares of the Fund, which will be cancelled. The implementation of this buy-back programme is subject to the availability of the necessary cash.

Share Capital Decrease

Share cancellation after the sixth buy-back programme

On 11 October 2016 the shareholders approved the cancellation of the remaining 712,171,156 shares repurchased by the Fund during the sixth buy-back programme. The shareholders resolution was published in the Official Gazette of Romania on 21 October 2016. The FSA endorsed through Endorsement no. 1/ 12 January 2017, the decrease of the subscribed share capital of the Fund, following the cancellation of 712,171,156 shares repurchased by the Fund during the sixth buy-back programme in 2016. With effect from 18 January 2017, the Trade Registry registered the Resolution no. 7/ 11 October 2016 of the Fund's EGM for approving the decrease of the Fund's subscribed share capital from RON 9,168,314,116.70 to RON 8,562,968,634.10, being divided into 10,074,080,746 shares.

Following this decrease, the limit for the on-going seventh buy-back programme has been risen to a maximum number of shares to be purchased therein of up to 1,007,408,074. The new GDR facility limit, of one third of the Fund's subscribed share capital, is 67,160,538 GDRs.

The share capital decrease for covering of the accounting losses and for a special cash distribution to shareholders

In the 31 October 2016 General Meeting of Shareholders ("GSM"), the Fund's shareholders approved the decrease of the share capital from RON 8,562,968,634.10 to RON 5,742,226,025.22 by reducing the shares' nominal value from RON 0.85 to RON 0.57 through the coverage of the cumulated accounting losses in amount of RON 2,473,157,471.66 using: RON 156,118,900.08 from Other reserves and RON 2,317,038,571.58 from registered capital, and through distribution to shareholders of RON 0.05 per share.

The shareholders resolution approved on 31 October 2016 was published in the Official Gazette of Romania on 16 November 2016.

The FSA Endorsement no. 79/ 22 March 2017 of the new Constitutive Act reflecting the share capital decrease was received on 22 March 2017. On 24 March 2017, the Trade Registry registered the Resolution no. 10/2016 of the Fund's EGM for approving the subscribed share capital through the reduction of the nominal value of the Fund's shares from RON 0.85 to RON 0.57. In accordance to the Fund's accounting policy, the share capital decrease operation was recorded in the accounting system in the same day, at the Trade Registry registration date, of 24 March 2017.

Therefore, with effect from 24 March 2017, the new value of the Fund's subscribed share capital is RON 5,742,226,025.22, being divided into 10,074,080,746 shares with a nominal value of RON 0.57 per share. The value of the paid-in share capital of the Fund is RON 5,534,852,985.72, being divided into 9,710,268,396 shares with a nominal value of RON 0.57 per share.

The shareholders registered with Romanian Central Depository as at 7 March 2017 have the right to receive RON 0.05 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment of the capital return started on 27 March 2017 (the Payment Date), the next working day after the accounting operation for covering accounting losses was registered in the accounting books of the Fund.

By 31 March 2017, shareholders had collected over 93% of the total distribution of RON 480.5 million.

With effect from 2015, for the distribution to shareholders, the payments are performed through Romanian 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 Romanian Central Depository, through the Paying Agent, for bank transfers, when the supporting documentation required by the Romanian Central Depository, along with a payment request, have been submitted. The Paying Agent appointed by the Fund for the 2017 distribution is BRD Groupe Société Générale SA.
 - (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 extraordinary return of capital approved on 31 October 2016 is subject to the general statute of limitation. As such, the shareholders may request these payments only within a three year term with effect from the Payment Date, namely until 27 March 2020.

General Shareholders Meeting Resolutions in the First Quarter of 2017

The main resolutions approved by shareholders during the 28 February 2017 GSM were the following:

- The approval of the decrease of the subscribed share capital from RON 5,742,226,025.22 to RON 5,238,521,987.92 through the reduction of the par value of the shares of Fondul Proprietatea from RON 0.57 to RON 0.52. The decrease is 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 in share capital of the Fond; and
- The ratification and the approval of all GSM resolutions and of all legal acts concluded, adopted and issued in the name of Fondul Proprietatea through its Sole Director/ its AIFM between 6 September 2010 and 27 February 2017.

Subsequent Events

25 April 2017 GSM Resolutions

The main shareholders resolutions approved by annual GSM on 25 April 2017 were the following:

- The approval of the Annual Activity Report of the Sole Director of Fondul Proprietatea for the financial year 2016, including the IFRS financial statements for the year ended on 31 December 2016, the approval of the auditor's report, and the ratification of all legal acts concluded, adopted or issued on behalf of Fondul Proprietatea through its sole director and/or its investment manager, as well as of any management/administration measures adopted, implemented, approved or concluded during 2016, and the discharge of Sole Director (Franklin Templeton Investment Management Limited UK Bucharest Branch for period 1 January – 31 March 2016 and Franklin Templeton International Services S.à r.l. for period 1 April – 31 December 2016) for any liability for its administration during 2016 financial year;
- The approval of the net profit allocation registered for the financial year 2016.

3 May 2017 GSM

On 22 March 2017 the Sole Director of the Fund called an EGM for 3 May 2017, having the main point on the agenda the approval of the decrease of the subscribed share capital of the Fund from RON 5,238,521,987.92 to RON 4,854,034,784.56 pursuant to the cancellation of 739,398,468 own shares (having a par value of RON 0.52) acquired by Fondul Proprietatea SA during the seventh buy-back programme.

After the share capital decrease, the subscribed share capital of Fondul Proprietatea shall have a value of RON 4,854,034,784.56 being divided in 9,334,682,278 shares, each having a nominal value of RON 0.52 per share.

The first paragraph of Article 7 of the Constitutive Act of Fondul Proprietatea will be changed accordingly, after the share capital decrease.

On 3 May 2017 the resolution was approved by shareholders with a high majority.

The subscribed share capital decrease will take place on the basis of Article 207 paragraph 1 letter (c) of Law no. 31/1990 and will be effective after all the following conditions are met:

- (i) the resolution is published in the Official Gazette of Romania, Part IV for at least two months;
- (ii) FSA endorses the amendment of Article 7 paragraph (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders during this meeting, where required by applicable law or regulation;
- (iii) the share capital decrease approved by the shareholders on 28 February 2017 is effective;
- (iv) the shareholders' resolution for approving this share capital decrease is registered with the Trade Registry.

Extension of the existing credit facility with BRD - Groupe Societe Generale SA

On 10 May 2017, the Fund announced that it has decided to extend the existing credit facility of RON 1 billion with BRD - Groupe Societe Generale SA with 1 year, until 4 July 2018, within the same terms and conditions.

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 either at closing market prices if listed on regulated markets, or reference prices if listed on an Alternative Trading System ("ATS"). In case of shares listed on ATS the reference price is considered to be the average price.

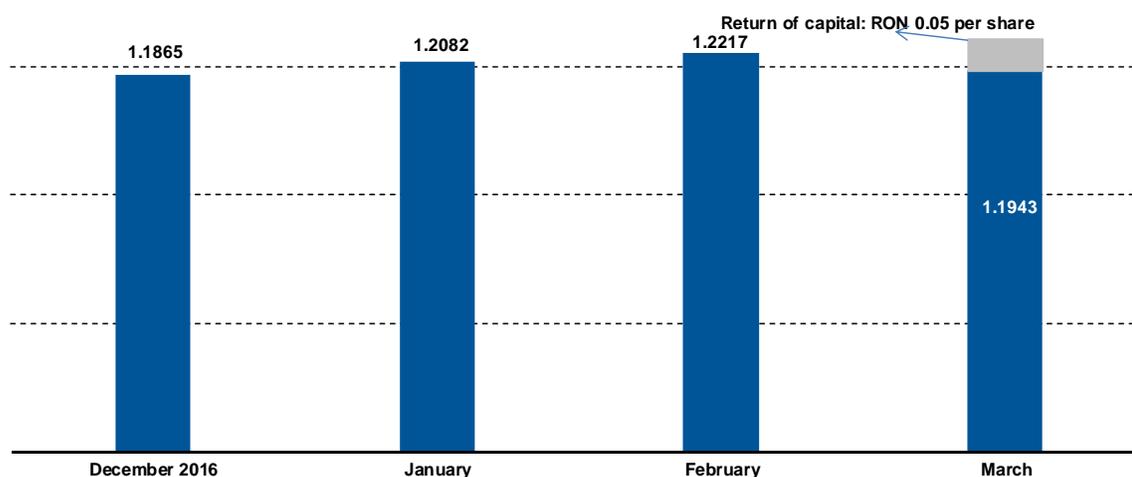
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards which permit fair valuation.

The shares in the companies under insolvency or reorganisation procedures are valued either at zero or at the value provided by an independent valuator, using the valuation methods in accordance with the International Valuation Standards. The shares in companies under a judicial liquidation procedure or any other liquidation procedures, as well as in companies under temporary or final suspension of operation, are valued at zero until the procedure is finalised.

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

NAV per share (RON per share)

The following chart shows information on the monthly published NAVs per share for the period 31 December 2016 to 31 March 2017:



Source: Fondul Proprietatea, based on NAV reports submitted to the FSA, computed for the last working day of the month

The grey section within March 2017, represents the impact of 2017 special cash distribution per share, approved by shareholders in October 2016, and recorded in March 2017, following the FSA endorsement of the share capital

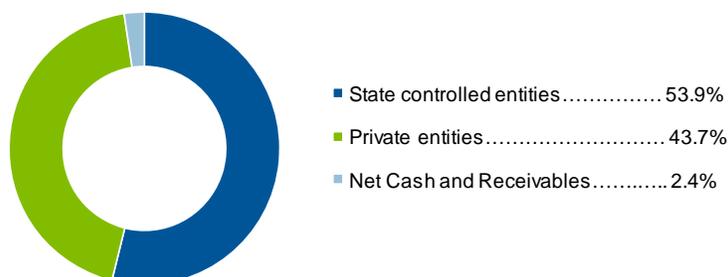
decrease (Endorsement no. 79/ 22 March 2017), and following the registration at Trade Register on 24 March 2017, which resulted in a corresponding reduction of NAV per share.

During the first quarter of 2017, the NAV per share had an overall moderate upward trend compared with end of the previous year, 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 295.4 million or RON 0.0307 per share) and due to the seventh buy-back programme carried 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 97.6% of the Fund’s NAV as at 31 March 2017. As at that date, the portfolio was composed of holdings in 44 companies (12 listed and 32 unlisted), a combination of privately held and state-controlled entities.

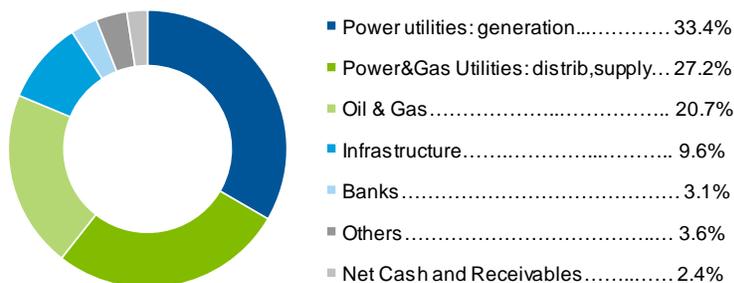
Portfolio Structure – by Controlling Ownership



- Net cash and receivables includes bank deposits, current bank accounts, short-term government securities, other receivables and assets, net of all liabilities (including liabilities to shareholders related to the returns of capital) and provisions.

Source: Fondul Proprietatea, data as at 31 March 2017

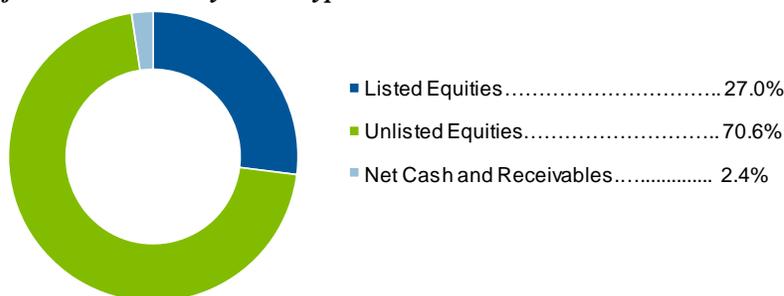
Portfolio Structure - by Sector



- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 81.3% of the NAV), through a number of listed and unlisted Romanian companies

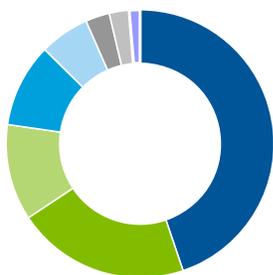
Source: Fondul Proprietatea, data as at 31 March 2017

Portfolio Structure – by Asset Type



Source: Fondul Proprietatea, data as at 31 March 2017

Portfolio Structure – Unlisted holdings

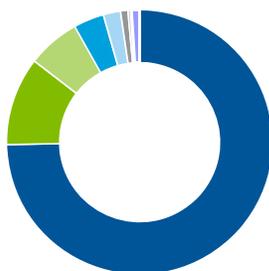


■ Hidroelectrica SA.....	44.8%
■ Enel Group companies.....	20.9%
■ Electrica Group companies.....	11.6%
■ CN Aeroporturi Bucuresti SA.....	10.1%
■ Engie Romania SA.....	6.0%
■ CN Administratia Porturilor Maritime SA.....	2.9%
■ Societatea Nationala a Sarii SA.....	2.4%
■ Others.....	1.3%

- The largest unlisted holding is Hidroelectrica SA (31.7% of the NAV)

Source: Fondul Proprietatea, data as at 31 March 2017; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

Portfolio Structure – Listed holdings



■ OMV Petrom SA.....	74.7%
■ BRD Groupe Societe Generale SA.....	10.8%
■ Nuclearelectrica SA.....	6.4%
■ Alro SA.....	3.7%
■ Conpet SA.....	2.1%
■ Romaero SA.....	0.9%
■ Primcom SA.....	0.4%
■ Others.....	1.0%

