

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.
- Between 1 January and 31 March 2016 the Sole Administrator of the Fund was Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML”). The first mandate was effective since 29 September 2010 for a period of 4 years, and the mandate was renewed for 2 years with effect from 30 September 2014.
- Considering the legal requirements to implement the Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFM Directive”) the shareholders of the Fund approved, on 29 October 2015, the change of the management structure and the termination of the mandate of FTIML as Fund Manager and Sole Administrator, with the mutual consent of both parties, with effect from 1 April 2016. Subsequent to the termination, the Fund appointed Franklin Templeton International Services S.à r.l. (“FTIS” or “Fund Manager”) as its Sole Director and Alternative Investment Fund Manager under the AIFM Directive and local implementation regulations, and executed a new Management Agreement in order to comply with the AIFM Directive (FTIS mandate commenced on 1 April 2016). FTIS delegates the role of investment manager as well as certain administrative functions to FTIML.
- Since 25 January 2011, the Fund’s shares have been listed on the Bucharest Stock Exchange (“BVB”). Since 29 April 2015, the Fund’s global depository receipts (“GDRs”) have been listed on the Specialist Fund Market (“SFM”) of the London Stock Exchange (“LSE”).

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

NAV* and share price developments	Notes	Q3 2016	Q3 2015	H1 2016	Q3 2016	Q3 2016
					vs	vs
					Q3 2015	H1 2016
Total Shareholders' Equity (RON million)	a	11,316.7	11,970.3	11,766.0	-5.5%	-3.8%
Total NAV (RON million)	b, n	11,356.8	12,000.3	11,804.5	-5.4%	-3.8%
NAV per Share (RON)	b, n	1.1698	1.1342	1.1445	+3.1%	+2.2%
NAV per Share change in the period (%)	c	+2.2%	-4.3%	-1.0%		
NAV per Share Total Return (%)	c, i	+2.2%	-4.3%	+3.5%		
Share Price as at the end of the period (RON)		0.8030	0.7900	0.7260	+1.6%	+10.6%
Share Price Low (RON)	d	0.7250	0.7250	0.6780	+0.0%	+6.9%
Share Price High (RON)	d	0.8070	0.8210	0.8040	-1.7%	+0.4%
Share Price change in the period (%)	c	+10.6%	-0.6%	-10.4%		
Share Price Total Return (%)	c, j	+10.6%	-0.6%	-4.2%		
Share Price discount to NAV as at the end of the period (%)	f	31.4%	30.3%	36.6%		
Average Discount for the period (%)	f	32.0%	32.8%	32.7%		
Total Share Turnover (RON million)	e, l	669.6	477.2	749.7	+40.3%	-10.7%
Average Daily Share Turnover (RON million)	e, l	10.3	7.2	5.9	+43.1%	+74.6%
GDR Price as at the end of the period (USD)		10.4000	10.0000	9.2000	+4.0%	+13.0%
GDR Price Low (USD)	g	9.3700	9.4500	8.5000	-0.8%	+10.2%
GDR Price High (USD)	g	10.6500	10.3000	9.9000	+3.4%	+7.6%
GDR Price change in the period (%)	c	+13.0%	+0.0%	-7.1%		
GDR Price Total Return (%)	c, k	+13.0%	+0.0%	-1.0%		
GDR Price discount to NAV as at the end of the period (%)	f	29.2%	30.6%	34.7%		
Average GDR Price discount for the period (%)	f	29.5%	32.4%	31.3%		
Total GDR Turnover (USD million)	h, m	75.2	81.8	139.0	-8.1%	-45.9%
Average Daily GDR Turnover (USD million)	h, m	1.2	2.0	1.1	-40.0%	+9.1%

Source: FTIML

* Net Asset Value

Notes:

- a. Prepared on the basis of IFRS (including the comparative amounts)
- b. Prepared on the basis of local rules issued by the capital market regulator (for Q3 2015 the non-portfolio items are calculated based on Romanian Accounting Regulations in force as at the respective date, i.e. Financial Supervisory Authority ("FSA") Regulation 4/2011; for H1 2016 and Q3 2016 the non-portfolio items are calculated based on IFRS)
- c. Compared to the end of the previous period
- 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, using the latest published NAV per share at the date of calculation.
- g. Source: LSE - Closing prices
- h. Source: LSE
- 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 Investment Policy Statement.
- 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 Investment Policy Statement.
- 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 Investment Policy Statement.
- l. Including the tender offer carried by the Fund in September, with a total value of RON 327.2 million (excluding transaction costs) for the 388.6 million shares acquired on BVB
- m. Including the tender offer of the carried by the Fund in September, with a total value of USD 39.7 million (excluding transaction costs) for the 186.4 million shares equivalent to the GDRs acquired on LSE
- n. The difference in change (%) between total NAV and NAV per share is accounted for by 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	30 September 2016	30 June 2016	31 December 2015
Issued Share Capital (RON)	9,320,973,180.85	9,320,973,180.85	10,074,080,745.90
Paid Share Capital (RON)	9,011,732,683.35	9,011,732,683.35	9,746,649,630.90
Number of Shares in Issue	10,965,850,801	10,965,850,801	11,193,423,051
Number of Paid Shares	10,602,038,451	10,602,038,451	10,829,610,701
Nominal Value per Share (RON)	0.85	0.85	0.90

Note:

1. On 14 March 2016 the Trade Registry registered Resolution no. 8/ 29 October 2015 of the Fund's Extraordinary General Shareholders Meeting ("EGM") for approving the decrease of the subscribed share capital from RON 10,074,080,745.90 to RON 9,869,265,720.90, pursuant to the cancellation of 227,572,250 own shares acquired by the Fund during the fifth buy-back programme, endorsed by the FSA through the Endorsement no. 74/ 25 February 2016.
2. On 9 June 2016, the Trade Registry registered Resolution no 1/ 27 January 2016 of the Fund's EGM for approving the subscribed share capital decrease from RON 9,869,265,720.90 to RON 9,320,973,180.85 through the reduction of the nominal value of the Fund's shares from RON 0.90 to RON 0.85.

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	FP.BX
ISIN	ROFPTAACNOR5
Financial Supervisory Authority Register No	PJR09SIIR/400006/18.08.2010
CIVM Registration No	AC-4386-2/07.11.2016

Shareholder Structure (as at 30 September 2016)

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	33.33%	34.48%	37.64%
Foreign institutional shareholders	21.20%	21.92%	23.94%
Romanian private individuals	17.83%	18.44%	20.13%
Romanian institutional shareholders	12.96%	13.41%	14.64%
Foreign private individuals	3.19%	3.30%	3.60%
Ministry of Public Finance ³	0.04%	0.04%	0.05%
Treasury shares ⁴	8.13%	8.41%	-
Unpaid shares ⁵	3.32%	-	-

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

There were 7,341 shareholders as at 30 September 2016.

Largest Shareholders

Shareholder	As at	% of voting rights
Elliott Associates	21 October 2015	21.06%
City of London Investment Mgmt.	5 April 2016	5.04%

Source: ownership disclosure submitted by shareholders

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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 no global depository receipts as at 30 September 2016

³ The percentage represents the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 3.36%, including the unpaid shares

⁴ 891,770,055 treasury shares acquired by the Fund in the sixth buy-back programme based on settlement date (656,831,105 ordinary shares acquired and 234,938,950 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 Administrator and Alternative Investment Fund Manager of Fondul Proprietatea presents the results of the Fund in accordance with IFRS for the quarter ended 30 September 2016, with an unaudited net profit of RON 30.0 million, as compared to the unaudited net loss of RON 342.7 million for the quarter ended 30 September 2015. For the nine-month period ended 30 September 2016 the unaudited net profit was RON 570.7 million (for the nine-month period ended 30 September 2015 the unaudited net loss was RON 432.4 million).

Total shareholders' equity was RON 11,316.7 million as at 30 September 2016 (30 June 2016: RON 11,766.0 million). The comparative amounts are presented in accordance with IFRS.

The main contribution to the profit recorded in the first nine months of 2016 was the net gain on disposal of equity investments available for sale, which was partially offset by the net loss from equity investments at fair value through profit or loss. This loss was unrealised and was mainly generated by the negative net change in fair value for the holding in OMV Petrom SA, due to the decrease of this company's share price (for the nine month period ended 30 September 2016 the share price for OMV Petrom SA decrease by 15.9%, while during the third quarter of 2016 the price increased by 1.7%).

The Fund reported a Net Asset Value of RON 11,356.8 million as at 30 September 2016 and a Net Asset Value per Share ("NAV per share") of RON 1.1698 (a positive NAV per Share total return of 2.2% as compared to 30 June 2016).

In the quarter ended 30 September 2016, the BVB outperform the largest markets in Central Europe, in both local currency and EUR terms, as shown in the table below:

% change in Q3 2016	in local currency	in EUR
BET-XT (Romania)	+9.6%	+11.2%
ATX (Austria)	+6.4%	+6.4%
BUX (Hungary)	+4.3%	+5.9%
PX (Czech Republic)	-3.4%	-3.4%
WIG20 (Poland)	-5.5%	-3.6%

Source: Bloomberg

The discount of the Fund's share price to NAV was 31.4% as at 30 September 2016, based on NAV as at 30 September 2016. In the quarter ended 30 September 2016, the discount calculated according with the Investment Policy Statement ranged between 29.9% and 34.1%.

As at 30 September 2016, the NAV calculated according to local rules issued by the capital market regulator is very similar with the shareholders' equity calculated according to IFRS due to similar valuation methodologies applied to financial assets, as illustrated in the following table:

	Local Capital Market Regulations*	IFRS
Listed securities	Valued at closing market prices (regulated markets) Valued at reference prices (Alternative Trading Systems)**	Valued at fair value
Unlisted or illiquid listed securities	Valued as per latest issued annual financial statements (proportionally with the stake held) or using fair valuation methodologies	Valued at fair value

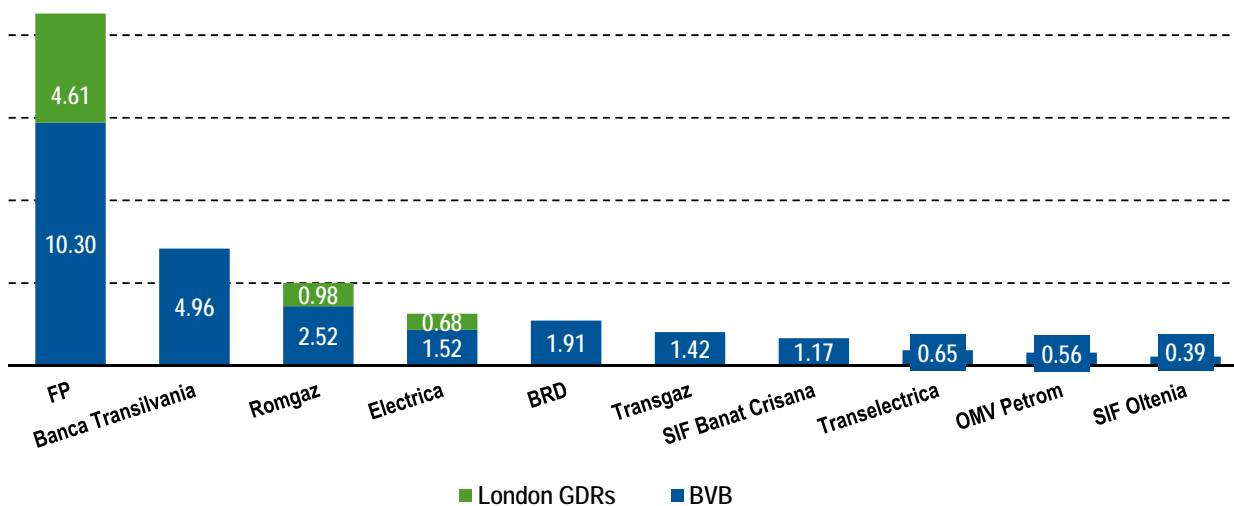
* Details on the valuation methods used for the holding in each company are presented in the Annex 2 to this report: the shares of companies under insolvency or reorganisation procedure are valued either at zero or at a value assessed by an independent authorised valuer, using valuation methods in accordance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

** Reference price is considered to be the average price for the securities listed on an Alternative Trading System.

Significant Events

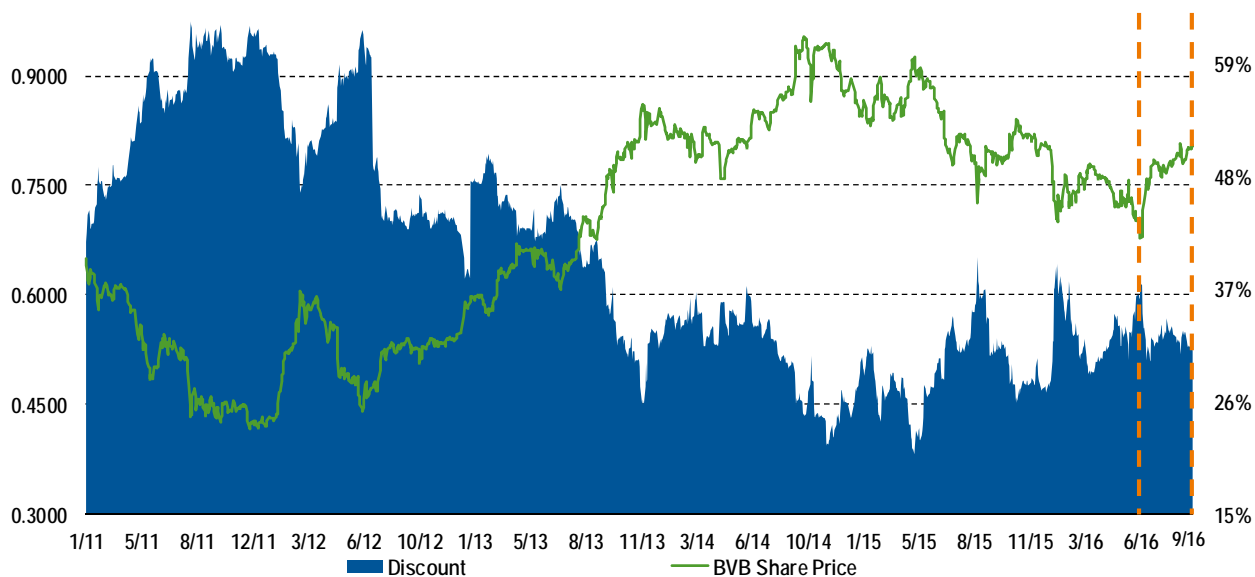
Regulated Stock Market Trading

Average Daily Turnover in the quarter ended 30 September 2016 (RON million)



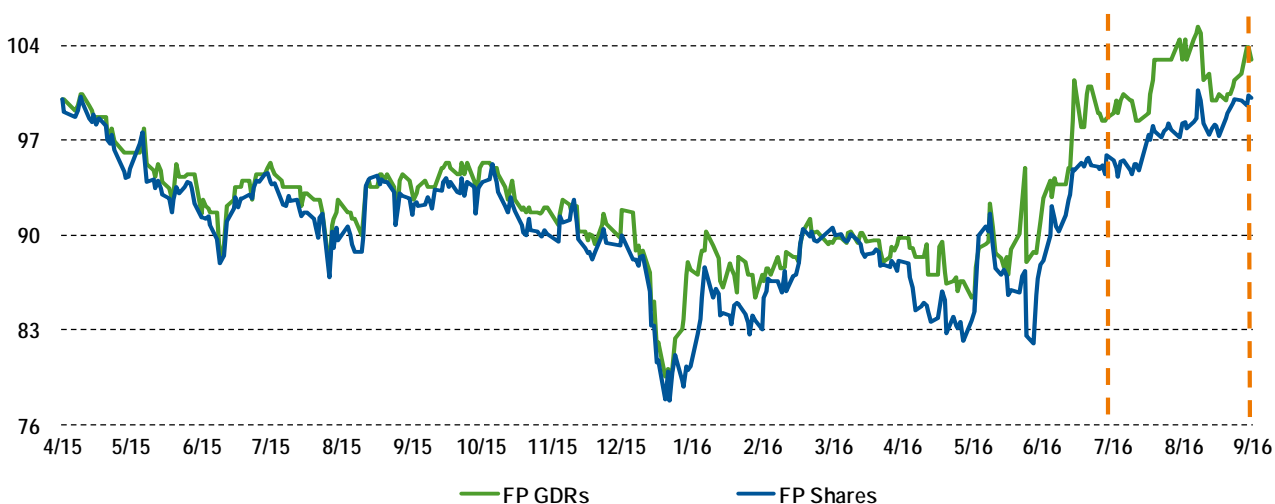
Note: the values include the Fund tender offer from September 2016 of RON 327.2 million for the 388.6 million shares acquired on BVB and RON 157.0 million for the 186.4 million shares equivalent to the GDRs acquired on LSE
 Source: BVB, Bloomberg

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



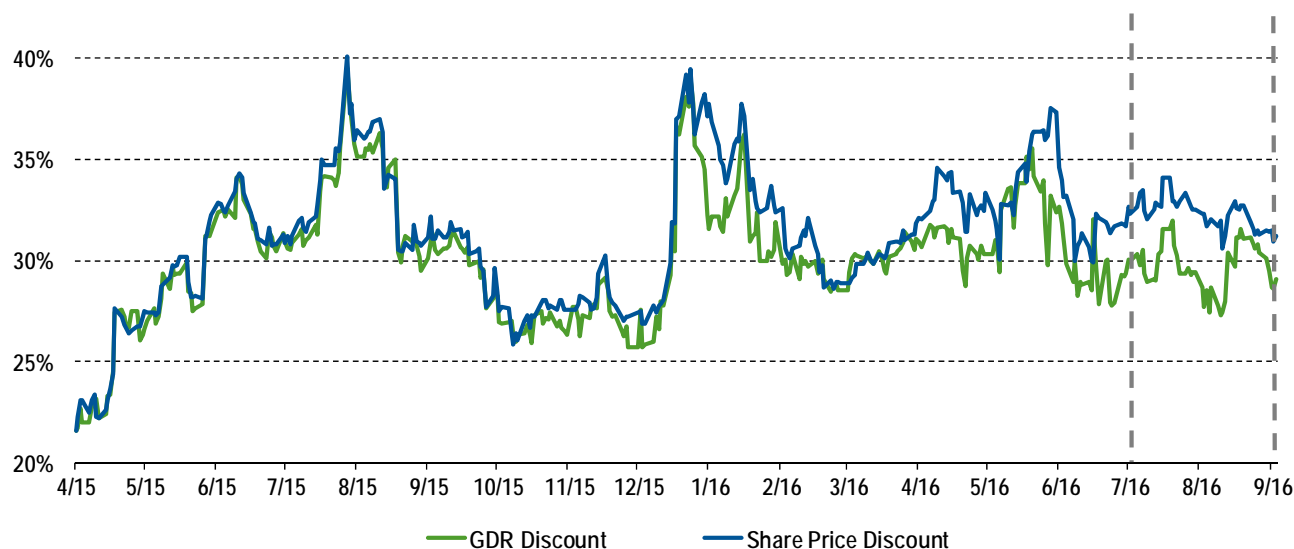
Source: BVB

FP Share Price vs. FP GDR price



Note: As at 30 September 2016, FP GDRs were trading on LSE at a 3.15% premium to the FP share price on BVB.
Source: BVB, LSE

FP Share Price Discount vs. FP GDR Price Discount



Source: BVB, Bloomberg, for the period 29 April 2015 – 30 September 2016

Performance Objectives

For the reporting period between 1 July 2016 and 30 June 2017, according to the Fund's Investment Policy Statement, there are two performance objectives that the Fund Manager is aiming to achieve. The NAV objective refers to a higher adjusted NAV⁶ 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.