- The largest listed holding is OMV Petrom SA (20.1% of the NAV)

Source: Fondul Proprietatea, data as at 31 March 2017; the chart reflects the company NAV value as a % in total NAV value of listed holdings

Top 20 equity investments

No	Name	Fund's stake (%)	Value as at 31 March 2017 ¹ (RON million)	% of NAV as at 31 March 2017 ¹
1	Hidroelectrica SA	19.94%	3,384.0	31.7%
2	OMV Petrom SA	12.56%	2,153.1	20.1%
3	CN Aeroporturi Bucuresti SA	20.00%	761.0	7.1%
4	E-Distributie Banat SA	24.12%	599.9	5.6%
5	Engie Romania SA	11.99%	453.4	4.2%
6	E-Distributie Muntenia SA	12.00%	449.4	4.2%
7	E-Distributie Dobrogea SA	24.09%	380.2	3.6%
8	BRD Groupe Société Générale SA	3.63%	312.5	2.9%
9	SDEE Muntenia Nord SA*	21.99%	255.2	2.4%
10	SDEE Transilvania Sud SA*	21.99%	246.2	2.3%
11	CN Administratia Porturilor Maritime SA	19.99%	216.0	2.0%
12	SDEE Transilvania Nord SA*	22.00%	208.3	2.0%
13	Nuclearelectrica SA	9.09%	183.6	1.7%
14	Societatea Nationala a Sarii SA	48.99%	181.0	1.7%
15	Electrica Furnizare SA	22.00%	167.7	1.6%
16	Alro SA	10.21%	105.7	1.0%
17	Enel Energie SA	12.00%	75.5	0.7%
18	Enel Energie Muntenia SA	12.00%	70.3	0.7%
19	Conpet SA**	6.05%	58.7	0.6%
20	Posta Romana SA	25.00%	43.0	0.4%
Top 20 equity holdings			10,304.7	96.4%
Total equity holdings			10,427.7	97.6%
Net cash and receivables			261.8	2.4%
Total NAV			10,689.5	100.0%

Source: Fondul Proprietatea, data as at 31 March 2017, based on NAV reports submitted to FSA (31 March 2017 NAV report)

¹Rounded to one decimal

*Starting with 2016 year end Electrica Distributie Companies changed their names into SDEE Muntenia Nord, SDEE Transilvania Sud and SDEE Transilvania Nord

**In the IFRS financial statements of the Fund Conpet is valued at zero, as a result of the ongoing litigation on the Fund's shares in this company

Key Portfolio Developments in the Period

Acquisitions and disposals

Disposals

In the first quarter of 2017 the Fund sold its entire holding in Oil Terminal SA and part of the holding in Banca Transilvania SA.

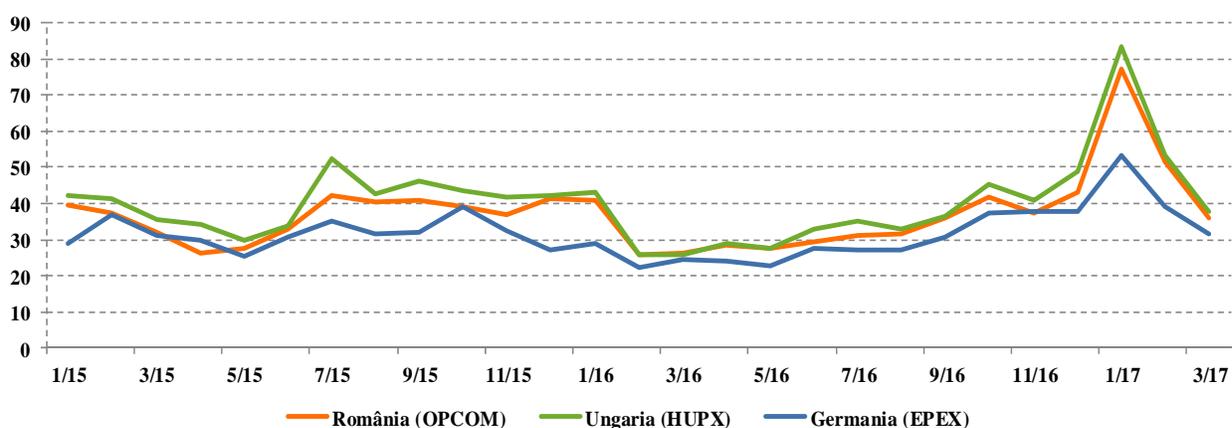
Energy sector updates

Energy tariff changes

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

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

Source: ANRE webpage

Electricity prices (EUR/ MWh)

Source: Bloomberg, Hidroelectrica SA

Note: Day Ahead Market – monthly average for base load

Energy resources (thousand tons barrels of oil equivalent)

	January - February 2017			January - February 2016			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	863.0	823.7	39.3	943.3	859.0	84.3	(8.50)	(4.10)	(53.40)
Crude oil	1,773.8	562.9	1,210.9	1,709.5	591.4	1,118.1	3.80	(4.80)	8.30
Usable natural gas	1,883.8	1,402.7	481.1	1,529.1	1,388.2	111.9	23.20	1.00	329.90
Hydro, nuclear, and import energy	861.4	819.6	41.8	924.8	863.8	61.0	(6.90)	(5.10)	(31.50)
Import oil products	313.7	-	313.7	277.3	-	277.3	13.10	0.00	13.10
Others	107.9	-	107.9	86.2	29.0	86.2	25.20	(100.00)	25.20
Total resources	5,803.6	3,608.9	2,194.7	5,470.2	3,731.4	1,738.8	6.10	(3.30)	26.20

Source: National Institute of Statistics webpage

Gas tariff changes

Gas prices for industrial consumers have been fully liberalized since 1 January 2015. Prices for household consumers are being gradually liberalized until 1 April 2020 according to the calendar approved through the Government's Decision no. 488 from 2015. In June 2016, the Government decided to suspend the implementation of this calendar until March 2017. This decision was prompted by the fall of gas prices in Europe to a level close to prices paid by households in Romania at that time. Starting 1 April 2017 the liberalisation process was resumed with an increase to 72 RON/MWh and is now expected to continue as per the table below.

Starting date	Household consumers (RON/MWh)
01.04.2017	72
01.04.2018	78
01.04.2019	84
01.04.2020	90

Source: ANRE webpage

Update on the largest 20 portfolio holdings

Alro SA

RON million	2015	2016	Budget 2016*	Budget 2017
Turnover	2,422.8	2,302.8	2,191.9	2,417.2
Operating profit	185.9	166.7	133.7	270.2
Net profit/ (loss)	(0.02)	71.5	55.9	161.1
Dividends**	-	67.2	-	-

Source: Consolidated IFRS financial statements

*Budgeted figures do not include any change in the fair value of the derivative embedded in the electricity purchase contract concluded with Hidroelectrica SA. Budget refers to Alro SA individual financial statements. The amounts were converted from USD to RON using the RON/ USD National Bank of Romania exchange rate at budget publishing date (i.e. 28 March 2016/23 March 2017)

**based on individual financial statements

March/April: The company reported a consolidated net profit of RON 71.5 million compared to a very small loss last year. Turnover reached RON 2,302.8 million, down 4.9% y.o.y due to lower average yearly aluminium LME prices (USD 1,605 / tonne in 2016 vs. USD 1,661 / tonne in 2015) but also to changes in the mix of products sold. Gross profit for the period reached RON 367.7 million, down 9.3% y.o.y. and operating profit of RON 166.7 million, down 10.3% y.o.y.

April: the company shareholders approved the distribution of dividends corresponding to a pay-out ratio of 100% of the 2016 net profit, based on individual financial statements.

BRD – Groupe Société Générale SA

RON million	2015*	2016	Q1 2016	Q1 2017	Budget 2016**	Budget 2017**
Operating income	2,595.2	2,777.6	647.3	650.1	Around 5% increase	Around 4% increase
Net operating profit	1,209.9	1,390.1	242.7	266.0	Around 5% increase	Around 5% increase
Net cost of risk	658.2	483.5	151.5	(123.8)	Further normalisation trajectory	Further normalisation trajectory
Net profit	467.2	763.5	72.9	329.9	n.a.	Improvements
Dividends	223.0	508.7	-	-	-	-

Source: Consolidated IFRS financial statements

*Restated values

** Budgeted figures based on individual IFRS financial statements

March / April: The bank reported a consolidated net profit for the full year 2016 of RON 763.5 million compared to a net profit of RON 467.2 million in 2015. The net banking income increased by 7.0% y.o.y to RON 2,777.6 million driven by the improvement in the net interest income (+4.6% vs. 2015 to RON 1,586.5 million), higher net fee and commission income (+3.1% vs. 2015 to RON 772.7million) and Visa Europe transaction gain recorded in the second quarter. According to the bank, excluding non-recurring elements, the net banking income advanced by 3.0% y.o.y. During the period, the general operating expenses marginally increased by 0.2% y.o.y to RON 1,387.6 million, leading to a net operating profit of RON 1,390.1 million, representing an increase of 14.9% y.o.y. Net cost of risk decreased by 26.5% y.o.y. to RON 483.5 million. Shareholders approved the Board recommendations of a dividend per share of RON 0.73 corresponding to a pay-out ratio of 70% of the 2016 bank stand-alone net profit.

May: The bank reported a consolidated net profit for Q1 2017 of RON 329.9 million compared to a net profit of RON 72.9 million during the similar period of the previous year. The net banking income increased by 0.4% y.o.y to RON 650.1 million as the growth in net interest income exceeded the decrease in net fees and commissions. During the period, the general operating expenses decreased by 5.1% y.o.y. driven by lower Bank Deposit Guarantee and Resolution Fund contributions leading to a net operating profit of RON 266.0 million, up 9.6% y.o.y. During Q1 2017, the bank reported a positive net cost of risk of RON 124 million compared to a provision charge of RON 152 million in Q1 2016 on the back of recoveries on non-retail defaulted exposure coupled with the recognition of material insurance indemnities.

CN Administratia Porturilor Maritime SA

RON million	2015	Budget 2016	Budget 2017
Total revenue	325.6	322.9	330.0
Operating profit	114.0	61.3	64.0
Net profit	97.4	48.9	50.1
Dividends	70.4	24.5	25.1

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

April: Total cargo traffic during the first 3 months of 2017 declined by 10.3% to 11.6 million tonnes. This was mainly driven by the unusual cold weather and resulting disruptions to traffic during the period.

CN Aeroporturi Bucuresti SA

RON million	2015	2016*	Budget 2016	Budget 2017
Total revenue	783.4	911.7	842.9	983.2
Operating profit	213.5	277.3	127.4	225.7
Net profit	178.8	229.7	104.8	185.9
Dividends	137.1	211.7	55.4	95.9

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

*Preliminary financial results

March: The number of passengers serviced in the first 2 months of 2017 increased by 21.5% compared to the same period of 2016, reaching 1.66 million passengers. The number of aircraft movements increased by 8.3% to 18,069 while the cargo traffic increased by 4.5% to 5,010 tonnes.

April: Mr Bogdan Mandrescu was appointed as interim General Manager following the expiration of the mandate of Mr Liviu Radu on 18 April 2017. Mr Mandrescu is an interim member of the company's Board since 2016 and was briefly interim President of the Board during 2017.

Conpet SA

RON million	2015	2016	Q1 2016	Q1 2017	Budget 2016	Budget 2017
Operating revenues	413.8	410.9	100.8	99.3	409.1	412.1
Operating profit/ (loss)	69.5	80.3	21.1	22.1	71.3	80.8
Net profit/ (loss)	63.2	71.5	18.4	19.5	62.6	69.0
Dividends	63.2	143.6	-	-	-	-

Source: Financial statements prepared in accordance with IFRS

March/ April: For the financial year 2016, the company reported total operating revenues of RON 410.9 million down 0.7% y.o.y., an operating profit of RON 80.3 million, up 15.5% y.o.y. and net profit of RON 71.5 million up 13.2% y.o.y.. Total transported volumes increased in 2016 by 1.3% y.o.y. to around 7.1 million tonnes, driven by the 4.6% y.o.y. increase to 3.04 million tonnes in the volumes of crude oil transported through the import sub-system while the volume of crude oil transported through the domestic sub-system increased marginally by 0.1% y.o.y. to slightly above 3.84 million tonnes.

April: The shareholders approved the distribution of a total dividend of RON 143.6 million, out of which RON 69.8 million from the 2016 net profit and RON 73.8 million out of retained earnings.

May: The company reported the financial results for the first quarter of 2017. During the period, net profit advanced by nearly 6.0% to RON 19.5 million, operating profit increased by approx. 4.9% to RON 22.1 million while operating revenues inched down 1.5% compared to the same period of 2016 to RON 99.3 million. During the first three months of the year, transported volume decreased to 1.5 million tonnes, down 14.4%, but 6.6% above the budgeted level for Q1 2017.

SDEE Muntenia Nord SA

RON million	2015	2016*	Budget 2016	Budget 2017
Total revenue	798.6	717.9	741.8	680.5
Operating profit	182.9	118.5	147.6	116.3
Net profit	153.2	103.7	123.9	100.0
Dividends	122.3	87.9	-	-

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

*Subject to shareholders approval on 17.05.2017

April: Shareholders decided to go back to the version of the constitutive act of the company previous to December 2016. This change was triggered following the Fund litigations against the decisions of the shareholders meeting that approved a new version of the constitutive acts.

Shareholders also decided to appoint Mr Catalin Stancu (Electrica CEO), Ms Livioara Sujdea (Electrica employee), Ms Madalina Rusu (Electrica employee), Ms Ana Maria Nistor (Electrica employee) and Ms Oana Truta (FTIML employee) as Board members.

SDEE Transilvania Nord SA

RON million	2015	2016*	Budget 2016	Budget 2017
Total revenue	720.2	857.5	707.1	688.3
Operating profit	186.6	154.9	173.6	145.0
Net profit	158.8	119.4	145.6	120.5
Dividends	127.1	100.5	-	-

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

*Subject to shareholders approval on 17.05.2017

April: Shareholders decided to go back to the version of the constitutive act of the company previous to December 2016. This change was triggered following the Fund litigations against the decisions of the shareholders meeting that approved a new version of the constitutive acts.

Shareholders also decided to appoint Mr Catalin Stancu (Electrica CEO), Ms Livioara Sujdea (Electrica employee), Ms Madalina Rusu (Electrica employee), Ms Ligia Costin (Electrica employee) and Ms Oana Truta (FTIML employee) as Board members.

SDEE Transilvania Sud SA

RON million	2015	2016*	Budget 2016	Budget 2017
Total revenue	775.3	723.2	775.9	718.7
Operating profit	178.1	134.2	154.1	135.1
Net profit	152.6	116.4	127.3	113.6
Dividends	119.7	98.7	-	-

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

*Subject to shareholders approval on 17.05.2017

April: Shareholders decided to go back to the version of the constitutive act of the company previous to December 2016. This change was triggered following the Fund litigations against the decisions of the shareholders meeting that approved a new version of the constitutive acts.

Shareholders also decided to appoint Mr Catalin Stancu (Electrica CEO), Ms Livioara Sujdea (Electrica employee), Ms Madalina Rusu (Electrica employee), Ms Ana Maria Nistor (Electrica employee) and Ms Simona Fatu as Board members.

Electrica Furnizare SA

RON million	2015	2016*	Budget 2016	Budget 2017
Total revenue	4,205.7	4,209.5	4,196.7	4,109.9
Operating profit	143.1	198.2	126.5	154.1
Net profit	131.1	175.8	113.4	125.2
Dividends	111.5	158.2	-	-

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

*Subject to shareholders approval on 17.05.2017

April: Shareholders decided to go back to the version of the constitutive act of the company previous to December 2016. This change was triggered following the Fund litigations against the decisions of the shareholders meeting that approved a new version of the constitutive acts.

Shareholders also decided to appoint Mr Dragos Magui (Electrica employee), Ms Alexandra Borisilavski (Electrica employee), Ms Stefania Andruhovici (Electrica employee), Mr Dan Crisfalusi (Electrica employee) and Mr Dan Gheorghe (Fund manager employee) as Board members.

E-Distributie Banat SA

RON million	2015	2016	Budget 2016	Budget 2017
Operating revenue	635.2	557.8	491.6	483.6
Operating profit	181.5	107.8	175.6	233.3
Net profit	157.9	93.6	143.3	72.8
Dividends	69.7	37.0	-	-

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

January: Starting 1 January 2017, the regulated electricity distribution tariffs decreased on average by 9.0% (based on ANRE Order no. 108 published on 19 December 2016).

E-Distributie Dobrogea SA

RON million	2015	2016	Budget 2016	Budget 2017
Operating revenue	541.3	480.3	420.6	414.1
Operating profit	136.3	84.8	129.7	184.0
Net profit	114.8	73.5	97.3	53.8
Dividends	50.0	27.4	-	-

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

January: Starting 1 January 2017, the regulated electricity distribution tariffs decreased on average by 6.4% (based on ANRE Order no. 109 published on 19 December 2016).

E-Distributie Muntenia SA

RON million	2015	2016	Budget 2016	Budget 2017
Operating revenue	1,030.9	921.7	753.4	848.7
Operating profit	256.3	178.5	189.9	417.4
Net profit	237.9	151.7	151.0	156.8
Dividends	-	-	-	-

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

January: Starting 1 January 2017, the regulated electricity distribution tariffs decreased on average by 8.4% (based on ANRE Order no. 107 published on 19 December 2016).

Enel Energie SA

RON million	2015	2016	Budget 2016	Budget 2017
Operating revenue	1,811.7	1,741.8	1,712.0	1,913.4
Operating profit	42.9	47.6	32.8	11.0
Net profit	34.8	39.0	21.3	(3.0)
Dividends	17.4	-	-	-

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

There were no significant events during the period.

Enel Energie Muntenia SA

RON million	2015	2016	Budget 2016	Budget 2017
Operating revenue	1,738.7	1,671.4	1,558.5	1,800.5
Operating profit	25.3	51.3	29.5	27.4
Net profit	24.9	39.3	19.3	11.6

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

There were no significant events during the period.

Engie Romania SA

RON million	2015	2016	Budget 2016*	Budget 2017*
Turnover	4,416.4	4,498.0	4,314.3	4,018.7
Operating profit	474.9	450.6	405.6	358.9
Net profit	378.5	363.8	328.7	289.4
Dividends**	-	110.9	-	-

Source: Consolidated IFRS financial statements

*Budgeted figures are on a consolidated basis

**Dividends are based on the separate IFRS financial statements

March: Company appointed two new board members, Razvan-Ionut Pataliu and Marius Viorel Stanciu, following the request coming from the Ministry of Energy. They replaced Vlad Vasiliu and Valeriu Stefan Ivan who were revoked.

April: Shareholders approved the mandate of the board of directors for another 4 years. The members of the board are: Eric Stab, Etienne Jacolin, Marleen Delvaux, Olivier Bloeyart, Razvan Ionut Pataliu, Aurelia Carmen Slate and Alexandru Georgescu Popescu.

April: According to ANRE Order no. 22/2017, with effect from 1 April 2017 the regulated supply tariffs for households were decreased on average by approximately 0.7%.

Hidroelectrica SA

RON million	2015	2016*	Budget 2016**	Budget 2017**
Turnover	3,183.2	3,367.0	n.a.	n.a.
Operating profit	1,127.4	n.a.	n.a.	n.a.
Net profit	899.4	1,268.0	n.a.	n.a.
Dividends	675.1	n.a.	n.a.	n.a.

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

*Based on Company's estimations for 2016

**Final budgeted figures not yet available

April: Shareholders decided on 19 April to appoint Mr Dorin Liviu Nistoran, Ms Ioana Andreea Lambru, Mr Gheorghe Gabriel Gheorghe, Mr Laurentiu Dan Tudor, Mr Horia Marian Gambutean, Ms Andreea Negru Ciobanu and Ms Oana Truta (FTIML employee) as Board members for a 4 month mandate.

Nuclearelectrica SA

RON million	2015	2016	Q1 2016	Q1 2017	Budget 2016	Budget 2017
Sales	1,748.7	1,647.6	446.4	483.9	1,700.3	1,718.8
Operating profit/ (loss)	160.1	159.4	75.9	107.5	59.7	75.2
Net profit/ (loss)	149.1	112.4	66.9	84.1	41.1	47.9
Dividends*	99.5	99.5	-	-	20.9	24.4

Source: Individual IFRS financial statements

*Dividends are based on the individual IFRS financial statements

April: The shareholders approved six new interim board members for a four month mandate: Mr Cristian-Romulus Anton, Mrs Eva-Georgeta Andreas, Mr Cristian Gentea and Mr Ionut Misa. These board members will have to be replaced within the next 4 months by a new board with a 4 year mandate which will be recruited based on Law 111/2016. Mrs Daniela Lulache will remain as CEO of the company for the next 4 months.

May: The company reported the financial results for the first quarter of 2017. During the first quarter of 2017 the company registered an increase in sales by 8.4%, to RON 483.9 million, an increase in the operating result of 41.5% to RON 107.5 million and an increase in net profit of 25.7%, to RON 84.1 million.

OMV Petrom SA

RON million	2015	2016	Q1 2016	Q1 2017	Budget 2016**	Budget 2017
Sales	18,145.0	16,246.9	3,649.5	4,652.6	10,764.0	13,487.0
Operating profit/ (loss)	(529.8)	1,469.3	345.8	798.3	62.0	1,851.0
Net profit/ (loss)	(689.7)	1,037.7	288.2	618.1	199.0	1,827.0
Dividends*	-	849.7	-	-	-	-

Source: Consolidated IFRS financial statements

*Based on separate IFRS financial statements

**Budget based on separate IFRS financial statements for OMV Petrom SA only

February: OMV Petrom announced the start of a EUR 60 million investment in a new polyfuels unit to be built in the Petrobrazi Refinery. Expected to be completed in 2019, the unit will allow conversion of LPG components into gasoline and middle distillates, which will allow for a shift in production of up to 50,000 tonnes of gasoline and middle distillates from LPG components.

February: The company's Executive Board presented a comprehensive strategy update, which includes a shift towards developing growth options by exploring internal opportunities but also regional expansion through acquisitions and partnerships. For more details please see the company's presentation on OMV Petrom Website.

May: The company reported the financial results for the first quarter of 2017. The highlights include: sales increased by 27.5% compared to the same period of 2016 to RON 4,652.6 million, operating profit increased by 130.9% compared to the same period of 2016 to RON 798.3 million and net profit increased to RON 618.1 million from RON 288.2 million. The increase of the Q1 2017 operating results were mainly due to increased oil prices and higher retail demand for fuels and were also supported by fiscal easing in Romania, in particular the elimination of the tax on special constructions starting January 2017.

Posta Romana SA

RON million	2015	2016*	Budget 2016	Budget 2017*
Total revenue	1,103.0	1,124.1	1,175.7	1,191.0
Operating profit/(loss)	(25.8)	17.9	8.4	22.9
Net profit/ (loss)	(33.0)	12.3	0.8	5.0

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

*Subject to shareholders approval on 25 May 2017

There were no significant events during the period.

Societatea Nationala a Sarii SA (Salrom)

RON million	2015	2016*	Budget 2016	Budget 2017
Operating revenue	319.1	311.9	329.7	338.4
Operating profit	27.5	56.6	69.5	57.5
Net profit	15.8	44.0	57.3	48.2
Dividends	-	39.9	45.4	48.2

Source: Financial statements prepared in accordance with applicable Romanian Accounting Regulations

*Preliminary figures based on the management estimations

There were no significant events during the period.

Financial Statements Analysis

The unaudited IFRS financial statements for the three-month period ended 31 March 2017, prepared in accordance with IAS 34 Interim Financial Reporting, are included in full in Annex 1 to this Report.

This section provides an overview on the main elements of the Fund's financial position and performance for the quarter ended 31 March 2017.

Statement of Financial Position

RON million	31 March	31 December	31 March 2017 vs 31 December 2016 (%)
	2017	2016	
	Unaudited	Audited	
Cash and current accounts	36.2	5.8	
Deposits with banks	155.3	305.3	
Treasury bills	69.8	781.4	
Government bonds	79.2	328.6	
Equity investments	10,369.0	9,992.2	
Other assets	11.2	20.8	
Total assets	10,720.7	11,434.1	-6.2 %
Payables	48.1	27.1	
Other liabilities	41.8	21.0	
Total liabilities	89.9	48.1	+86.9%
Total equity	10,630.8	11,386.0	-6.6%
Total liabilities and equity	10,720.7	11,434.1	-6.2%

Deposits with banks as at 31 March 2017 included bank deposits denominated in RON with maturities of up to one year, held with banks in Romania.

As at 31 March 2017 **treasury bills** caption included treasury bills with discount, while **government bonds** caption comprised short-term government bonds with coupon, both denominated in RON, with residual maturities up to one year, issued by the Ministry of Public Finance of Romania.

The decrease in liquid assets during the three-month period ended 31 March 2017 was mainly due to the cash outflows for funding the March 2017 special cash distribution to shareholders (in amount of RON 480.5 million, for which the payment started on 27 March 2017) and the tender offer within the seventh buy-back programme (RON 583.1 million).

Equity investments

Classification and measurement of equity investments

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

The equity investments at fair value through profit or loss are initially recognised at fair value and the transaction costs are recorded in profit or loss. They are subsequently measured at fair value with all changes in fair value accounted for through profit or loss. Equity investments at fair value through profit or loss are not subject to impairment testing.

The equity investments classified as available for sale are measured at fair value, with the changes in fair value recognised in other comprehensive income (equity). On derecognition of an available for sale equity investment, the cumulative gain or loss previously recognised in other comprehensive income is transferred to profit or loss.

Impairment losses on available for sale equity investments are recognised in profit or loss and are not reversed through profit or loss. If, in a subsequent period, the fair value of an impaired available for sale equity investment increases, it is recognised in other comprehensive income (equity).

Valuation

As at 31 March 2017 substantially all the equity investments of the Fund were carried at fair value.

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

The fair value of *unlisted shares* and *listed shares that are not traded in an active market*, for which sufficient information is available, is estimated with the assistance of independent valuers, using valuation techniques, in accordance with IFRS 13 Fair Value Measurement and the International Valuation Standards (99.7% of the total unlisted portfolio).

Equity investments that do not have a quoted price in an active market and whose fair value cannot be reliably estimated are measured at the values used in the calculation of the net asset value of the Fund, in accordance to the regulations issued by the FSA/ CNVM and reported on a monthly basis. These values are considered to be equivalent to fair value and this approach is applied to an insignificant part of the portfolio.

The increase in equity investments of RON 376.8 million in the first quarter of 2017 was mainly due to the 15.9% increase of OMV Petrom SA share price (impact of RON 295.4 million).

The increase in **other liabilities** and **payables** relates to the March special distribution to the shareholders which was not paid at the end of the reporting period and to the distribution fee for the special return of capital from March 2017 as well as for the 7th buy back programme's tender offer which was finalized in 20 March 2017.