⁶ 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

As at 30 September 2016, the adjusted NAV per share was 3.47% higher than the 30 June 2015 NAV per share of RON 1.1851.

NAV Objective	Amount RON	Details
Total NAV as at 30 September 2016	11,356,761,696	
Costs related to the 2015 and 2016 returns of capital after 30 June 2015 , until 30 September 2016	22,443	Fees charged by Central Depository and Paying Agent for the payments performed after 30 June 2015 (for the 2015 and 2016 returns of capital)
Costs related to buy-backs after 30 June 2015 , until 30 September 2016	6,166,362	Fees related to fifth buy-back programme after 30 June 2015 and sixth and seventh buy-back programme up to 30 September 2016
Distribution fees after 30 June 2015, until 30 September 2016	24,933,481	Distribution fees for distributions to shareholders (including buy-backs and 2016 return of capital) after 30 June 2015, until 30 September 2016
2016 Return of capital to shareholders	516,886,344	2016 Return of capital
Total Adjusted NAV as at 30 September 2016	11,904,770,326	
Number of Fund's paid shares, less treasury shares and GDRs held as at 30 September 2016	9,708,159,932	
Adjusted NAV per share as at 30 September 2016	1.2262	
NAV per share as at 30 June 2015	1.1851	
Difference	0.0411	
%	3.47%	

Source: FTIML

Discount Objective

In the period between 1 July 2016 and 30 September 2016 the discount to NAV was greater than 15%, for both shares and GDRs.

FTIML and FTIS will continue the efforts to reduce the discount to NAV as we firmly believe that the Fund's shares should be trading at a significantly lower discount than the current levels, given the quality of the underlying portfolio assets, our track record in working with the portfolio companies to improve efficiency and profitability, the attractive cash distribution yield of over 12% for 2017 given the proposed special cash distribution, the ongoing buy-back programmes and our transparency, disclosure, and proactive investor relations efforts.

Discount Evolution⁷

Discount at 30 September 2016	Minimum discount in the reporting period	Maximum discount in the reporting period	Average discount for the reporting period
31.2%	29.9%	34.1%	32.0%

Source: FTIML

Investor Relations Update

During the third quarter of 2016 we continued 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.

In this period we participated in 3 emerging and frontier market conferences in the United Kingdom, where we met with investment professionals from over 20 international investment institutions, interested in finding out more details about the Fund and its equity story and to receive updates on the Fund, its corporate actions and its main portfolio holdings, as well as on the Romanian macro-economic environment.

The Investment Manager also organised 3 road-shows in the most important financial centres in Europe (London, and Frankfurt) and the United States (New York, Boston and Chicago). During the road-shows, the investment management team participated in individual and group meetings with representatives of 25 international asset management firms, both current shareholders and potential investors of Fondul Proprietatea.

⁷ The daily discount is calculated in accordance with the Investment Policy Statement, i.e. the discount between the FP shares closing price on the BVB for each trading day and the latest reported NAV per share.

Between 7 to 9 September, we organised the ninth edition of Fondul Proprietatea Analyst and Investor Days event. 76 representatives from 49 local and foreign institutional investors (with over USD 3,000 billion collectively in assets under management) participated in the event. Also, representatives of local authorities (Romanian National Bank, Financial Supervisory Authority, Regulatory Authority for Energy), as well as from the Romanian Government, the US and UK Embassies in Romania, of corporates in the Fund's portfolio, of local companies trading on BVB, or candidates for IPOs joined the event, bringing the total number of attendees to over 170. The investors present at the event also had the opportunity to visit some of the most important assets in the Fund's portfolio, namely Hidroelectrica's Iron Gates I power-plant and Salrom's salt mine in Slanic Prahova.

On 9 September, we organised together with WOOD & Co the Frontier Investor Day event where 440 individual and group meetings were held between the institutional investors and the 30 companies present at the event, Romanian listed companies or potential future IPOs and foreign corporates from other frontier markets. This is a significant increase in the number of participants attending the conference and testament to the growing interest in Romania from foreign institutional investors.

On 12 August the Investment Manager held a conference call to discuss the Fund's first half 2016 results. 40 analysts covering the Fund and institutional investors participated in order to find out more details about the Fund and the latest developments.

Furthermore, during the third quarter of the year, we organised 4 individual meetings with current and prospective investors, as well as 5 conference calls with institutional investors interested in the latest developments regarding the Fund's corporate actions and its portfolio companies.

Communication between the Fund Manager and investors remains our top priority as we aim to ensure that investors are informed about the latest developments and obtain 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 73,105,672 GDRs until 26 October 2016 and 71,908,346 GDRs after that date, each GDR representing 50 shares. As at 30 September 2016 33.3% of the Fund's issued shares were converted into GDRs, accounting for 37.64% of the voting rights.

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

Credit Facility Agreement

On 4 July the Fund has contracted a revolving committed credit facility for a maximum amount of RON 1 billion from BRD - Groupe Societe Generale 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, but excluding investments and is meant to replace the previous financing arrangement concluded by the Fund with Citibank Europe Plc. Dublin - Romania Branch that was terminated on 8 July 2016.

The Fund did not use the credit facility during the quarter ended 30 September 2016.

Buy-back Programmes

The sixth buy-back programme

During the 27 April 2015 GSM the shareholders approved the sixth buy-back programme for a maximum number of 891,770,055 shares or the equivalent number of GDRs corresponding to the shares of Fondul Proprietatea, valid until 15 November 2016. The buy-backs could be performed at a price between RON 0.2 per share and RON 2 per share. The buy-back transactions could only be applied to fully paid shares and the repurchased shares will be cancelled.

Tender Offer within the six buy-back programme

On 5 July the Fund submitted for approval to the FSA an application for a tender offer for acquisition of own shares in relation to the sixth buy-back programme. Wood & Company Financial Services AS was engaged as intermediary in relation to the purchase of shares, Goldman Sachs International and Wood & Company Financial Services AS were engaged as dealer managers and The Bank of New York Mellon was appointed as tender agent in relation to the purchase of GDRs.

The daily execution of the sixth buy-back programme with respect to shares on the BVB and GDRs on the LSE was suspended on 27 June 2016.

On 27 July 2016 the FSA approved the Fund's application for the tender offer. The subscription period was from 3 August 2016 until 7 September 2016 and the purchase price was RON 0.8420 per share and the USD equivalent of RON 42.10 per GDR.

On 7 September the Fund Manager announced the results of the tender offer: total subscription of 6,628,754,149 shares (4,479,422,849 in the form of shares and 2,149,331,300 in the form of GDRs), representing 1,152.83% of the Offer. Under this tender offer, the Fund repurchased 575,000,000 shares (388,559,950 ordinary shares and 186,440,050 equivalent shares of the GDRs repurchased, where 1 GDR represents 50 ordinary shares), representing RON 327,167,478 and USD 39,716,268 (excluding transaction costs).

The daily execution of the sixth buy-back programme restarted on 15 September and the remaining 28,399,948 shares were acquired, at a total acquisition value of RON 22,626,159 (excluding transaction costs).

On 27 September 2016 the sixth buy-back programme was completed: all 891,770,055 shares were repurchased, at a total acquisition value of RON 731,959,565 (excluding transaction costs). The weighted average price was approximately RON 0.8156 per share, respectively USD 10.5221 per GDR.

On 16 September the Fund converted all the outstanding 3,751,301 GDRs into 187,565,050 ordinary shares.

For more details regarding the cancellation of the shares acquired within the six buy-back programme, please see section *Subsequent Events*.

The seventh buy-back programme

On 29 October 2015 the Fund's shareholders approved the seventh buy-back programme that refers to the acquisition of a maximum number of shares computed so that all the outstanding treasury shares (acquired during this programme and/ or previous ones) does 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 has commenced on 29 September 2016 and until 30 September 2016, the total number of shares repurchased was 2,108,464 shares at a total acquisition value of RON 1,693,786 (excluding transaction costs). There were no acquisitions of shares in the form of GDRs within the seventh buy-back programme until 30 September 2016.

For more details regarding the approval of the eighth buy-back programme, please see section *Subsequent Events*.

Official Accounting Regulations

According to FSA Norm no. 39/2015 regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by FSA – Financial Investments and Instruments sector ("Norm 39/2015"), with effect from the annual financial statements for the year ended 31 December 2015, IFRS are the official accounting regulations (the statutory basis of accounting) for the regulated entities, including Fondul Proprietatea. Starting 1 January 2016 the Fund maintains the daily accounting records in accordance with IFRS, these being used for the preparation of this report.

Subsequent Events

Decisions of 11 October 2016 EGM

The main decisions of the shareholders at the 11 October 2016 GSM were the following:

- Approve of the decrease of the subscribed share capital as a result of the partial cancellation of 712,171,156 own shares repurchased during the sixth buy-back programme;
- Approval of 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-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;
- 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 Administrator/ its Alternative Investment Fund Manager between 6 September 2010 and 10 October 2016.