Statement of Comprehensive Income

RON million	31 March 2017	31 March 2016
	Unaudited	Unaudited
Net unrealised gain / (loss) from equity investments at fair value through profit or loss	296.1	(535.9)
Reversal of impairment losses / (Impairment losses) on receivables, net	18.5	(0.4)
Interest income	6.1	1.2
Net gain on disposal of equity investments classified as available for sale	6.3	-
Impairment losses on equity investments classified as available for sale	-	(29.8)
Other (expenses) / income, net*	(3.8)	2.3
Net operating income/ (loss)	323.2	(562.6)
Investment management and administration fees	(34.0)	(12.6)
Other operating expenses	(6.0)	(6.3)
Operating expenses	(40.0)	(18.9)
Finance costs	-	(0.2)
Profit/ (Loss) before income tax	283.2	(581.7)
Income tax	9.8	(3.9)
Profit/ (Loss) for the year	293.0	(585.6)
Other comprehensive income	75.3	(30.9)
Total comprehensive income for the period	368.3	(616.5)

* Other income/ (expenses), net included mainly the net gain / (loss) from revaluation of government securities through profit or loss, net foreign exchange gain / (loss) and other operating income/ (expenses).

The **net unrealised gain from equity investments at fair value through profit or loss** of RON 296.1 million was mainly generated by OMV Petrom SA, as a result of the positive evolution of the share price for this company during the first quarter of 2017 (share price increase of 15.9%). The loss for the first quarter of 2016 was also generated by OMV Petrom SA, due to the negative evolution of the share price of this company.

The **reversal of impairment losses** as at 31 March 2017, relates to the receivable for the unpaid amounts from the Ministry of Public Finance. Following the reduction of the nominal value of the Fund's shares from RON 0.85 to RON 0.57 (registered on 24 March 2017), the receivable for the unpaid amounts and the related impairment adjustment decreased accordingly, generating a positive impact in the profit or loss account of RON 18.2 million accounted for.

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

The **net gain on disposal of equity investments classified as available for sale** represents the difference between the proceeds from disposals and the carrying values of the equity investments as at disposal date, plus the net unrealised gain related to these investments disposed of, transferred from equity (other comprehensive income) to profit or loss upon their de-recognition. During the three-month period ended 31 March 2017, the entire holding in Oil Terminal SA and part of the holding in Banca Transilvania SA was disposed of.

In the first quarter of 2017 no **impairment losses on equity investments available for sale** were recognized. The most significant impairment losses on equity investments available for sale in the first quarter of 2016 were related to the holding in Nuclearelectrica SA (RON 29.6 million). In performing the impairment test for the equity investments available for sale, the Fund considers all relevant factors, such as: significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, any specific adverse events that may influence the issuer's operations, recent losses of the issuer.

The **investment management and administration fees** for the first quarter ended 31 March 2017 included the base fee of RON 12.2 million (31 March 2016: RON 11.8 million) and the distribution fee of RON 21.8 million (31 March 2016: RON 0.8 million) which increased compared to the same period of the previous year due to the special distribution to shareholders of RON 0.05 per share from March 2017 and to the tender offer within the 7th buy-back programme, finalised on 20 March 2017.

The **other comprehensive income** mainly comprised the changes in fair value of available for sale equity investments (mainly Nuclearelectrica due to the 39.4% increase in share price, impact of RON 51.9 million and Alro SA due to the 23.9% increase in share price, impact of RON 20.4 million), net of related tax.

The main categories of other operating expenses are detailed in the table below:

Other operating expenses

RON million	31 March 2017	31 March 2016
	Unaudited	Unaudited
FSA monthly fees	2.8	2.7
Depository fees	0.2	0.2
Other expenses	3.0	3.4
Other operating expenses	6.0	6.3

In the first quarter of 2017, **other expenses** comprised mainly litigation assistance and legal advisory expenses, Board of Nominees remuneration and related taxes, internal and external audit expenses, PR and investor' relations expenses and GSM organisation related expenses.

Other operating expenses in the first three months of 2016 included mainly litigation assistance, Board of Nominees related expenses, advisory expenses and GSM organisation related expenses.

Financial Ratios

Description				31 March 2017
1. Current liquidity ratio				
<u>Current Assets</u>		=		3.91
Current Liabilities				
2. Debt-to-equity ratio (%)				
<u>Borrowings</u>	x 100	=		-
Shareholders' Equity				
<i>*The Fund had no borrowings as at 31 March 2017, therefore this ratio is nil</i>				
3. Receivables turnover ratio - customers (number of days)				
<u>Average balance of receivables</u>	x 365	=		n.a.
Turnover or sales				
<i>This ratio is not applicable to an investment fund and cannot be calculated.</i>				
4. Turnover of non-current assets				
<u>Gross turnover</u>		=		0.029
Non-current assets				
<i>For the computation of this ratio, "Gross turnover" includes interest income, dividend income, net gain/ (loss) from equity investments at fair value through profit or loss and net gain/ (loss) on disposal of equity investments available for sale for three-month period ended 31 March 2017, while "Non-current assets" included equity investments classified as non-current as at 31 March 2017.</i>				
<i>This ratio has no significance for an investment fund.</i>				

Signatures:

Franklin Templeton International Services S.à r.l acting in the capacity of Sole Director of Fondul Proprietatea SA

Adrian Cighi
Permanent Representative

Prepared by
Catalin Cadaru
Financial Reporting Manager with FTIML

15 May 2017

Annex 1

FONDUL PROPRIETATEA SA

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

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 THREE MONTH PERIOD
ENDED 31 MARCH 2017**

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	3 months ended 31 March 2017	3 months ended 31 March 2016
Net gain / (loss) from equity investments at fair value through profit or loss	5	296,092,263	(535,892,358)
Reversal of impairment losses / (Impairment losses) on receivables, net	14(a)	18,535,042	(451,572)
Gain on disposal of equity investments classified as available for sale, net	6	6,316,210	-
Interest income		6,064,555	1,217,700
Net foreign exchange gain / (loss)		586,733	(3,547)
Net (loss) / gain from other financial instruments at fair value through profit or loss		(4,300,633)	2,215,627
Impairment losses on equity investments classified as available for sale	11	-	(29,845,379)
Other (expenses) / income, net		(127,377)	113,028
Net operating income/ (loss)		323,166,793	(562,646,501)
Operating expenses	7	(39,983,377)	(18,854,194)
Finance costs		-	(170,313)
Profit/ (Loss) before income tax		283,183,416	(581,671,008)
Income tax	8	9,838,910	(3,937,454)
Profit/ (Loss) for the period		293,022,326	(585,608,462)
Other comprehensive income			
Net change in fair value of available for sale equity investments	11	91,268,494	(34,856,399)
Deferred tax on other comprehensive income	12	(9,838,910)	3,937,454
Decrease in fair value reserve following the disposal of available for sale equity investments		(6,110,521)	-
Total other comprehensive income		75,319,063	(30,918,945)
Total comprehensive income for the period		368,341,389	(616,527,407)
Basic and diluted earnings/ (loss) per share	9	0.0307	(0.0562)

These financial statements were authorised for issue on 15 May 2017 by:

Franklin Templeton International Services S.à r.l. acting in the capacity of Sole Director of Fondul Proprietatea SA

Adrian Cighi
Permanent Representative

Prepared by
Catalin Cadaru
Financial Reporting Manager

The notes on pages 36 to 56 are an integral part of these condensed financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017
 (all amounts are in RON unless otherwise stated)

	<i>Note</i>	31 March 2017	31 December 2016
Assets			
Cash and current accounts	<i>10</i>	36,162,555	5,781,621
Deposits with banks	<i>10</i>	155,330,875	305,337,134
Treasury bills		69,856,243	781,445,213
Government bonds		79,251,699	328,638,303
Equity investments	<i>11</i>	10,368,967,957	9,992,183,244
Other assets		11,175,583	20,728,167
Total assets		10,720,744,912	11,434,113,682
Liabilities			
Payable to shareholders	<i>13 (a)</i>	40,925,176	20,208,049
Other liabilities and provisions	<i>13 (b)</i>	49,024,521	27,953,985
Total liabilities		89,949,697	48,162,034
Equity			
Share capital	<i>14 (a)</i>	5,742,226,025	9,168,314,117
Fair value reserve on available for sale financial assets, net of deferred tax	<i>14 (b)</i>	4,408,856,187	4,333,537,124
Other reserves	<i>14 (c)</i>	443,949,119	585,468,652
Treasury shares	<i>14 (d)</i>	(683,192,832)	(654,145,163)
Retained earnings	<i>14 (f)</i>	718,956,716	(2,047,223,082)
Total equity		10,630,795,215	11,385,951,648
Total liabilities and equity		10,720,744,912	11,434,113,682

The notes on pages 36 to 56 are an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2017	9,168,314,117	4,333,537,124	585,468,652	(654,145,163)	(2,047,223,082)	11,385,951,648
Comprehensive income for the period						
Profit for the period	-	-	-	-	293,022,326	293,022,326
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	91,268,494	-	-	-	91,268,494
Decrease in fair value reserve following the disposal of available for sale equity investments	-	(6,110,521)	-	-	-	(6,110,521)
Deferred tax on other comprehensive income	-	(9,838,910)	-	-	-	(9,838,910)
Coverage of the cumulated accounting losses	(2,317,038,572)	-	(156,118,900)	-	2,473,157,472	-
Total other comprehensive income	(2,317,038,572)	75,319,063	(156,118,900)	-	2,473,157,472	75,319,063
Total comprehensive income for the period	(2,317,038,572)	75,319,063	(156,118,900)	-	2,766,179,798	368,341,389
Transactions with owners, recorded directly in equity (see Note 14)						
Decrease of the nominal value of the shares	(503,704,037)	-	-	4,969,923	-	(498,734,114)
Acquisition of treasury shares	-	-	-	(624,763,708)	-	(624,763,708)
Cancellation of treasury shares	(605,345,483)	-	14,599,367	590,746,116	-	-
Total transactions with owners recorded directly in equity	(1,109,049,520)	-	14,599,367	(29,047,669)	-	(1,123,497,822)
Balance as at 31 March 2017	5,742,226,025	4,408,856,187	443,949,119	(683,192,832)	718,956,716	10,630,795,215

The notes on pages 36 to 56 are an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2016	10,074,080,746	4,232,810,400	527,397,886	(308,039,345)	(2,473,157,472)	12,053,092,215
Comprehensive income for the period						
Loss for the period	-	-	-	-	(585,608,462)	(585,608,462)
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	(34,856,399)	-	-	-	(34,856,399)
Deferred tax on other comprehensive income	-	3,937,454	-	-	-	3,937,454
Total other comprehensive income	-	(30,918,945)	-	-	-	(30,918,945)
Total comprehensive income for the period	-	(30,918,945)	-	-	(585,608,462)	(616,527,407)
Transactions with owners, recorded directly in equity						
Acquisition of treasury shares	-	-	-	(42,801,664)	-	(42,801,664)
Cancellation of treasury shares	(204,815,025)	-	18,273,170	186,541,855	-	-
Total transactions with owners recorded directly in equity	(204,815,025)	-	18,273,170	143,740,191	-	(42,801,664)
Balance as at 31 March 2016	9,869,265,721	4,201,891,455	545,671,056	(164,299,154)	(3,058,765,934)	11,393,763,144

The notes on pages 36 to 56 are an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

	3 months ended 31 March 2017	3 months ended 31 March 2016
Cash flows from operating activities		
Disposal/ maturity of treasury bills and bonds	1,309,557,564	51,217,097
Proceeds from disposal of equity investments, net	10,751,544	-
Interest received	8,718,299	596,001
Dividends received (net of withholding tax)	332,509	-
Acquisition of treasury bills and bonds	(355,691,547)	(94,428,901)
Suppliers and other taxes and fees paid	(31,674,416)	(21,413,224)
Subscriptions to share capital increase of portfolio companies	-	(3,070,150)
Other (payments) / receipts, net	(621,316)	785,779
Net cash flows from operating activities	941,372,637	(66,313,398)
Cash flows from financing activities		
Acquisition of treasury shares	(610,822,209)	(41,896,079)
Payments to shareholders related to the return of capital	(450,159,749)	(104,156)
Dividends paid (including related taxes)	(5,243)	(26,822)
Net cash flows used in financing activities	(1,060,987,201)	(42,027,057)
Net increase in cash and cash equivalents	(119,614,564)	(108,340,455)
Cash and cash equivalents at the beginning of the period	311,105,488	198,467,448
Cash and cash equivalents at the end of the period as per Statement of Cash Flows	191,490,924	90,126,993
	31 March 2017	31 March 2016
Cash (see Note 10)	36,162,555	491,254
Bank deposits with original maturities of less than three months (see Note 10)	155,328,369	89,635,739
	191,490,924	90,126,993

The notes on pages 36 to 56 are an integral part of these condensed financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

1. General information

Fondul Proprietatea SA (referred to as “Fondul Proprietatea” or “the Fund”) was incorporated as a joint stock company and is operating as an undertaking for collective investment, in the form of a closed end investment company, established in accordance with Law no. 247/2005 on the reform in the field of property and justice and other 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, Buzești Street, 7th Floor, District 1, Bucharest.

Fondul Proprietatea is an alternative investment fund starting 1 April 2016.

The Fund undertakes its activities in accordance with Law 247/2005, Law 297/2004 regarding the capital market, as subsequently amended (“Law 297/2004”), Law 31/1990 regarding companies, republished as subsequently amended (“Law 31/1990”), and Law 74/2015 regarding Alternative Investment Fund Managers (“Law 74/2015”) and it is an entity authorised, regulated and supervised by the 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 to the compensation payable in respect of abusive expropriations undertaken by the Romanian State during the communist period, when properties were not returned in kind. Beginning with 15 March 2013, the date when Government Emergency Ordinance no. 4/2012 entered into force, the compensation process was suspended. In January 2015 the Law no. 10/2015 on amending Title VII of Law no. 247/2005 regarding the reforms in the sectors of justice and property, as well as certain related measures, with subsequent amendments (“Law 10/2015”) entered into force confirming that the Romanian State will no longer use the compensation scheme using Fondul Proprietatea shares.