Decisions of 31 October 2016 GSM

The main decisions of the shareholders at the 31 October 2016 GSM were the following:

- Approval of the decrease of the Fund's subscribed share capital through the reduction of the par value of the Fund's shares from RON 0.85 to RON 0.57, for covering the accounting losses and for a special distribution to shareholders of RON 0.05 per share;
- Approval of the amendments to the Fund's Constitutive Act;
- Approval for a special authorisation for the Sole Director to execute certain acts over any holdings in the Fund's portfolio companies during the financial year 2017;
- Approval of the continuation of the mandate of FTIS as the Fund's AIFM and Sole Director;
- Approval of the Fund's 2017 Budget;
- Appointment of Deloitte Audit SRL as the Fund's financial auditor for the financial year ending 31 December 2016 and of the financial audit agreement;
- 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 Administrator/ its Alternative Investment Fund Manager between 6 September 2010 and 30 October 2016.

Secondary public offering for partial sale of shares in OMV Petrom SA

On 5 October 2016 the FSA approved the Prospectus relating to the secondary public offering by the Fund regarding a partial sale of its shares in OMV Petrom SA. The value of the offer was up to 3,641,100,108 shares, representing approx. 6.4% of the company's share capital, in the form of shares and GDRs (the company has also applied for admission to listing of the GDRs on the London Stock Exchange).

The Final Offer Price was RON 0.21 per share and USD 7.70 per GDR. The price per share for investors in the Small Retail Tranche during the first four working days of the offer was of 95% of the Final Offer Price (i.e. RON 0.1995 per share) and 97% of the Final Offer Price (i.e. RON 0.2040 per share) starting with the fifth working day of the offer.

The subscription period was six business days, from 6 October 2016 to 13 October 2016. The number of shares sold in the offer was 3,641,100,108, out of which 3,267,250,908 in the form of shares and 373,849,200 in the form of GDRs, where 1 GDR represents 150 ordinary shares.

The gross proceeds received from the sale amount to RON 682,342,730.23 for the Shares and USD 19,190,925.60 for the GDRs sold.

Partial cancelation of the shares acquired within the sixth buy-back programme

At the 26 April 2016 GSM the shareholders approved the cancellation of 179,598,899 shares repurchased by the Fund during the six buy-back programme. The shareholders resolution was published in the Official Gazette of Romania on 24 May 2016.

On 26 October 2016 the Trade Registry registered Resolution no. 4/ 27 April 2016 of the Fund's EGM for approving the decrease of the subscribed share capital from RON 9,320,973,180.85 to RON 9,168,314,116.70, pursuant to the cancellation of 179,598,899 own shares acquired by the Fund during the six buy-back programme, endorsed by the FSA Endorsement no. 264/ 12 October 2016.

Therefore, starting with 26 October 2016, the new value of the Fund's subscribed share capital is RON 9,168,314,116.70, being divided into 10,786,251,902 shares with a nominal value of RON 0.85 per share. The value of the paid-in share capital is RON 8,859,073,619.20, being divided into 10,422,439,552 shares.

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.

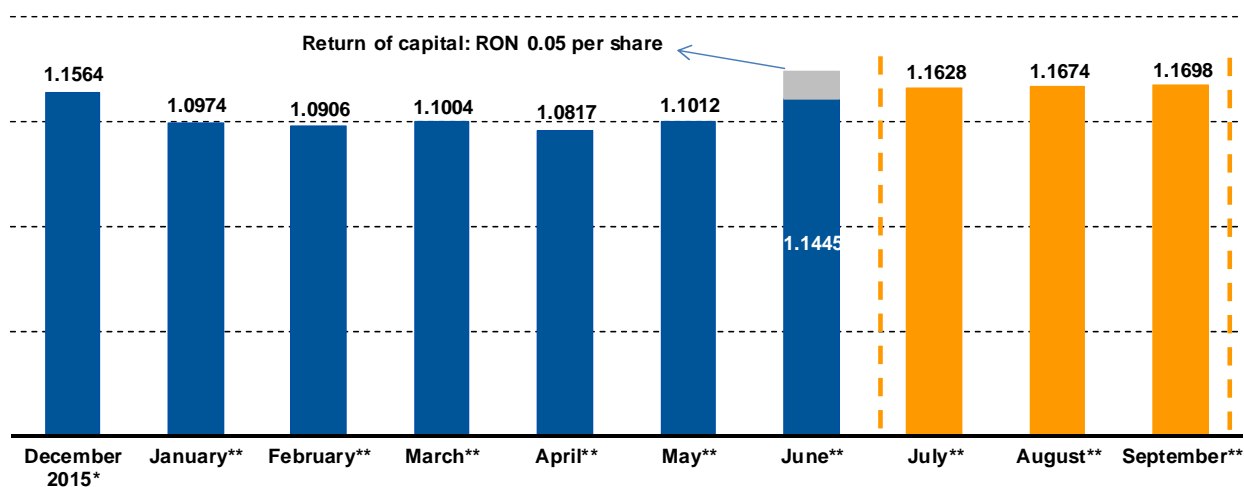
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards which permit fair valuation.

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

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

The following chart shows information on the monthly published NAVs per share for the period 31 December 2015 to 30 September 2016:

NAV per share (RON per share)



Source: FTIML, based on NAV reports submitted to FSA

*Based on Romanian Accounting Regulation for non-portfolio items

** Based on IFRS for non-portfolio items

The grey section within June 2016, represents the impact of 2016 return of capital per share, approved by shareholders in January 2016, and recorded in June 2016, following the FSA endorsement no. 141/ 25 May 2016 of the share capital decrease and the registration at Trade Register on 9 June 2016, which resulted in a corresponding reduction of NAV per share.

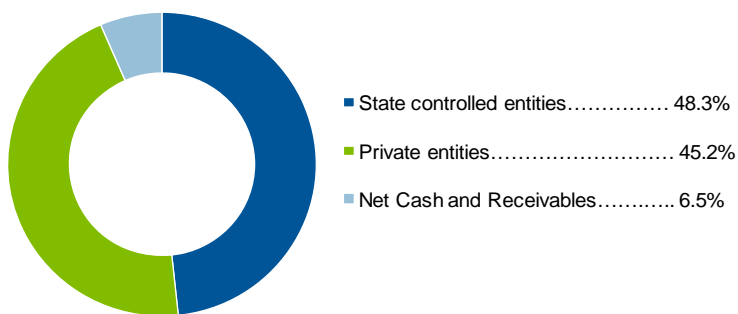
During the third quarter of 2016 the NAV per share increased by 2.2%, mainly due to the positive share price evolution of the Fund’s listed holdings compared with 30 June 2016, principally OMV Petrom SA (impact on the Fund’s NAV of RON 43.0 million or RON 0.0042 per share) and BRD Groupe Societe Generale SA (impact on the Fund’s NAV of RON 30.4 million or RON 0.0030 per share) and to the tender offer for acquisition of own shares carried out by the Fund during this period.

During the third quarter of 2016, there were no significant changes in the valuation of the Fund’s unlisted holdings.

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 93.5% of the Fund’s NAV as at 30 September 2016. As at that date, the portfolio was composed of holdings in 45 companies (13 listed and 32 unlisted), containing a combination of privately held and state-controlled entities.

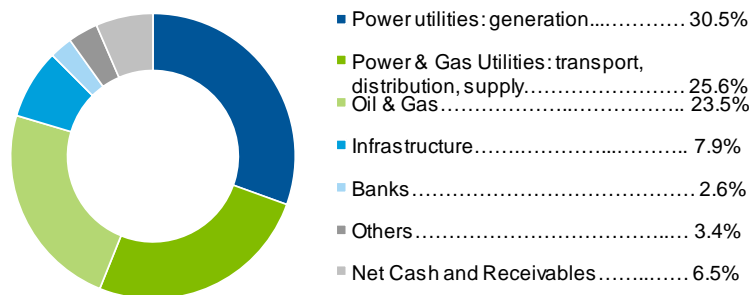
Portfolio Structure – by Controlling Ownership



Source: FTIML, data as at 30 September 2016

- Net cash and receivables includes bank deposits, current bank accounts, short-term treasury bills, dividend receivables, receivables from transactions with financial instruments, as well as other assets, net of all liabilities (including liabilities to shareholders related to the returns of capital) and provisions.

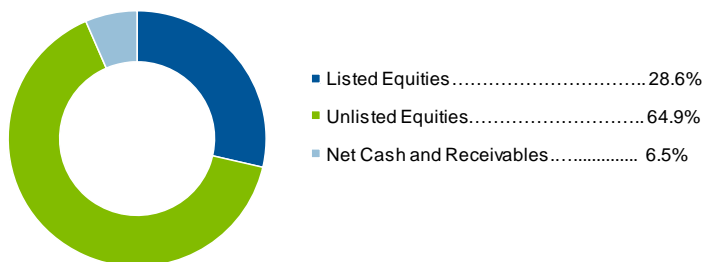
Portfolio Structure - by Sector



Source: FTIML, data as at 30 September 2016

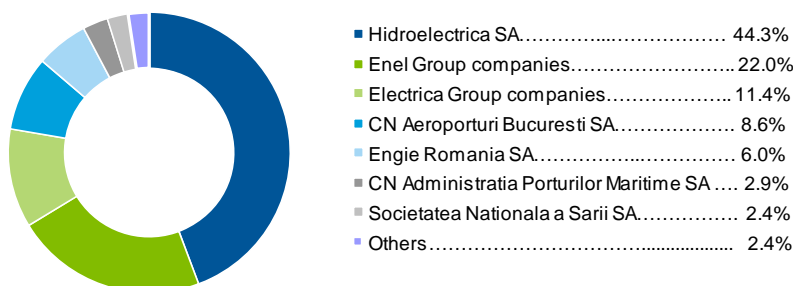
- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 79.6% of the NAV), through a number of listed and unlisted Romanian companies

Portfolio Structure – by Asset Type



Source: FTIML, data as at 30 September 2016

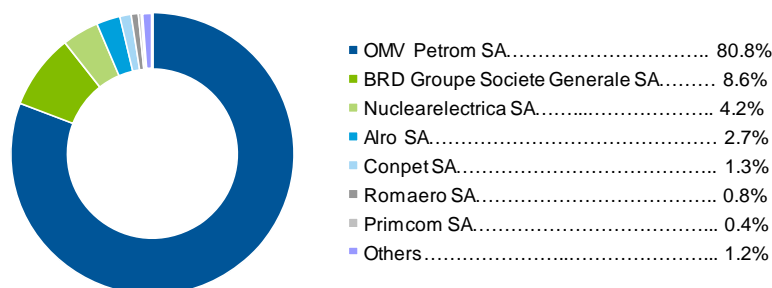
Portfolio Structure – Unlisted holdings



• The largest unlisted holding is Hidroelectrica SA (44.3% of the total value of unlisted holdings in the portfolio)

Source: FTIML, data as at 30 September 2016; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

Portfolio Structure – Listed holdings



• The largest listed holding is OMV Petrom SA (80.8% of the total value of listed holdings in the portfolio)

Source: FTIML, data as at 30 September 2016; 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 30 September 2016 ¹ (RON million)	% of NAV as at 30 September 2016 ¹
1	Hidroelectrica SA	19.94%	3,269.0	28.8%
2	OMV Petrom SA	18.99%	2,625.1	23.1%
3	CN Aeroporturi Bucuresti SA	20.00%	632.5	5.6%
4	Enel Distributie Banat SA	24.12%	624.0	5.5%
5	Enel Distributie Muntenia SA	12.00%	455.4	4.0%
6	Engie Romania SA	11.99%	446.1	3.9%
7	Enel Distributie Dobrogea SA	24.09%	401.2	3.5%
9	BRD Groupe Societe Generale SA	3.63%	279.0	2.5%
8	Electrica Distributie Muntenia Nord SA	21.99%	253.9	2.2%
10	Electrica Distributie Transilvania Sud SA	21.99%	222.3	2.0%
11	Electrica Distributie Transilvania Nord SA	22.00%	215.6	1.9%
12	CN Administratia Porturilor Maritime SA	19.99%	211.3	1.9%
13	Societatea Nationala a Sarii SA	48.99%	177.4	1.6%
14	Electrica Furnizare SA	22.00%	149.6	1.3%
15	Nuclearelectrica SA	9.09%	135.3	1.2%
17	Alro SA	10.21%	88.6	0.8%
16	Enel Energie SA	12.00%	76.6	0.7%
18	Enel Energie Muntenia SA	12.00%	64.0	0.6%
19	Complexul Energetic Oltenia SA	21.55%	62.8	0.6%
20	Posta Romana SA	25.00%	58.7	0.5%
Top 20 equity holdings			10,448.4	92.0%
Total equity holdings			10,620.9	93.5%
Net cash and receivables			735.9	6.5%
Total NAV			11,356.8	100.0%

Source: FTIML, data as at 30 September 2016, based on NAV reports submitted to FSA

¹Rounded to one decimal

Key Portfolio Developments in the Period**Acquisitions and disposals***Participations in share capital increases and bonus shares*

In July 2016, Banca Transilvania SA completed the registration with the Central Depository of the share capital increase from incorporation of reserves. As a consequence, a number of 8,622,073 bonus shares received by the Fund were reflected as part of its portfolio (previously these shares were reflected in the other current assets category in the Fund's NAV report).

In August 2016 the Fund contributed in cash to the share capital increase of Zirom SA.

Disposals

During the quarter ended 30 September 2016, the Fund sold part of its holding in Banca Transilvania SA.

Energy sector updates

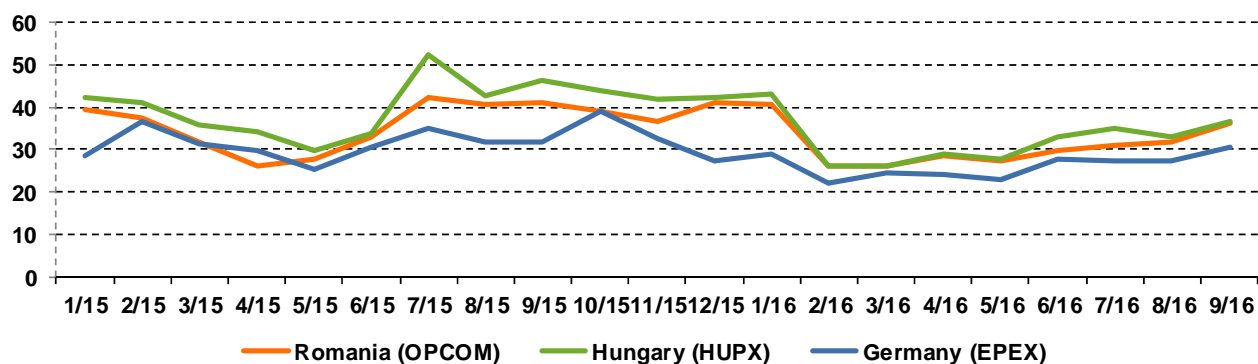
Energy tariff changes

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

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

Source: ANRE webpage

Electricity prices (EUR/ MWh)



Source: Bloomberg, Hidroelectrica SA

Note: Day Ahead Market – monthly average for base load

Energy resources (thousand tons barrels of oil equivalent)

	January – August 2016			January – August 2015			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Coal	2,981.7	2,652.3	329.4	3,361.6	2,997.8	363.8	(11.3)	(11.5)	(9.5)
Oil	7,649.4	2,408.1	5,241.3	7,119.8	2,521.8	4,598.0	7.4	(4.5)	14.0
Natural gas	5,279.1	4,962.5	316.6	5,773.2	5,706.1	67.1	(8.6)	(13.0)	371.8
Hidro, Nuclear, and Import energy	3,687.9	3,470.9	217.0	3,652.9	3,436.6	216.3	1.0	1.0	0.3
Import oil products	1,695.2	-	1,695.2	1,612.3	-	1,612.3	5.1	0.0	5.1
Others	343.9	-	343.9	315.3	-	315.3	9.1	0.0	9.1
Total resources	21,637.2	13,493.8	8,143.4	21,835.1	14,662.3	7,172.8	(0.9)	(8.0)	13.5

Source: National Institute of Statistics webpage

Gas tariff changes

Gas prices have increased starting 1 February 2013, pursuant to the schedule for gradual elimination of regulated gas prices. As of 1 January 2015, prices for supply to non-household consumers are determined freely, based on direct negotiation or acceptances of supplier's standard offer. Based on Government Decision no. 488/2015, the Government approved the updated schedule for gas price liberalisation for household consumers and heat producers (for the energy used in residential heating) for the period 1 July 2015 – 1 April 2020. In late June 2016, ANRE announced that gas prices for households will not increase with effect from 1 July 2016, but will remain unchanged until at least March 2017. This decision was prompted by the fall of gas prices in Europe to a level close to the current price for households in Romania.

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

Source: Government Decision no. 488/2015

Update on the 20 largest portfolio holdings**Alro SA**

RON million	2014	2015	H1 2015	H1 2016	Budget 2015*	Budget 2016*
Turnover	2,108.4	2,422.8	1,279.8	1,203.5	2,665.6	2,191.9
Operating profit	51.0	185.9	191.0	72.8	318.1	133.7
Net profit/ (loss)	(63.6)	(0.02)	84.4	35.2	255.5	55.9
Dividends	-	-	n.a.	n.a.	-	-

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. 27 March 2015/ 28 March 2016)

** Individual IFRS financial statements

August: For the first six months of the year, Alro reported consolidated sales of RON 1,203.5 million, down 5.9% compared to the similar period of the previous year, an EBITDA of RON 137 million compared to RON 248 million in the similar period of 2015 and a net consolidated profit after minority interest of RON 35.2 million compared to RON 84.4 million a year before.

While on a consolidated basis, in terms of volumes primary aluminium sales increased by 18.8% y.o.y. to 65,367 tonnes and sales of processed aluminium advanced 5.8% y.o.y. to 54,519 tonnes, according to management the results for the period were negatively impacted by pricing pressure coming from a weak price environment as reflected by lower London Metal Exchange aluminium prices and lower conversion premiums.

August: The company announced that it was selected as provider of aluminium products by Airbus. According to the company, the agreement is for several years starting 2017. Under the terms of the contract Alro will supply Flat Rolled Products for aircraft manufacturing.

BRD – Groupe Societe Generale SA

RON million	2014	2015	9 months 2015*	9 months 2016	Budget 2015**	Budget 2016**
Net banking income	2,623.0	2,507.2	1,925.5	2,110.7	Around 3% increase	Around 5% increase
Net operating profit	1,295.3	1,209.9	883.9	1,078.9		Around 5% increase
Net cost of risk	1,215.4	658.2	454.3	361.8	Significant decrease	Further normalisation trajectory
Net profit	63.1	465.8	361.0	606.1	Significant improvement	n.a.
Dividends	-	223.0	-	-	-	-

Source: Consolidated IFRS financial statements

*Restated values

** Budgeted figures based on individual IFRS financial statements

August: For the first six months of 2016 the bank reported a net profit of RON 378.0 million compared to a net profit of RON 231.3 million during the similar period of the previous year. The net banking income increased by 12.9% y.o.y to RON 1,433.9 million. According to the bank, excluding non-recurring elements booked in other income, amounting to RON 121 million in H1 2016 (vs. RON 21 million in H1 2015) of which the most important was the RON 103 million gain from the VISA Europe transaction, the net banking income advanced by 5.1% y.o.y. During the period, the general operating expenses decreased by 2.1% y.o.y to RON 705.5 million, leading to a net operating profit of RON 728.4 million, representing an increase by 32.7% y.o.y. Net cost of risk increased by 5.0% compared to the similar period of the previous year, to RON 282.4 million. The cost of risk for H1 2016 was influenced by the recognition of a provision of RON 90 million regarding the in-kind payment law (RO: Legea darii in plata).