The Fund is managed by Franklin Templeton International Services S.à r.l. (“FTIS”) as its Sole Director and Alternative Investment Fund Manager (“AIFM”) under the Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFM Directive”) and local implementation regulations, based on the Management Agreement executed in 2015 in order to comply with the AIFM Directive. FTIS mandate commenced on 1 April 2016. FTIS has delegated the role of Investment Manager as well as certain administrative functions to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML” or “Investment Manager”) for the entire duration of its mandate as AIFM.

Starting with 29 September 2010 until 31 March 2016, the Sole Director of the Fund was FTIML.

Since 25 January 2011, Fondul Proprietatea has been a listed company on the spot regulated market managed by the Bucharest Stock Exchange in Tier I shares of the Equity Sector of the market (renamed as of 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 (“GDR”) have been listed on the London Stock Exchange – Specialist Fund Market, under ISIN number US34460G1067, with the market symbol “FP.”. The Bank of New York Mellon has been appointed by the Fund to act as depositary bank in relation to the GDR facility. The GDR facility is limited to one-third of the Fund’s subscribed share capital under the Romanian securities regulations, each GDR representing 50 shares, and the currency of the GDRs is the US dollar.

These condensed interim financial statements for the three month period ended 31 March 2017 are not audited.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements for the three month period ended 31 March 2017 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 2016, prepared in accordance with IFRS.

Following the application of the Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities), with effect from 1 January 2014 the Fund is an investment entity and no longer consolidates its subsidiaries. In consequence, the Fund does not prepare consolidated financial statements, the separate financial statements being the Fund's only financial statements. The Fund has reassessed the criteria for being an investment entity for the quarter ended 31 March 2017 and continues to meet them.

(b) Basis of measurement

These 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 government bonds, respectively), and on a historical cost or amortised cost basis for the rest of the items included in the financial statements.

(c) Functional and presentation currency

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

(d) Use of estimates

The preparation of these condensed 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 and critical judgements in applying accounting policies with significant areas of estimation uncertainty that have the most significant impact on the amounts recognised in these condensed financial statements are included in the following notes:

- Note 11 – Equity investments;
- Note 12 – Deferred tax;
- Note 15 – 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 2016 and have been applied consistently to all periods presented in these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(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 financial liabilities at amortised cost	Total carrying amount	Fair value
31 March 2017						
Cash and current accounts	36,162,555	-	-	-	36,162,555	36,162,555
Deposits with banks	155,330,875	-	-	-	155,330,875	155,330,875
Treasury bills	-	-	69,856,243	-	69,856,243	69,856,243
Government bonds	-	-	79,251,699	-	79,251,699	79,251,699
Equity investments	-	7,985,919,127	2,383,048,830	-	10,368,967,957	10,368,967,957
Other financial assets	2,414,270	-	-	-	2,414,270	2,414,270
Other financial liabilities	-	-	-	(88,140,815)	(88,140,815)	(88,140,815)
	193,907,700	7,985,919,127	2,532,156,772	(88,140,815)	10,623,842,784	10,623,842,784
31 December 2016						
Cash and current accounts	5,781,621	-	-	-	5,781,621	5,781,621
Deposits with banks	305,337,134	-	-	-	305,337,134	305,337,134
Treasury bills	-	209,958,296	571,486,917	-	781,445,213	781,445,213
Government bonds	-	-	328,638,303	-	328,638,303	328,638,303
Equity investments	-	7,905,226,677	2,086,956,567	-	9,992,183,244	9,992,183,244
Other financial assets	12,078,624	-	-	-	12,078,624	12,078,624
Other financial liabilities	-	-	-	(46,429,231)	(46,429,231)	(46,429,231)
	323,197,379	8,115,184,973	2,987,081,787	(46,429,231)	11,379,034,908	11,379,034,908

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

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

The unrealised net gain from equity investments at fair value through profit or loss for the quarter ended 31 March 2017 of RON 296,092,263 (quarter ended 31 March 2016: unrealised net loss of RON 535,892,358) was mainly generated by the change in fair value for the holding in OMV Petrom SA, as a result of the increase (first quarter of 2016: decrease) of this company's share price during the respective period.

No realised net gain or loss from equity investments at fair value through profit or loss was recorded in the three month periods ended 31 March 2017 and 31 March 2016 as there were no disposals of equity investments at fair value through profit or loss.

6. Gain on disposal of equity investments available for sale, net

In the first three months of 2017, the Fund sold its entire holding in Oil Terminal SA and part of its holding in Banca Transilvania SA. The net gain on disposal of these equity investments was RON 6,316,210, representing the difference between the proceeds from disposals (RON 10,781,733) and the carrying values of the equity investments as at disposal date (RON 10,576,044), plus the net unrealised gain related to these investments disposed, recycled from other comprehensive income to profit or loss upon their derecognition (RON 6,110,521). During three month period ended 31 March 2016 there was no disposal of equity investments classified as available for sale.

7. Operating expenses

	3 months ended 31 March 2017	3 months ended 31 March 2016
Investment management and administration fees	34,003,512	12,567,842
FSA monthly fees	2,767,562	2,703,775
Third party services	2,351,379	2,571,356
Remunerations and related taxes	356,075	357,951
Depository bank fee	200,081	225,766
Other operating expenses	304,768	427,504
	<u>39,983,377</u>	<u>18,854,194</u>

The total investment management and administration fees in the first quarter of 2017 included the base fee of RON 12.2 million (quarter ended 31 March 2016: RON 11.8 million) and the distribution fee of RON 21.8 million (quarter ended 31 March 2016: RON 0.8 million). The higher distribution fee in the first quarter of 2017 compared to the first quarter of 2016 was due to the fees charged for the distributions made available to the Fund's shareholders in the first quarter of 2017, respectively through the tender offer carried within the seventh buy-back programme and the special return of capital of RON 0.05 per share for which the payment started on 27 March 2017.

The investment management and administration fees are invoiced and paid on a quarterly basis.

Remunerations and related taxes included the remunerations paid to the members of the Board of Nominees and to the special administrator appointed to Hidroelectrica SA (a portfolio company in insolvency until 21 June 2016) as required by the insolvency legislation in force as well as the related taxes and contributions payable to the Romanian State budget, as follows:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

7. Operating expenses (continued)

	3 months ended 31 March 2017	3 months ended 31 March 2016
Members of the Board of Nominees	300,000	300,000
Special administrator appointed in portfolio companies in insolvency	-	3,987
Contributions to social security fund	42,190	38,124
Contributions to health insurance fund	13,885	15,840
	<u>356,075</u>	<u>357,951</u>

8. Income tax expense

There was no current tax recorded during the first quarter of 2017 and first quarter of 2016. The net deferred tax income related to the fiscal loss recorded during the first quarter of 2017 was of RON 9,838,910 (first quarter of 2016: net deferred tax expense of RON 3,937,454).

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

	3 months ended 31 March 2017	3 months ended 31 March 2016
Reconciliation of effective tax rate		
Net Profit/ (Loss) for the period	293,022,326	(585,608,462)
Income tax	9,838,910	(3,937,454)
Profit/ (Loss) excluding income tax	<u>283,183,416</u>	<u>(581,671,008)</u>
Income tax using the standard tax rate (16%)	(45,309,347)	93,067,361
<i>Impact on the income tax expense of:</i>		
Elements similar to revenues (taxable equity items)	(3,131,086)	(1,778,480)
Non-taxable income	126,903,421	170,411,077
Non-deductible expenses	(82,870,940)	(256,382,634)
Fiscal result impact in the current period	4,407,952	(5,317,324)
Deferred tax movement during the period	9,838,910	(3,937,454)
Income tax	<u>9,838,910</u>	<u>(3,937,454)</u>

The net deferred tax liability on equity investments recorded through the equity reserve during the first quarter of 2017 was of RON 9,838,910 (first quarter of 2016: net deferred tax asset recorded through the equity reserve of RON 3,937,454).

See *Note 12 Deferred tax* for details regarding the deferred tax computation and recognition.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

9. Basic and diluted earnings/ (loss) per share

Basic earnings/ (loss) per share (“EPS”) is calculated by dividing the profit or loss for the period by the weighted average number of ordinary paid shares in issue during the period, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares based on their settlement date. The Fund’s diluted EPS is the same as basic EPS, since the Fund has not issued any instrument with dilutive effect as at 31 March 2017 and 31 March 2016.

	3 months ended 31 March 2017	3 months ended 31 March 2016
Profit/ (Loss) for the period	293,022,326	(585,608,462)
Weighted average number of ordinary shares	9,546,818,692	10,428,694,653
Basic and diluted earnings/(loss) per share	0.0307	(0.0562)

10. Cash and current accounts and deposits with banks

	31 March 2017	31 December 2016
Petty cash	1,034	984
Current accounts with banks	79,545	77,514
Distributions bank accounts	36,081,976	5,703,123
Cash and current accounts	36,162,555	5,781,621

	31 March 2017	31 December 2016
Overnight deposit related to the distribution bank account	2,453,532	4,562,078
Bank deposits with original maturities of less than three months	152,874,837	300,761,789
Interest accrued on bank deposits	2,506	13,267
Deposits with banks	155,330,875	305,337,134

The overnight deposits and cash held with the distributions bank accounts can only be used for payments to shareholders. Such payments are subject to a general statute of limitation, respectively the shareholders may request the payments only within a three-year term starting with the distribution payment date.

11. Equity investments

The equity investments of the Fund are classified either as financial assets at fair value through profit or loss or as available for sale financial assets. The equity instruments of the Fund are valued as follows:

- Either at fair value, determined by reference to published closing prices on the stock exchange where shares are traded (listed and liquid securities), or assessed, using valuation techniques in accordance with International Valuation Standards (unlisted securities), with the assistance of independent valuers;
- Or at the values used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM (in case of the equity investments that do not have a quoted price in an active market and whose fair value could not be reliably estimated) which are subject to impairment testing. These values are considered to be equivalent to fair value and this approach is applied to an insignificant part of the portfolio (less than 1% of the portfolio).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

11. Equity investments (continued)

The movement in the carrying amounts of equity investments in the first quarter of 2017 and the first quarter of 2016 is presented below:

	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2017	2,086,956,567	7,905,226,677	9,992,183,244
Disposals	-	(10,576,044)	(10,576,044)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	91,268,494	91,268,494
Net gain from equity investments at fair value through profit or loss	296,092,263	-	296,092,263
31 March 2017	2,383,048,830	7,985,919,127	10,368,967,957
	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2016	3,349,024,657	8,451,679,962	11,800,704,619
Impairment losses	-	(29,845,379)	(29,845,379)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	(34,856,400)	(34,856,400)
Net loss from equity investments at fair value through profit or loss	(535,892,358)	-	(535,892,358)
31 March 2016	2,813,132,299	8,386,978,183	11,200,110,482

Disposals

During the first quarter of 2017, the Fund sold its entire holding in Oil Terminal SA and part of its holding in Banca Transilvania SA.

Impairment losses

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

Company	3 months ended 31 March 2017	3 months ended 31 March 2016
Nuclearelectrica SA	-	29,601,051
Mecon SA	-	244,328
Total	-	29,845,379

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

11. Equity investments (continued)
Portfolio structure

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

	31 March 2017	31 December 2016
Equity investments at fair value through profit or loss		
OMV Petrom SA	2,153,058,294	1,857,680,048
Societatea Nationala a Sarii SA	181,000,000	181,000,000
Zirom SA	25,512,000	25,512,000
Primcom SA	10,939,775	10,225,757
Other	12,538,761	12,538,762
	2,383,048,830	2,086,956,567
Equity investments available for sale		
Hydroelectrica SA	3,384,000,000	3,384,000,000
CN Aeroporturi Bucuresti SA	761,000,000	761,000,000
E-Distributie Banat SA	599,900,000	599,900,000
Engie Romania SA	453,400,000	453,400,000
E-Distributie Muntenia SA	449,400,000	449,400,000
E-Distributie Dobrogea SA	380,200,000	380,200,000
BRD Groupe Societe Generale SA	312,477,778	301,317,857
SDEE Muntenia Nord SA	255,200,000	255,200,000
SDEE Transilvania Sud SA	246,200,000	246,200,000
Administratia Porturilor Maritime SA	216,000,000	216,000,000
SDEE Transilvania Nord SA	208,300,000	208,300,000
Electrica Furnizare SA	167,723,000	167,723,000
Nuclearelectrica SA	183,636,153	131,697,271
Alro SA	105,682,835	85,275,115
Enel Energie SA	75,500,000	75,500,000
Enel Energie Muntenia SA	70,300,000	70,300,000
Posta Romana SA	43,000,000	43,000,000
Romaero SA	24,922,129	21,708,486
Banca Transilvania SA	17,958,695	20,563,646
Other	31,118,537	34,541,302
	7,985,919,127	7,905,226,677
Total equity investments	10,368,967,957	9,992,183,244

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

11. Equity investments (continued)**Fair value hierarchy**

The Fund classifies the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement, the levels of the fair value hierarchy 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).

The table below presents the classification of the financial instruments carried at fair value by fair value hierarchy level, based on the inputs used in making the measurement:

As at 31 March 2017:

	Level 1	Level 2	Level 3	Total
Equity investments	2,772,813,754	-	7,596,154,203	10,368,967,957
Treasury bills	69,856,243	-	-	69,856,243
Government bonds	79,251,699	-	-	79,251,699
	2,921,921,696	-	7,596,154,203	10,518,075,899

As at 31 December 2016:

	Level 1	Level 2	Level 3	Total
Equity investments	2,400,000,124	-	7,592,183,120	9,992,183,244
Treasury bills	781,445,213	-	-	781,445,213
Government bonds	328,638,303	-	-	328,638,303
	3,510,083,640	-	7,592,183,120	11,102,266,760

The table below presents the movement in Level 3 equity investments:

	3 months ended 31 March 2017
1 January 2017	7,592,183,120
Net change in fair value recorded in other comprehensive income	3,257,065
Net gain for the period recognised in profit or loss	714,018
Transfers in/(out) of Level 3	-
31 March 2017	7,596,154,203

The level in the fair value hierarchy within which the fair value measurement is classified 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

11. Equity investments (continued)

If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that financial instrument is classified as Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires significant judgment, considering factors specific to the asset. The Fund considers observable data to be 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 Level 3, a majority of the equity investments valuations were performed with the assistance of 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, which ensures that the underlying data is accurate, and that appropriate inputs were used in the valuation.