The Board of Directors of BRD appointed Mr Francois Bloch to succeed to Philippe Lhotte as CEO with effective date 1 November 2016. Currently Mr Bloch is holding the position of First Deputy Chairman of Rosbank, Societe Generale's subsidiary in Russia. Mr. Bloch's appointment is subject to the approval of the Central Bank of Romania.

November: For the first nine months of the year the bank reported a net profit of RON 606.1 million, compared to a net profit of RON 361.0 million during the similar period of the previous year. Net banking income advanced by 9.6% y.o.y. (an increase of 4.2% y.o.y. excluding non-recurring items) while operating expenses were down 0.94% y.o.y. to RON 1,031.8 million, leading to a net operating profit of 1,078.9 million, 22.1% higher compared to the similar period of the previous year. Cost of risk was down 20.4% y.o.y. over the first nine months of the year, and was down 57.1% over the third quarter of 2016 compared to the third quarter of 2015.

CN Administratia Porturilor Maritime SA

RON million	2014	2015	H1 2015	H1 2016	Budget 2015	Budget 2016
Total revenue	305.8	325.6	157.1	157.8	306.1	322.9
Operating profit	83.8	114.0	70.7	73.6	55.1	61.3
Net profit	70.3	97.4	61.4	62.9	39.8	48.9
Dividends	32.3	70.4	n.a.	n.a.	17.6	24.5

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

August: The company reported financial results for the first 6 months of 2016. Highlights include 0.8% increase in operating revenues to RON 151.8 million, 4.1% increase of EBIT to RON 73.6 million and 2.5% increase of net profit to RON 62.9 million.

September: Total cargo traffic in the first 8 months of 2016 increased by 0.4% to 39.0 million tons, mainly due to strong performance across most types of goods, except cereals where volumes declined 11.9% compared to the same period of 2015. Cereals represented 32.6% of total cargo processed.

CN Aeroporturi Bucuresti SA

RON million	2014	2015	H1 2015	H1 2016	Budget 2015	Budget 2016
Total revenue	689.7	783.4	361.7	416.0	725.8	842.9
Operating profit	124.4	213.5	106.7	145.7	40.6	127.4
Net profit	98.8	178.8	90.4	122.2	44.3	104.8
Dividends	51.2	137.1	n.a.	n.a.	24.4	55.4

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

August: The company reported financial results for the first 6 months of 2016. Highlights include 15.4% increase in operating revenues to RON 402.9 million, 36.6% increase of EBIT to RON 145.7 million and 35.2% increase of net profit to RON 122.2 million.

September: Total passenger traffic for the first 8 months of 2016 increased 16.5% to 7.14 million, with July and August being the first 2 months in the history of the company with over 1 million passengers serviced per month.

Complexul Energetic Oltenia SA

RON million	2014	2015	H1 2015	H1 2016	Budget 2015	Budget 2016
Operating revenues	4,105.7	4,295.2	1,928.6	1,643.3	4,228.7	3,645.9
Operating profit/ (loss)	(638.7)	(790.5)	94.6	30.6	98.4	73.7
Net profit/ (loss)	(693.6)	(960.9)	13.6	(138.3)	0.7	0.6

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

August: The company reported results for H1 2016: revenues of RON 1,643.3 million (-14.8% y.o.y. due to 6.4% lower electricity produced and sold for the same period), operating profit of RON 30.6 million and a net loss of RON 138.3 million due to RON 168 million foreign exchange loss related to the foreign currency debt.

Electrica Distributie Muntenia Nord SA

RON million	2014	2015	H1 2015	H1 2016	Budget 2015	Budget 2016
Total revenue	805.4	798.6	394.2	357.1	778.3	741.8
Operating profit	159.7	182.9	94.3	64.9	165.5	147.6
Net profit	140.3	153.2	83.1	59.2	139.0	123.9
Dividends	112.1	122.3	n.a.	n.a.	111.1	-

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

Electrica Distributie Transilvania Nord SA

RON million	2014	2015	H1 2015	H1 2016	Budget 2015	Budget 2016
Total revenue	674.8	720.2	352.0	347.7	685.1	707.1
Operating profit	119.7	186.6	93.4	70.5	146.0	173.6
Net profit	95.3	158.8	80.0	48.7	120.3	145.6
Dividends	75.9	127.1	n.a.	n.a.	96.1	-

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

Electrica Distributie Transilvania Sud SA

RON million	2014	2015	H1 2015	H1 2016	Budget 2015	Budget 2016
Total revenue	739.3	775.3	383.0	361.2	779.3	775.9
Operating profit	121.5	178.1	90.9	69.4	142.2	154.1
Net profit	100.1	152.6	77.3	58.6	110.4	127.3
Dividends	79.9	119.7	n.a.	n.a.	87.8	-

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

Electrica Furnizare SA

RON million	2014	2015	H1 2015	H1 2016	Budget 2015	Budget 2016
Total revenue	4,055.4	4,205.7	2,056.2	2,129.2	4,097.5	4,196.7
Operating profit	223.7	143.1	73.5	142.4	108.4	126.5
Net profit	204.7	131.1	66.2	126.3	95.1	113.4
Dividends	174.0	111.5	n.a.	n.a.	-	-

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

Enel Distributie Banat SA

RON million	2014	2015	Budget 2015	Budget 2016
Total revenue	649.7	646.9	587.2	559.8
Operating profit	188.4	181.5	188.1	175.6
Net profit	172.2	157.9	161.8	143.3
Dividends	85.7	69.7	-	-

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

Enel Distributie Dobrogea SA

RON million	2014	2015	Budget 2015	Budget 2016
Total revenue	533.4	546.0	481.7	476.2
Operating profit	102.7	136.3	154.7	129.7
Net profit	87.7	114.8	129.3	97.3
Dividends	43.6	50.0	-	-

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

Enel Distributie Muntenia SA

RON million	2014	2015	Budget 2015	Budget 2016
Total revenue	1,073.1	1,055.8	931.8	885.4
Operating profit	246.3	256.3	244.1	189.9
Net profit	240.8	237.9	211.7	151.0
Dividends	-	-	-	-

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

Enel Energie SA

RON million	2014	2015	Budget 2015	Budget 2016
Total revenue	1,943.7	1,814.6	1,828.7	1,729.4
Operating profit	128.3	42.9	47.7	32.8
Net profit	129.9	34.8	43.2	21.3
Dividends	61.8	17.4	-	-

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

August: company appointed a new board member, Mrs Alina Oprea, following the request coming from the state agency managing minority participations in energy companies, SAPE.

Enel Energie Muntenia SA

RON million	2014	2015	Budget 2015	Budget 2016
Total revenue	1,866.6	1,756.2	1,615.2	1,570.5
Operating profit	46.0	25.3	16.2	29.5
Net profit	46.8	24.9	10.7	19.3

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

Engie Romania SA

RON million	2014	2015	Budget 2015*	Budget 2016*
Turnover	4,290.9***	4,416.4	4,441.4	4,529.1
Operating profit	560.9	474.9	262.1	287.2
Net profit	443.1	378.5	278.8	238.8
Dividends**	200.0	-	-	-

Source: Consolidated IFRS financial statements

*Budgeted figures based on separate IFRS financial statements

**Dividends are based on the separate IFRS financial statements

*** Restated values

September: the local district heating company operating in the Bucharest area announced its insolvency. According to press reports (according with <http://m.adevarul.ro> from 26 September 2016), the gas distribution company owned by Engie Romania has RON 155 million outstanding receivables with the company which entered the insolvency process.

Hidroelectrica SA

RON million	2014	2015	H1 2015	H1 2016	Budget 2015
Turnover	3,406.0	3,183.2	1,851.6	1,615.8	2,851.3*
Operating profit	1,207.9	1,127.4	733.9	748.3	489.7
Net profit	941.5	899.4	596.8	567.9	371.9
Dividends	646.4	675.1	n.a.	n.a.	174.5

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

*Operating revenue

September: the pre-tax profits of the company reached RON 1.1 billion.

Nuclearelectrica SA

RON million	2014	2015	9 months** 2015	9 months** 2016	Budget 2015**	Budget 2016**
Sales	1,794.6	1,748.7	1,283.7	1,180.9	1,884.0	1,700.3
Operating profit/ (loss)	173.8	159.1	107.3	64.2	57.7	59.7
Net profit/ (loss)	131.4	147.4	131.2	64.5	30.8	41.1
Dividends*	90.4	99.5	n.a.	n.a.	15.7	20.9

Source: Consolidated IFRS financial statements

*Dividends are based on the individual IFRS financial statements

**Based on individual IFRS financial statements

August: The company reported results for Q2 2016/ H1 2016: net loss of RON 104.7 million in Q2 2016, higher by 3.2 times y.o.y due to 21% lower y.o.y revenues from electricity sales affected by the extended planned outage of Cernavoda NPP Unit, which reduced Q2 2016 production to 2,001 GWh (-15% y.o.y). Moreover, gradual decrease in electricity prices also negatively impacted the revenues. Despite lower operating expenses (-4% y.o.y), the company posted a negative operating result of RON 102.7 million in Q2 2016, 3.2 times wider y.o.y which, cumulated with a higher negative result from foreign exchange losses, deepened quarterly losses.