As the valuation reports were prepared as at 30 September 2016 (for 31 March 2016: as at 31 August 2015, in case of the holdings in Electrica Distributie Muntenia Nord SA, Electrica Distributie Transilvania Sud SA, Electrica Distributie Transilvania Nord SA and Electrica Furnizare SA, and as at 30 September 2015 for the rest of the holdings subject to valuation), based on financial information available for the companies under valuation at the respective date, the Fund's management has analysed the period between the date of the valuation reports and the reporting date. There was no information known or available to the Fund's management which may have significant impact on the fair values of the equity investments as at the reporting date, as they are presented in these financial statements.

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

As a result of strong volatility in the capital markets 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, the future development of the market and demand for goods and services they produce. These economic uncertainties are expected to continue in the foreseeable future and, as a consequence, there is a possibility that the assets of the Fund are not recovered at their carrying amounts in the ordinary course of business. A corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of these financial statements.

For the equity investments classified as Level 1, the Fund had adequate information available with respect to active markets, with sufficient trading volume, for obtaining accurate prices.

As at 31 March 2017, unlisted equity investments and listed illiquid equity investments with a total carrying amount of RON 7,596,154,203 (31 December 2016: RON 7,592,183,120), were classified as Level 3 of the fair value hierarchy. Out of this, an amount of RON 4,246,436,989 represents the total net change in fair value recognised in equity (other comprehensive income) as at 31 March 2017 (31 December 2016: RON 4,243,179,925). Out of the total value of the equity investments classified as Level 3 of the fair value hierarchy, 99% were assessed with the assistance of independent valuers, using valuation methods in accordance with the International Valuation Standards and 1% were determined based on values used in the calculation of the net asset value of the Fund as at that date, calculated in accordance with the regulations issued by the FSA/CNVM.

The following table sets out information about the significant unobservable inputs used at 31 March 2017 and 31 December 2016 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

11. Equity investments (continued)

Financial assets	Fair value as at 31 March 2017	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	7,596,154,203			
Unlisted equity instruments	7,270,749,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.22 to 11.4 (7.77) Discount for lack of marketability: 15% (15%)	The higher the EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	208,669,000	Income approach - discounted cash flow method	Weighted average cost of capital: 11.29% or 12.05% or 12.18% (12.06%) Discount for lack of marketability: 12% or 14.6% or 17% (14.87%) Discount for lack of control: 0% or 18% or 26.50% (23%) Long-term revenue growth rate: 1.5% (1.5%)	The lower the weighted average cost of capital, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. The lower the discount for the lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	43,000,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 14.75 (14.75) Discount for lack of marketability: 24.4% (24.4%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	1,696,000	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.48 (0.48) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Listed illiquid equity instruments	49,997,490	Bucharest Stock Exchange reference price - Average price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM.	
Unlisted equity instruments	22,042,713	Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM, primarily based on the value of the shareholders' equity of the issuer extracted from its latest annual financial statements.		

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

11. Equity investments (continued)

Financial assets	Fair value as at 31 December 2016	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	7,592,183,120			
Unlisted equity instruments	7,270,749,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.22 to 11.4 (7.77) Discount for lack of marketability: 15% (15%)	The higher the EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	208,669,000	Income approach - discounted cash flow method	Weighted average cost of capital: 11.29% or 12.05% or 12.18% (12.06%) Discount for lack of marketability: 12% or 14.6% or 17% (14.87%) Discount for lack of control: 0% or 18% or 26.50% (23%) Long-term revenue growth rate: 1.5% (1.5%)	The lower the weighted average cost of capital, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. The lower the discount for the lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	43,000,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 14.75 (14.75) Discount for lack of marketability: 24.4% (24.4%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	1,696,000	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.48 (0.48) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Listed illiquid equity instruments	46,026,408	Bucharest Stock Exchange reference price - Average price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM.	
Unlisted equity instruments	22,042,712	Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM, primarily based on the value of the shareholders' equity of the issuer extracted from its latest annual financial statements.		

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 regarding some of a 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 a company's earning capacity.

EBITDA multiple: represents the most relevant multiple used when pricing 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 comparable companies are determined by dividing the enterprise value of a 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

11. Equity investments (continued)

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 its comparable peer group. Valuers estimate the discount for lack of marketability based on their 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 power of control considered under the discounted cash flow method, in order to derive the value of a minority shareholding in the equity of subject companies.

Weighted average cost of capital: represents the calculation of a company's cost of capital in nominal terms (including inflation), based on the Capital Asset Pricing Model. All capital sources (shares, bonds and any other long-term debts) are included in a weighted average cost of capital calculation.

Price/Earnings multiple ("P/E"): the Price/Earnings ratio is a market prospect ratio that calculates the market value of an investment relative to its earnings by comparing the market price per share by the earnings per share. It shows what the market is willing to pay for an investment based on its current earnings. Investors often use this ratio to evaluate what an investment's fair market value should be by predicting future earnings per share.

Price/Book value multiple: often expressed simply as price-to-book, this multiple measures a company's market price in relation to its book value (net assets). It reflects how many times the book value per share investors are ready to pay for a share. The Price/Book value multiple varies dramatically between industries. A company that requires more assets (e.g. a manufacturing company with factory space and machinery) will generally post a drastically lower price to book than a company whose earnings come from the provision of a service (e.g. a consulting firm).

12. Deferred tax

	Deductible temporary differences	Related deferred tax asset/(liability), out of which:	Recognised deferred tax asset/(liability)	Not recognised deferred tax asset
31 March 2017				
Equity investments	(1,574,831,333)	(251,973,013)	(251,973,013)	-
Fiscal loss carried forward	2,742,324,091	438,771,855	251,973,013	186,798,842
	1,167,492,758	186,798,842	-	186,798,842
31 December 2016				
Equity investments	(1,513,338,145)	(242,134,103)	(242,134,103)	-
Fiscal loss carried forward	2,769,873,790	443,179,806	242,134,103	201,045,703
	1,256,535,645	201,045,703	-	201,045,703

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

The movement in the deferred tax position is presented in the tables below:

3 months ended	Balance at 1 January	Recognised in profit or loss	Recognised in equity (other comprehensive income)	Balance at 31 March
31 March 2017	2017	loss	income	2017
Equity investments	(242,134,103)	-	(9,838,910)	(251,973,013)
Fiscal loss carried forward	242,134,103	9,838,910	-	251,973,013
	-	9,838,910	(9,838,910)	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

12. Deferred tax (continued)

3 months ended 31 March 2016	Balance at 1 January 2016	Recognised in profit or loss	Recognised in equity (other comprehensive income)	Balance at 31 March 2016
Equity investments	(109,323,376)	-	3,937,454	(105,385,922)
Fiscal loss carried forward	109,323,376	(3,937,454)	-	105,385,922
	-	(3,937,454)	3,937,454	-

As at 31 March 2017 and 31 December 2016, the net deferred tax position is nil due to the fact that the Fund recognised a deferred tax asset for the unused tax losses carried forward, only to the level of the deferred tax liability arising from the taxable temporary differences. The deferred tax is recognised either in profit or loss or other comprehensive income, depending on the nature of the corresponding item.

13. Liabilities**(a) Payable to shareholders**

The payable to shareholders caption comprises the amounts due to shareholders related to the returns of capital in total amount of RON 40,925,176 (31 December 2016: RON 20,208,049).

(b) Other liabilities and provisions

	31 March 2017	31 December 2016
Investment management and administration fees	34,134,833	12,907,804
Other fees related to disposal of portfolio holdings	6,396,332	11,654,707
Payables related to treasury shares under settlement	6,371,681	287,824
Financial Supervisory Authority fees	915,899	861,361
Provision for litigations	856,247	856,247
Other liabilities	349,529	1,386,042
	49,024,521	27,953,985

Other fees related to the disposal of portfolio holdings mainly comprise legal consulting, notary fees, marketing and promotional services and miscellaneous out of pocket expenses incurred by the intermediaries according to their agreements.

14. Shareholders' equity**(a) Share capital**

The following changes in the share capital were recorded during the first three months of 2017:

- On 18 January 2017, the paid in share capital of the Fund decreased by RON 605,345,483 following the cancellation of 712,171,156 treasury shares acquired by the Fund during the sixth buy-back programme.
- On 24 March 2017, the subscribed share capital decreased by RON 2,820,742,609 following the reduction of the nominal value of the shares as follows:

(i) the subscribed share capital decreased from RON 8,562,968,634.10 to RON 6,245,930,062.52 following the reduction of the par value of the shares from RON 0.85 to RON 0.62 in order to cover the cumulated accounting losses stated in 2015 financial statements, according to the 31 October 2016 General Shareholders' Meeting ("GSM") resolution (total impact on the share capital of RON 2,317,038,572);

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

14. Shareholders' equity (continued)**(a) Share capital (continued)**

(ii) the subscribed share capital decreased from RON 6,245,930,062.52 to RON 5,742,226,025.22 following the reduction of the shares from RON 0.62 to RON 0.57 in order to perform a special distribution to shareholders, respectively a special return of capital of 0.05 RON/share, proportionally with their participation to the paid share capital (total impact on the share capital of RON 503,704,037).

The movements in the share capital components are presented below:

	Share capital paid-in	Share capital unpaid	Total share capital
31 December 2015	9,746,649,631	327,431,115	10,074,080,746
Decrease of the nominal value of the shares	(530,101,923)	(18,190,617)	(548,292,540)
Cancellation of treasury shares	(357,474,089)	-	(357,474,089)
31 December 2016	8,859,073,619	309,240,498	9,168,314,117
Coverage of the cumulated accounting losses	(2,233,361,731)	(83,676,841)	(2,317,038,572)
Decrease of the nominal value of the shares	(485,513,420)	(18,190,617)	(503,704,037)
Cancellation of treasury shares	(605,345,483)	-	(605,345,483)
31 March 2017	5,534,852,985	207,373,040	5,742,226,025

The below table presents the balances of number of shares and their nominal value as result of the above changes:

	31 March 2017	31 December 2016
Number of shares in issue	10,074,080,746	10,786,251,902
Number of paid shares	9,710,268,396	10,422,439,552
Number of unpaid shares	363,812,350	363,812,350
Nominal value per share (RON)	0.57	0.85

Unpaid share capital as at 31 March 2017 and 31 December 2016 represents the net value of certain contributions due to the Fund by the Romanian State, represented by the Ministry of Public Finance as shareholder, that were recorded in previous years as paid in share capital (based on Law 247/2005) and subsequently were considered unpaid following the final results of several litigations that took place in the past. Holders of unpaid shares are not entitled to vote or to receive dividends or other cash distributions, until the matters are legally clarified. The Fund recorded an impairment adjustment for the entire receivable related to the unpaid amounts from the Ministry of Public Finance. Following the reduction of the nominal value of the Fund's shares on 24 March 2017, the receivable related to the unpaid amounts from the Ministry of Public Finance and the related impairment adjustment decreased accordingly and had an impact in profit or loss account of RON 18,190,618.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

14. Shareholders' equity (continued)
(a) Share capital (continued)

The shareholder structure as at 31 March 2017 was as follows:

Shareholder categories	% of subscribed share capital	% of paid-in share capital
The Bank of New York Mellon (depository bank for the Fund's GDRs)	33.61%	34.87%
Foreign institutional shareholders	21.35%	22.15%
Romanian private individuals	16.82%	17.45%
Romanian institutional shareholders	13.95%	14.47%
Foreign private individuals	3.17%	3.29%
Ministry of Public Finance	0.06%	0.06%
Treasury shares	7.43%	7.71%
Unpaid shares	3.61%	-
Total	100%	100%

Source: Depozitarul Central SA

(b) Fair value reserve on available for sale financial assets, net of deferred tax

The fair value reserve of RON 4,408,856,187 as at 31 March 2017 (31 December 2016: RON 4,333,537,124) is comprised of the cumulative net change in the fair value of the available for sale financial assets recognised in other comprehensive income, until the investments are derecognised or impaired, net of the related deferred tax recognised through equity.

(c) Other reserves

	31 March 2017	31 December 2016
Legal reserve	266,084,000	266,084,000
Other reserves	177,865,119	319,384,652
	443,949,119	585,468,652

On 24 March 2017, the Fund used an amount of RON 156,118,900 from other reserves to cover its cumulated accounting losses stated in the 2015 financial statements, according to the 31 October 2016 GSM resolution.

The balance of other reserves as at 31 March 2017 comprises the reserves related to the gain on the cancellation of treasury shares acquired at an acquisition value lower than the nominal value, in amount of RON 177,865,119. This amount may be used for corporate actions in accordance with the applicable legislation.

As at 31 December 2016, other reserves comprised the part of the 2006 and 2007 profits allocated to other reserves, in an amount of RON 120,299,557 and the reserves related to the gain on the cancellation of treasury shares acquired at an acquisition value lower than the nominal value, in amount of RON 199,085,095.

(d) Treasury shares

The buy-back transactions can only be applied to fully paid shares or GDRs corresponding to the shares of the Fund. All buy-back programmes carried out by the Fund are aimed at decreasing the share capital, in accordance with the shareholders' approval.