November: the company published the results for the first 9 months of 2016: 4.4% decrease y.o.y. in the electricity quantity sold, which was down to 7.76 TWh, operating revenues of RON 1,157.7 million (- 5.1% y.o.y.), EBIT of RON 64.2 million (a decrease of 40.2% y.o.y.), net profit of RON 64.5 million (a decrease of 50.8% y.o.y.). The main reasons for the poor results were the extended outage (51 days instead of 30 days as it was initially planned) which led to a significant drop in the quantity sold (a decrease of 7% in quantity and RON 52 million in forgone profits) and also the increase in the quantities sold on the Day Ahead Market at a lower price (increase to 33.6% vs. 12.3% in the same period of 2015). The price decreased by 4.25% in H1 2016 compared with H1 2015 and by 17% in Q3 2016 compared with Q3 2015.

OMV Petrom SA

RON million	2014	2015	9 months 2015	9 months 2016	Budget 2015**	Budget 2016**
Sales	21,541.3	18,145.0	13,626.8	11,652.1	12,571.0	10,764.0
Operating profit/ (loss)	3,338.3	(529.8)	1,314.7	1,133.8	1,121.0	62.0
Net profit/ (loss)	2,099.7	(689.7)	990.7	877.7	1,102.0	199.0
Dividends*	634.4	-	n.a.	n.a.	-	-

Source: Consolidated IFRS financial statements

*Based on separate IFRS financial statements

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

July: The company announced the appointment of Reinhard Florey as member and Deputy President of the Supervisory Board, following David Davies's waiver of his mandate in the same roles. Mr. Florey had been appointed as the new CFO of OMV AG in July 2016.

August: OMV Petrom reported the financial results for the first half of 2016. Sales declined 18.4% compared to the same period in 2015 to RON 7,192 million, mainly due to lower realised oil prices (a decrease of 35.8% to 31.77 USD per barrel), while net profit declined 60.9% to RON 405 million as the downstream activity reported results below expectations, with refining margins declining 13.5% to 7.43 USD per barrel and refined product volumes sold declining 2% to 2.3 million tonnes.

September: The company published additional details regarding its dividend policy, adding to its previously published statement a minimum distribution of 30% from 2016 net income, subject to adverse developments in the external market and in case these are fully covered by the company's free cash flows before dividends.

October: OMV Petrom announced the approval of the Prospectus for the secondary public offering carried out by Fondul Proprietatea of approximately 6.4% of its stake in the company. The transaction included a secondary listing on the London Stock Exchange through Global Depository Receipts.

November: The company reported results for the first 9 months of 2016. Compared to the same period of 2015, sales declined by 14.5% to RON 11,652.1 million, EBIT declined 13.8% to RON 1,133.8 million and net profit declined 11.4% to RON 877.7 million. The most important factors contributing to these evolutions include a 30% decline of average realised oil price to USD 33.6 per barrel and 2% decline of total hydrocarbons production. These were only partially offset by a further 12% decline of production cost per barrel to USD 11.87. For the Downstream business the most important evolution was the 23% decline of refining margins to USD 6.9 per barrel, which was a normalisation from the very high levels achieved in 2015. The management's efforts to adjust capital expenditures to the current oil price environment were reflected in the 39% reduction of investments to RON 1,820 million during the period.

Posta Romana SA

RON million	2014	2015	H1 2015	H1 2016	Budget 2015	Budget 2016
Total revenue	1,196.1	1,103.0	564.9	562.8	1,199.1	1,175.7
Operating profit/(loss)	40.6	(25.8)	21.2	19.6	6.1	8.4
Net profit/ (loss)	22.9	(33.0)	15.5	15.8	1.3	0.8

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

September: the company published results for the first 6 months of 2016, showing flat evolution of operating revenues at RON 557.6 million, 7.4% decline of operating income to RON 19.6 million and 9% increase of net income to RON 15.8 million.

Societatea Nationala a Sarii SA (Salrom)

RON million	2014	2015	H1 2015	H1 2016	Budget 2015	Budget 2016
Operating revenue	297.6	319.1	154.2	146.2	324.6	329.7
Operating profit	31.8	27.5	35.0	33.5	47.0	69.5
Net profit	24.5	15.8	29.4	26.0	40.2	57.3
Dividends	20.9	-	n.a.	n.a.	37.0	45.4

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

July: Shareholders appointed a new board which was selected based on the GEO 109/2011. The Ministry proposed three board members, recruited according with the provisions in the corporate governance regulation for state owned entities: Mrs Oana Bizgan, the Adviser of the Deputy Prime Minister which previously worked for Lafarge and Roland Berger, Mr Mugur Popescu who works as Investment Director for BCR Pensii, one of the largest pension funds in Romania and Mr Laurentiu-Georgian Puiu who is Managing Partner at his own consultancy firm in the mining sector. The two other board members proposed by the Fund and reconfirmed in the GSM are Ms Simona Fatu and Mr Dan Gheorghe.

August: The H1 2016 unaudited financial results were released showing revenues of RON 146.2 million (-5.2% y.o.y), operating profit of RON 33.5 million (-4.3% y.o.y.) and a net profit of RON 26.0 million (-11.6% y.o.y.). The decrease is mainly due to a mild winter (2015/2016), which affected the sales snow removal salt; another negative factor which had a weight in the slight decrease in revenues and profitability was the management's instability - the company changed three general managers in less than one year.

Financial Statements Analysis

The unaudited financial statements for the nine-month period ended 30 September 2016 prepared in accordance with IAS 34 Interim Financial Reporting are included in full in Annex 1 to this Report.

According to the FSA Norm 39/2015, starting with the financial statements for the year ended 31 December 2015 IFRS are the official accounting regulations for the Fund.

This section provides an overview on the main elements of the Fund's financial position and performance for the nine-month period ended 30 September 2016.

Statement of Financial Position

RON million	30 September	30 June	31 December	30 September	30 September	30 September
	2016	2016	2015	2015	2016 vs	2016 vs
	Unaudited	Unaudited	Audited	Unaudited	30 September	31 December
					2015	2015
Cash and current accounts	8.0	34.8	0.6	9.4		
Deposits with banks	155.3	572.7	197.8	133.9		
Treasury bills	321.1	59.9	20.0	49.9		
Government bonds	-	20.9	59.0	81.0		
Dividends receivable	105.7	312.9	-	38.6		
Equity investments	9,692.5	10,499.9	11,800.7	12,046.1		
Non-current assets held for sale	888.4	-	-	-		
Other assets	200.9	356.6	29.6	31.1		
Total assets	11,371.9	11,857.7	12,107.7	12,390.0	-8.2%	-6.1%
Total liabilities	55.2	91.7	54.6	419.7		
Total equity	11,316.7	11,766.0	12,053.1	11,970.3		
Total liabilities and equity	11,371.9	11,857.7	12,107.7	12,390.0	-8.2%	-6.1%

As at 30 September 2016, **deposits with banks** included bank deposits in RON with maturities of up to one month, held with banks in Romania.

As at 30 September 2016 **treasury bills** caption included discount treasury bills, denominated in RON, with residual maturities up to five months, issued by the Ministry of Public Finance of Romania.

The overall increase in liquid assets compared with 31 December 2015, of RON 207.0 million, was mainly due to the cash inflows from the disposal of portfolio companies (entire holdings in Romgaz SA, E.ON Distributie Romania SA, E.ON Energie Romania SA and partial disposal of the holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA) and the dividends collected from portfolio companies during the period (RON 1,419.5 million in total), netted off by the cash outflows mainly for funding the payment of the own shares acquired within the daily acquisitions and the tender offer related to the sixth buy-back programme and the 2016 return of capital (RON 1,121.4 million in total).

The **non-current assets held for sale** caption included the fair value of the shares in OMV Petrom SA subject to the secondary public offering, in accordance with the requirements of IFRS 5 Non-current assets held for sale and discontinued operations. The offering was completed in October 2016 and the number of shares sold in the offer was 3,641,100,108 (representing approximately 6.4% of OMV Petrom SA share capital). For more details regarding this secondary public offering, please see section *Subsequent Events* and the condensed interim IFRS financial statements included in *Annex 1*.

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 recognised in other comprehensive income (equity). At the derecognition of an available for sale equity investment, the corresponding 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 30 September 2016, substantially all the equity investments of the Fund were carried at fair value.

Listed shares traded in an active market were measured at fair value, using quoted prices in 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 ongoing basis.

In case of *unlisted shares* and *listed shares that are not traded in an active market*, the fair value of equity investments was determined by 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), where sufficient information was available.

Equity investments that do not have a quoted price in an active market and whose fair value could not be reliably estimated were 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 decrease in **equity investments** of RON 2,108.2 million for the first nine months of 2016 was mainly due to the disposal of certain portfolio companies (entire holdings in Romgaz SA, E.ON Distributie Romania SA and E.ON Energie Romania SA and partial disposal of the holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA - total impact RON 1,411.5 million), to the reclassification of a part of OMV Petrom SA holding as non-current assets held for sale (RON 888.4 million) and to a 15.9% decrease in value of the OMV Petrom SA share price (negative impact of RON 494.9 million).