The implementation of the buy-back programmes is subject to the availability of the necessary cash.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

14. Shareholders' equity (continued)
(d) Treasury shares (continued)

The table below summarises the buy-back programmes valid in 2017:

Programme	GSM date approving the buy-back programme	Starting date	Completion date	Acquisition price range as approved by GSM
Seventh buy-back	29-Oct-2015	29-Sep-16	<i>in progress (valid until 26 May 2017)</i>	0.2 - 2 RON per share
Eighth buy-back	11-Oct-2016	not started	<i>valid until 19 April 2018</i>	0.2 - 2 RON per share

The maximum number of shares that can be repurchased within the seventh buy-back and within the eighth buy-back has to be computed so that all the outstanding treasury shares acquired during the respective programme and/or with the previous ones, do not exceed 10% of the issued share capital at the relevant time.

The movement in the number of treasury shares during the first quarter of 2017 is presented in the below table:

	Treasury shares number - opening balance	Acquisitions during the period	Cancellations during the period	Treasury shares number - closing balance
Sixth buy-back	712,171,156	-	712,171,156	-
Seventh buy-back	79,336,721	680,674,662	-	760,011,383
	791,507,877	680,674,662	712,171,156	760,011,383

During the first quarter of 2017, the Fund finalised the cancellation process for the treasury shares acquired within the sixth buy-back programme, respectively the remaining balance of 712,171,156 treasury shares.

On 8 February 2017, the FSA approved the Fund's application for the public tender offer within the seven buy-back programme for the acquisition of up to 640,000,000 shares. The subscription period was from 15 February 2017 until 20 March 2017, and the purchase price was RON 0.91 per share and the USD equivalent of RON 45.50 per GDR. The Fund acquired all 640,000,000 shares (370,679,050 in the form of ordinary shares and 269,320,950 shares in the form of GDRs, respectively 5,386,419 GDRs) and resumed the acquisitions of treasury shares within the seven buy-back programme through the daily buy-backs on 27 March 2017.

As at 31 March 2017, the total number of shares repurchased by the Fund (either in form of ordinary shares or GDRs) within the seventh buy-back programme was 760,011,383 (based on the transaction trade date) for a total acquisition value of RON 681,158,205 (excluding transaction costs). The average acquisition price for shares was RON 0.8874 and the average acquisition price for GDRs was 10.75 USD.

The eighth buy-back programme is expected to commence in May 2017.

(e) Return of capital to shareholders
Return of capital from March 2017

At the 31 October 2016 GSM, the Fund's shareholders approved the special return to shareholders of RON 0.05 per share, following the share capital decrease through the reduction of the nominal value of the Fund's share. The shareholders' resolution was published in the Official Gazette of Romania on 16 November 2016 and the endorsement by the FSA of the new Constitutive Act reflecting the share capital decrease was received on 22 March 2017. On 24 March 2017, the Trade Registry registered the 31 October 2016 GSM Resolution for approving the subscribed share capital decrease.

The shareholders registered in the shareholders' registry with the Central Depository on 7 March 2017 (the Registration Date) have the right to receive RON 0.05 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 27 March 2017 and by 31 March 2017, shareholders had collected almost 94% of the total distribution of RON 480,543,496.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

14. Shareholders' equity (continued)**(e) Return of capital to shareholders (continued)***Return of capital from June 2017*

At the 28 February 2017 GSM, the Fund's shareholders approved the return to shareholders of RON 0.05 per share, following the subscribed share capital decrease from RON 5,742,226,025.22 to RON 5,238,521,987.92 through the reduction of the nominal value of Fund's share from RON 0.57 to RON 0.52. The shareholders resolution was published in the Official Gazette of Romania on 13 March 2017 and the endorsement by the FSA of the new Constitutive Act reflecting the share capital decrease is expected to be received in June 2017.

The shareholders registered in the shareholders' registry with the Central Depository on 12 June 2017 have the right to receive RON 0.05 per share, proportionally with their participation in the paid in share capital of the Fund. The payment will start on 30 June 2017 being subject to the completion of all legal and regulatory requirements.

(f) Coverage of the cumulated accounting losses

According to the shareholders' resolution of the 31 October 2016 GSM, the cumulated accounting losses as stated in the 2015 financial statements for an amount of RON 2,473,157,472 were covered from other reserves (RON 156,118,900) and from registered share capital (RON 2,317,038,572), through the decrease of the subscribed share capital of the Fund from RON 8,562,968,634.10 to RON 6,245,930,062.52 by reducing the par value of the shares from RON 0.85 to RON 0.62. The subscribed share capital decrease and respectively the coverage of the cumulated accounting losses have been recorded in the accounting on 24 March 2017, respectively the date when the Trade Registry registered the 31 October 2016 GSM Resolution for approving the subscribed share capital decrease based on the FSA endorsement received on 22 March 2017.

15. Contingencies**1. Litigations**

As at 31 March 2017, the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets the Fund considers that there are no litigations which may have significant effects on the Fund's financial position or profitability.

2. Other contingencies

Other contingencies of the Fund included the receivables from World Trade Center București SA, as detailed below.

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

During 2008 through 2010, 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 as received in the Fund's financial statements.

In August 2013, World Trade Center București SA filed a claim against the Fund asking the Fund to pay back all 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 the 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

15. Contingencies (continued)**2. Other contingencies (continued)**

On 7 July 2016, the Bucharest Court admitted the claim filed by World Trade Center București SA and obliged Fondul Proprietatea to pay back the amounts recovered from the enforcement procedure (EUR 148,701, USD 10,131 and RON 8,829,663) and the related legal interest calculated for these amounts. During the period from July to August 2016, the Fund performed the payment of these amounts and the related legal interest to World Trade Center București SA. The Court decision is yet to be communicated to the Fund and afterwards the Fund will analyse whether it will appeal the decision or not.

The file started by the Fund against the Ministry of Public Finance for recovering the contributions of the Ministry of Public Finance to the share capital of the Fund is currently suspended until a final Court decision is taken in relation with the file mentioned above.

16. Related parties**(a) Key management****Remunerations**

	3 months ended 31 March 2017	3 months ended 31 March 2016
Remunerations		
Members of the Board of Nominees	300,000	300,000

There were no loans to or other transactions between the Fund and the members of the Board of Nominees during in the first quarter of 2017 or in the first quarter of 2016.

FTIML was both the Fund Manager and Sole Director of the Fund until 31 March 2016. Starting with 1 April 2016, considering the legal requirements to implement the AIFM Directive, the mandate of FTIML was terminated and FTIS was appointed as Sole Director and Alternative Investment Fund Manager. FTIS delegated the role of investment manager as well as certain administrative functions to FTIML.

The transactions carried out between the Fund and FTIS were the following:

	3 months ended 31 March 2017	3 months ended 31 March 2016
Transactions		
Investment management and administration fees	34,003,512	-

The transactions carried out between the Fund and FTIML were the following:

	3 months ended 31 March 2017	3 months ended 31 March 2016
Transactions		
Investment management and administration fees	-	12,567,842
Rental expense	16,591	16,481
Operating cost	6,029	5,690
	<u>22,620</u>	<u>12,590,013</u>

During the first quarter of 2017, the Fund also recorded RON 70,506 representing expenses incurred by the FTIML on its behalf (quarter ended 31 March 2016: RON 46,567). 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 management agreements and was subject to Board of Nominees' approval.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

16. Related parties (continued)**(a) Key management (continued)**

The outstanding liabilities owed by the Fund were as follows:

Amounts due to:	31 March 2017	31 December 2016
FTIS	34,134,833	12,907,804
FTIML	-	193,120
	34,134,833	13,100,924

There are no other elements of compensation for key management besides those described above.

(b) Subsidiaries

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

	31 March 2017	31 December 2016
Ownership interest		
Alcom SA	72%	72%
Comsig SA	70%	70%
Primcom SA	75%	75%
Zirom SA	100%	100%

During the first quarter of 2017, the Fund did not carry out any transaction with its subsidiaries.

During the first quarter of 2016, the Fund participated in the cash share capital increase of Zirom SA, subscribing 300,000 new shares, at the nominal value of RON 10 per share (in total of RON 3,000,000).

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

	31 March 2017	31 December 2016
Zirom SA	25,512,000	25,512,000
Primcom SA	10,939,775	10,225,757
Alcom SA	10,133,492	10,133,492
Comsig SA	248,269	248,269
	46,833,536	46,119,518

As at 31 March 2017, 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.

(c) Associates

As at 31 March 2017 and 31 December 2016 the Fund had two associates, all of them incorporated in Romania:

	31 March 2017	31 December 2016
Ownership interest		
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

The Fund did not carry out any transaction with its associates in the first quarter of 2017 or in the first quarter of 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

(all amounts are in RON unless otherwise stated)

17. Subsequent events**25 April 2017 GSM decisions**

The main shareholders decisions at the 25 April 2017 GSM were the following:

- the approval of the Annual Activity Report of the Sole Director of the Fund for the financial year 2016, including the IFRS financial statements for the year ended on 31 December 2016
- the approval of the auditor's report
- the ratification of all legal acts concluded, adopted or issued on behalf of Fondul Proprietatea through its sole director and/or its investment manager, as well as of any management/administration measures adopted, implemented, approved or concluded during 2016, and the discharge of Sole Director (Franklin Templeton Investment Management UK Bucharest Branch for period 1 January – 31 March 2016 and Franklin Templeton International Services S.à r.l. for period 1 April – 31 December 2016) for any liability for its administration during 2016 financial year
- the approval of the financial year 2016 net profit allocation.

3 May 2017 GSM decisions

At the 3 May 2017 GSM, Fund's shareholders approved the decrease of the subscribed share capital of the Fund from RON 5,238,521,987.92 to RON 4,854,034,784.56 pursuant to the cancellation of 739,398,468 own shares (having a par value of RON 0.52) acquired by the Fund during the seventh buy-back programme.

After the share capital decrease, the subscribed share capital of the Fund shall have a value of RON 4,854,034,784.56 being divided in 9,334,682,278 shares, each having a nominal value of RON 0.52 per share.

The first paragraph of Article 7 of the Constitutive Act of the Fund after the share capital decrease will be changed accordingly.

The subscribed share capital decrease will take place on the basis of Article 207 paragraph 1 letter (c) of Law no. 31/1990 and will be effective after all the following conditions are met:

- (i) the resolution is published in the Official Gazette of Romania, Part IV for at least two months;
- (ii) Financial Supervisory Authority endorses the amendment of Article 7 paragraph (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders during this meeting, where required by applicable law or regulation;
- (iii) the share capital decrease approved by the shareholders on 28 February 2017 is effective;
- (iv) the shareholders' resolution for approving this share capital decrease is registered with the Trade Registry.

Extension of the existing credit facility with BRD - Groupe Societe Generale SA

On 10 May 2017, the Fund announced that it has decided to extend the existing credit facility of RON 1 billion with BRD - Groupe Societe Generale SA with 1 year, until 4 July 2018, within the same terms and conditions.

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 31 March 2017, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	30 December 2016				31 March 2017				Differences
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
I. Total assets	100.4201%	100.0000%		11,475,358,724.04	100.8416%	100.0000%		10,779,464,254.95	(695,894,469.09)
1 Securities and money market instruments, out of which:*	24.6421%	24.5389%		2,815,929,874.99	27.6980%	27.4669%		2,960,791,934.49	144,862,059.50
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	24.6421%	24.5389%	-	2,815,929,874.99	27.6980%	27.4669%	-	2,960,791,934.49	144,862,059.50
1.1.1 listed shares traded in the last 30 trading days	21.6780%	21.5873%	-	2,477,213,080.14	26.8618%	26.6377%	-	2,871,406,743.74	394,193,663.60
1.1.2 listed shares not traded in the last 30 trading days	0.0887%	0.0883%	-	10,133,492.11	0.0948%	0.0940%	-	10,133,492.11	-
1.1.3 government bonds	2.8754%	2.8633%	-	328,583,302.74	0.7414%	0.7352%	-	79,251,698.64	(249,331,604.10)
1.1.4 allotment rights not admitted at trading on a regulated market	-	-	-	-	-	-	-	-	-
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-	-	-	-	-	-	-	-
1.2.1 listed shares traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.2.2 listed shares not traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.3. securities and money market instruments admitted on a stock exchange from a non-member state or negotiated on another regulated market from a non-member state, that operates on a regular basis and is recognised and opened to the public, approved by the FSA	-	-	-	-	-	-	-	-	-
2 New issued securities	-	-	-	-	-	-	-	-	-
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	66.0359%	65.7595%	-	7,546,147,063.97	70.5940%	70.0048%	-	7,546,147,063.97	-
- shares not admitted at trading on a regulated market	66.0359%	65.7595%	-	7,546,147,063.97	70.5940%	70.0048%	-	7,546,147,063.97	-
4 Bank deposits, out of which:	2.6721%	2.6609%	-	305,335,161.21	1.4530%	1.4411%	-	155,330,875.10	(150,004,286.11)
4.1. bank deposits made with credit institutions from Romania	2.6721%	2.6609%	-	305,335,161.21	1.4530%	1.4411%	-	155,330,875.10	(150,004,286.11)
- in RON	2.6721%	2.6609%	-	305,335,161.21	1.4530%	1.4411%	-	155,330,875.10	(150,004,286.11)
- 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:	0.0506%	0.0504%	-	5,781,686.46	0.3384%	0.3355%	-	36,162,554.65	30,380,868.19
- in RON	0.0506%	0.0504%	-	5,778,094.78	0.3384%	0.3355%	-	36,158,534.99	30,380,440.21
- in EUR	0.0000%	0.0000%	EUR 222.45	1,010.17	0.0000%	0.0000%	EUR 284.55	1,295.02	284.85
- in USD	0.0000%	0.0000%	USD 232.92	1,002.32	0.0000%	0.0000%	USD 302.04	1,287.14	284.82
- in GBP	0.0000%	0.0000%	GBP 298.18	1,579.19	0.0000%	0.0000%	GBP 271.15	1,437.50	(141.69)
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:	6.8382%	6.8099%	-	781,436,770.50	0.6535%	0.6480%	-	69,856,243.36	(711,580,527.14)
- Treasury bills with discount, with original maturities of less than 1 year	6.8382%	6.8099%	-	781,436,770.50	0.6535%	0.6480%	-	69,856,243.36	(711,580,527.14)
8 Participation titles of OCIU and/or of UCITS (A.O.P.C./O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.1812%	0.1804%	-	20,728,166.91	0.1047%	0.1037%	-	11,175,583.38	(9,552,583.53)
- 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	0.1053%	0.1049%	-	12,042,812.70	0.0222%	0.0220%	-	2,376,192.60	(9,666,620.10)
- tax on dividends to be recovered from the State Budget	0.0061%	0.0060%	-	692,489.00	0.0066%	0.0065%	-	697,732.00	5,243.00
- tax on profit to be recovered from the State Budget	0.0641%	0.0639%	-	7,330,440.00	0.0686%	0.0680%	-	7,330,440.00	-
- intangible assets	0.0048%	0.0047%	-	548,806.76	0.0048%	0.0045%	-	480,205.91	(68,600.85)
- other receivables, out of which:	0.0003%	0.0003%	-	35,811.24	0.0003%	0.0004%	-	38,077.89	2,266.65
- in RON	0.0003%	0.0003%	-	35,811.24	0.0003%	0.0004%	-	38,077.89	2,266.65
- prepaid expenses	0.0006%	0.0006%	-	77,807.21	0.0024%	0.0023%	-	252,934.98	175,127.77
II. Total liabilities	0.4201%	0.4184%		48,007,343.57	0.8416%	0.8345%		89,949,696.57	41,942,353.00
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1119%	0.1114%	-	12,782,412.56	0.3193%	0.3167%	-	34,134,832.78	21,352,420.22
2 Liabilities related to the fees payable to the depository bank	0.0006%	0.0006%	-	66,204.54	0.0006%	0.0006%	-	61,044.48	(5,160.06)
3 Liabilities related to the fees payable to intermediaries	0.0561%	0.0558%	-	6,406,659.99	0.0598%	0.0593%	-	6,396,332.28	(10,327.71)
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
5 Interest payable	-	-	-	-	-	-	-	-	-
6 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-
7 Liabilities in relation with the fees/commissions to FSA	0.0073%	0.0073%	-	833,574.93	0.0086%	0.0085%	-	915,898.71	82,323.78
8 Liabilities related to audit fees	-	-	-	-	-	-	-	-	-
9 Other liabilities, out of which:	0.2442%	0.2433%	-	27,918,491.55	0.4533%	0.4494%	-	48,441,588.32	20,523,096.77
- liabilities related to the return of capital	0.1768%	0.1761%	-	20,208,048.75	0.3829%	0.3797%	-	40,925,176.00	20,717,127.25
- provisions	0.0075%	0.0075%	-	856,247.22	0.0080%	0.0079%	-	856,247.22	-
- liabilities related to buybacks under settlement	0.0025%	0.0025%	-	287,823.53	0.0596%	0.0591%	-	6,371,681.00	6,083,857.47
- remunerations and related contributions	0.0003%	0.0003%	-	31,950.00	0.0004%	0.0004%	-	40,065.00	8,115.00
- VAT payable to State Budget	-	-	-	-	0.0001%	0.0001%	-	7,725.25	7,725.25
- other liabilities, out of which:	0.0571%	0.0569%	-	6,534,422.05	0.0023%	0.0022%	-	240,693.85	(6,293,728.20)
- in RON	0.0557%	0.0555%	-	6,374,591.32	0.0007%	0.0007%	-	71,853.11	(6,302,738.21)
- in USD	0.0009%	0.0009%	USD 25,007.00	107,612.62	0.0010%	0.0010%	USD 25,007.00	106,567.33	(1,045.29)
- in EUR	0.0005%	0.0005%	EUR 11,499.00	52,218.11	0.0005%	0.0004%	EUR 11,499.00	52,333.10	114.99
- in GBP	-	-	GBP -	-	0.0001%	0.0001%	GBP 1,875.00	9,940.31	9,940.31
III. Net Asset Value (I - II)	100.0000%	99.5816%		11,427,351,380.47	100.0000%	99.1655%		10,689,514,558.38	(737,836,822.09)

FONDUL PROPRIETATEA SA

* = 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	31 March 2017	30 December 2016	Differences
Net Asset Value	10,689,514,558.38	11,427,351,380.47	(737,836,822.09)
Number of outstanding shares	8,950,257,013	9,630,931,675	(680,674,662)
Unitary net asset value	1.1943	1.1865	0.0078

DETAILED STATEMENT OF INVESTMENTS AS AT 31 MARCH 2017

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	31/Mar/2017	72,884,714	0.5	1.4500	105,682,835.30	10.21%	0.9804%	0.9887%	Closing price
Banca Transilvania SA	TLV	31/Mar/2017	6,751,389	1	2.6600	17,958,694.74	0.18%	0.1666%	0.1680%	Closing price
BRD-Groupe Societe Generale SA	BRD	31/Mar/2017	25,363,456	1	12.3200	312,477,777.92	3.63%	2.8988%	2.9232%	Closing price
Conpet SA	COTE	31/Mar/2017	524,366	3.3	112.0000	58,728,992.00	6.05%	0.5448%	0.5494%	Closing price
IOR SA	IORB	17/Feb/2017	2,622,273	0.1	0.4000	1,048,909.20	2.81%	0.0097%	0.0098%	Reference price - Average price
Mecon SA	MECP	1/Mar/2017	60,054	11.6	4.5000	270,243.00	12.51%	0.0025%	0.0025%	Reference price - Average price
OMV Petrom SA	SNP	31/Mar/2017	7,117,548,078	0.1	0.3025	2,153,058,293.60	12.56%	19.9737%	20.1418%	Closing price
Palace SA	PACY	14/Mar/2017	5,832,482	0.1	0.4600	2,682,941.72	15.42%	0.0249%	0.0251%	Reference price - Average price
Primcom SA	PRIB	29/Mar/2017	1,275,032	0.1	8.5800	10,939,774.56	75.48%	0.1015%	0.1023%	Reference price - Average price
Romaero SA	RORX	31/Mar/2017	1,311,691	2.5	19.0000	24,922,129.00	20.99%	0.2312%	0.2331%	Reference price - Average price
Nuclearelectrica SA	SNN	31/Mar/2017	27,408,381	10	6.7000	183,636,152.70	9.09%	1.7036%	1.7179%	Closing price
Total						2,871,406,743.74		26.6377%	26.8618%	

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	27/Jul/2015	89,249	2.5	113.5418	10,133,492.11	71.89%	0.0940%	0.0948%	Shareholders' equity as of 31 December 2015
Total						10,133,492.11		0.0940%	0.0948%	

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	73.2328	1,695,998.42	20.00%	0.0157%	0.0159%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	113.2558	3,625,997.69	20.00%	0.0336%	0.0339%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
BAT Service SA	194,022	19/Jul/2005	656,686	0.0000	0.00	33.00%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Cetatea SA	354,468	19/Jul/2005	118,840	0.9855	349,328.21	20.43%	0.0032%	0.0033%	Unlisted companies, in function	Shareholders' equity as of 31 December 2015/ share
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	84.9222	17,252,794.15	20.00%	0.1601%	0.1614%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2015 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	109.2594	3,010,533.51	20.00%	0.0279%	0.0282%	Unlisted companies, in function	Shareholders' equity as of 31 December 2015/ share
CN Administratia Porturilor Dunarii Maritime SA	56,675	19/Jul/2005	1,706,051	20.8520	1,181,787.10	7.70%	0.0110%	0.0111%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2015 adjusted with dividends declared/ share)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	65,511,444	81.2601	215,999,747.09	19.99%	2.0038%	2.0207%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
CN Aeroporturi Bucuresti SA **	2,875,443	5/Feb/2010	131,168,263	264.6548	760,999,792.08	20.00%	7.0597%	7.1191%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	0.0000	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Comsig SA	75,655	19/Jul/2005	132,633	3.2816	248,269.45	69.94%	0.0023%	0.0023%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2015 adjusted with dividends declared/ share)
E-Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	65.0605	599,899,708.96	24.12%	5.5652%	5.6120%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
E-Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	56.2998	380,199,699.47	24.09%	3.5271%	3.5568%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
E-Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	138.0053	449,399,906.90	12.00%	4.1690%	4.2041%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Electrica Furnizare SA ***	1,366,412	22/Jul/2011	17,819,672	122.7470	167,722,973.76	22.00%	1.5559%	1.5690%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	158.3140	70,299,964.96	12.00%	0.6522%	0.6577%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	44.9404	75,499,872.00	12.00%	0.7004%	0.7063%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	189.6517	453,399,939.89	11.99%	4.2061%	4.2415%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,378,235	19/Jul/2005	3,107,667,996	37.8615	3,383,994,044.45	19.94%	31.3930%	31.6571%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Plafar SA	132,784	28/Jun/2007	3,160,329	16.2444	2,156,996.41	48.99%	0.0200%	0.0202%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	2.8913	42,999,260.36	25.00%	0.3989%	0.4023%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Romplumb SA	1,595,520	28/Jun/2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Salubriserv SA	43,263	19/Jul/2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
SDEE Muntenia Nord SA (former Electrica Distributie Muntenia Nord SA)	7,796,022	19/Jul/2005	165,221,141	32.7346	255,199,661.76	21.99%	2.3675%	2.3874%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
SDEE Transilvania Nord SA (former Electrica Distributie Transilvania Nord SA)	8,167,813	19/Jul/2005	113,299,904	25.5025	208,299,651.03	22.00%	1.9324%	1.9486%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
SDEE Transilvania Sud SA (former Electrica Distributie Transilvania Sud SA)	9,327,282	19/Jul/2005	125,918,629	26.3956	246,199,204.76	21.99%	2.2840%	2.3032%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	90.2345	180,999,939.80	48.99%	1.6791%	1.6932%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	0.0000	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero
World Trade Hotel SA	17,912	19/Jul/2005	17,912	0.0000	0.00	19.90%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (lack of annual financial statements for the year-ended 31 December 2015)
Zirom SA	5,405,083	28/Jun/2007	53,838,072	4.7200	25,511,991.76	100.00%	0.2367%	0.2387%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Total			5,115,702,791		7,546,147,063.97		70.0048%	70.5940%		

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 resulting from the merger of CN "Aeroportul International Henri Coanda - Bucuresti" S.A. and S.N. "Aeroportul International Bucuresti Baneasa - Aurel Vlaicu" S.A.

*** = company resulting from the merger of Electrica Furnizare Transilvania Nord S.A., Electrica Furnizare Transilvania Sud S.A. and Electrica Furnizare Muntenia Nord S.A.

**** = company resulting from the merger of Complexul Energetic Turceni S.A., Complexul Energetic Craiova S.A., Complexul Energetic Rovinari S.A., Societatea Nationala a Lignitului Oltenia S.A.

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
RO1717CTN023	10,000	6/Feb/2017	2/Aug/2017	49,844,043.50	886.12	46,964.18	49,891,007.68	0.4628%	0.4667%	ING BANK	Acquisition price cumulated with the related interest since the acquisition date
RO1717CTN023	4,000	9/Feb/2017	2/Aug/2017	19,950,821.20	282.64	14,414.48	19,965,235.68	0.1852%	0.1868%	Banca Comerciala Romana	
Total							69,856,243.36	0.6480%	0.6535%		

Government bonds

Issuer	ISIN code	No. of instruments	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Market price / Reference composite price	Current value	Stake in FP total assets	Stake in FP net asset	Evaluation method
Ministry of Finance	RO1217DBN046	2,500	21/Oct/2016	26/Jul/2017	26/Jul/2017	25,000,000.00	4,041.10	1,006,232.88	10,164.40	26,417,232.88	0.2451%	0.2471%	Fair value (reference composite price published by Reuters, including the cumulated interest)
Ministry of Finance	RO1217DBN046	5,000	6/Feb/2017	26/Jul/2017	26/Jul/2017	50,000,000.00	8,082.20	2,012,465.76	10,164.40	52,834,465.76	0.4901%	0.4943%	
Total										79,251,698.64	0.7352%	0.7414%	

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
ING BANK	27/Mar/2017	3/Apr/2017	37,650,000.00	209.16	1,045.83	37,651,045.83	0.3493%	0.3522%	Bank deposit value cumulated with the daily related interest for the period since starting date
Banca Comerciala Romana	27/Mar/2017	3/Apr/2017	37,650,000.00	188.25	941.25	37,650,941.25	0.3493%	0.3522%	
Unicredit Tiriac Bank	31/Mar/2017	3/Apr/2017	34,200,000.00	285.00	285.00	34,200,285.00	0.3173%	0.3199%	
BRD Groupe Societe Generale	31/Mar/2017	3/Apr/2017	9,174,836.90	38.23	38.23	9,174,875.13	0.0851%	0.0858%	
BRD Groupe Societe Generale	31/Mar/2017	3/Apr/2017	34,200,000.00	161.50	161.50	34,200,161.50	0.3173%	0.3199%	
BRD Groupe Societe Generale	31/Mar/2017	3/Apr/2017	2,453,532.31	34.08	34.08	2,453,566.39	0.0228%	0.0230%	
Total						155,330,875.10	1.4411%	1.4530%	

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

	31 December 2015	30 December 2016	31 March 2017
Net Asset	12,093,456,192.73	11,427,351,380.47	10,689,514,558.38
NAV/share	1.1570	1.1865	1.1943

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

Adrian Cighi
Legal representative

Marius Nechifor
Compliance Officer

BRD Groupe Societe Generale

Claudia Ionescu
Director

Victor Strâmbei
Manager Depository Department



FONDUL
PROPRIETATEA

Fondul Proprietatea SA
Premium Point (7th Floor)
78-80 Buzesti Street, 1st District
Bucharest 011017
Romania