Statement of Comprehensive Income

RON million	Quarter 3	Quarter 3	9 month period	9 month period
	2016	2015	ended 30 September	ended 30 September
	Unaudited	Unaudited	Unaudited	Unaudited
Gross dividend income	4.4	134.8	351.4	569.3
Net gain/ (loss) from equity investments at fair value through profit or loss	42.5	(448.2)	(498.8)	(774.8)
Impairment losses on equity investments available for sale	(2.3)	(8.6)	(43.0)	(28.7)
Interest income	0.9	0.9	3.9	2.4
Gain on disposal of equity investments available for sale, net	12.9	-	926.0	-
Other items of income/ (expense), net*	1.7	1.2	21.9	20.6
Net operating income/ (loss)	60.1	(319.9)	761.4	(211.2)
Operating expenses	(33.2)	(23.9)	(89.5)	(92.5)
Finance costs	-	(1.7)	(0.3)	(2.0)
Profit/ (Loss) before income tax	26.9	(345.5)	671.6	(305.7)
Income tax expense	3.1	2.8	(100.9)	(126.7)
Profit/ (Loss) for the period	30.0	(342.7)	570.7	(432.4)
Other comprehensive income	35.3	(229.4)	(153.7)	(107.3)
Total comprehensive income for the period	65.3	(572.1)	417.0	(539.7)

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

Gross dividend income for the nine-month period ended 30 September 2016 included the dividend income earned from the Fund's portfolio companies, mainly from Hidroelectrica SA (RON 134.6 million), Electrica Distributie Transilvania Nord SA (RON 28.0 million), CN Aeroporturi Bucuresti SA (RON 27.4 million), Electrica Distributie Muntenia Nord SA (RON 26.9 million), Electrica Distributie Transilvania Sud SA (RON 26.3 million) and Electrica Furnizare SA (RON 24.5 million). The decrease compared to the first nine months of 2015 was mainly due to the decision of OMV Petrom SA not to distribute dividends in 2016, which was partially offset by the higher dividends received from other portfolio companies.

The **net gain/ (loss) from equity investments at fair value through profit or loss** for the first nine months of 2016 and 2015 represented the unrealised losses from the negative net change in fair value of equity investments classified at fair value through profit or loss, principally OMV Petrom SA, as a result of the negative evolution of the share price for this company (RON 494.9 million in the first nine months of 2016 and RON 785.4 million in the first nine months of 2015). In the quarter ended 30 September 2016, OMV Petrom SA share price had a positive evolution, generating an unrealised gain of RON 43.0 million.

In performing the impairment test for the available for sale equity investments 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 equity investment, financial conditions and near-term prospects of the issuer, any specific adverse events that may influence the issuer's operations and recent losses of the issuer. **Impairment losses on equity investments available for sale** for the nine-month period ended 30 September 2016 mainly relate to the holding in Nuclearelectrica SA (RON 40.7 million). In the nine-month period ended 30 September 2015 the impairment losses booked mainly relate to the holdings in Nuclearelectrica SA (RON 20.0 million) and Alro SA (RON 8.0 million).

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

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

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

The income tax expense for the first nine months of 2016 represents the partial reversal of the deferred tax asset recognised as at 31 December 2015, due to the fact that the deferred tax asset for the unused tax losses is recognised at the level of the deferred tax liability arising from the taxable temporary differences from equity investments.

Operating expenses

RON million	Quarter 3	Quarter 3	9 month period	9 month period
	2016	2015	ended 30 September	ended 30 September
	Unaudited	Unaudited	Unaudited	Unaudited
Investment management and administration fees	22.1	14.1	57.7	54.4
FSA monthly fees	2.8	2.9	8.2	8.8
Intermediaries fees related to disposal of portfolio holdings	4.9	0.8	10.0	0.8
Depositary fees	0.2	0.3	0.6	1.0
Other operating expenses	3.2	5.8	13.0	27.5
Operating expenses	33.2	23.9	89.5	92.5

Investment management and administration fees payable to the Fund Manager represent the main **operating expenses** component, which increased in the third quarter of 2016 compared to the similar period in 2015 as a result of the distribution fee related to the shares acquired in the tender offer in September 2016.

The total investment management and administration fees in the first nine months of 2016 included the base fee of RON 35.2 million (first nine months of 2015: RON 40.5 million) and the distribution fee of RON 22.5 million (first nine months of 2015: RON 13.9 million).

The decrease in **FSA monthly fees** is mainly due to the decrease of the Fund's total NAV, the basis on which these fees are calculated.

Other operating expenses caption for the first nine months of 2016 mainly included third party services for legal assistance, Board of Nominees related expenses, investors' relations and public relations expenses.

Analysis of Statement of Comprehensive Income by Quarters

The table below shows the split of the Statement of Comprehensive Income by quarters:

RON million	Quarter ended			9 month period ended
	31 March 2016	30 June 2016	30 September 2016	30 September 2016
	Unaudited	Unaudited	Unaudited	Unaudited
Gross dividend income	-	347.0	4.4	351.4
Net gain/ (loss) from equity investments at fair value through profit or loss	(535.9)	(5.4)	42.5	(498.8)
Impairment losses on equity investments available for sale	(29.8)	(10.9)	(2.3)	(43.0)
Interest income	1.2	1.8	0.9	3.9
Gain on disposal of equity investments available for sale, net	-	913.1	12.9	926.0
Other items of income/ (expense), net*	1.9	18.3	1.7	21.9
Net operating income/ (loss)	(562.6)	1,263.9	60.1	761.4
Operating expenses	(18.9)	(37.4)	(33.2)	(89.5)
Finance costs	(0.2)	(0.1)	-	(0.3)
Profit/ (loss) before income tax	(581.7)	1,226.4	26.9	671.6
Income tax expense	(3.9)	(100.1)	3.1	(100.9)
Profit/ (Loss) for the period	(585.6)	1,126.3	30.0	570.7
Other comprehensive income	(30.9)	(158.1)	35.3	(153.7)
Total comprehensive income for the period	(616.5)	968.2	65.3	417.0

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

Financial Ratios

Description	30 September 2016		
1. Current Liquidity ratio			
<u>Current Assets</u>	=		30.42
Current Liabilities			
2. Debt-to-Equity ratio (%)			
<u>Borrowings</u>	x 100	=	0%
Shareholders' Equity			
<i>*The Fund had no borrowings as at 30 September 2016, therefore this ratio is nil.</i>			
3. Debt Turnover ratio (number of days)			
<u>Average balance of receivables</u>	x 365	=	n.a.
Turnover or sales			
<i>This ratio has no significance for an investment fund and was not calculated.</i>			
4. Turnover of Non-current Assets			
<u>Gross turnover*</u>		=	0.081
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 nine-month period ended 30 September 2016, while "Non-current assets" included equity investments and other assets classified as non-current as at 30 September 2016.</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

Oana Truta
Permanent Representative

Prepared by
Catalin Cadaru
Financial Reporting Manager

14 November 2016

Annex 1

FONDUL PROPRIETATEA SA

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED

30 SEPTEMBER 2016

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	9 months ended 30 September 2016	9 months ended 30 September 2015
Gross dividend income	5	351,350,895	569,303,358
Net loss from equity investments at fair value through profit or loss	6	(498,807,968)	(774,829,123)
Gain/ (Loss) on disposal of equity investments available for sale, net	7	925,976,144	(93)
Impairment losses on equity investments available for sale	12	(43,045,847)	(28,701,247)
Interest income		3,885,876	2,406,356
Reversal of impairment losses on receivables, net		17,917,700	17,915,291
Net foreign exchange gain/ (loss)		840,393	(185,509)
Other income, net		3,311,047	2,911,755
Net operating income/ (loss)		761,428,240	(211,179,212)
Operating expenses	8	(89,531,276)	(92,548,801)
Finance costs	9	(323,438)	(1,950,236)
Profit/ (Loss) before income tax		671,573,526	(305,678,249)
Income tax expense	10	(100,844,163)	(126,677,251)
Profit/ (Loss) for the period		570,729,363	(432,355,500)
Other comprehensive income			
Net change in fair value of available for sale equity investments		729,267,670	(76,772,393)
Deferred tax on other comprehensive income		98,947,404	(29,846,867)
Decrease in fair value reserve following the disposal of available for sale equity investments		(981,988,443)	(702,288)
Total other comprehensive income		(153,773,369)	(107,321,548)
Total comprehensive income for the period		416,955,994	(539,677,048)
Basic and diluted earnings per share		0.0518	(0.0359)

The financial statements were authorised for issue on 14 November 2016 by:

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

Oana Truta
Permanent Representative

Catalin Cadaru
Financial Reporting Manager

The notes on pages 36 to 59 are an integral part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	30 September 2016	31 December 2015
Assets			
Cash and current accounts		7,976,053	648,858
Deposits with banks		155,254,545	197,825,552
Treasury bills		321,119,670	19,957,311
Government bonds		-	59,004,410
Dividends receivable	<i>11</i>	105,723,728	-
Equity investments	<i>12</i>	9,692,466,525	11,800,704,619
Non-current assets held for sale	<i>13</i>	888,428,426	-
Other assets	<i>15</i>	200,934,806	29,577,289
Total assets		11,371,903,753	12,107,718,039
Liabilities			
Other liabilities	<i>16</i>	55,189,293	54,625,824
Total liabilities		55,189,293	54,625,824
Equity			
Share capital	<i>17</i>	9,320,973,181	10,074,080,746
Fair value reserve on available for sale financial assets, net of the deferred tax recognised through equity	<i>17</i>	4,079,037,031	4,232,810,400
Other reserves		545,671,056	527,397,886
Treasury shares	<i>17</i>	(726,538,699)	(308,039,345)
Retained earnings		(1,902,428,109)	(2,473,157,472)
Total equity		11,316,714,460	12,053,092,215
Total liabilities and equity		11,371,903,753	12,107,718,039

The notes on pages 36 to 59 are an integral part of these financial statements.

**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2016**

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets	Other reserves	Treasury shares	Retained earnings / (Accumulated losses)	Total attributable to the equity holders of the Fund
Balance as at 1 January 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						
Profit for the period	-	-	-	-	570.729.363	570.729.363
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	729.267.670	-	-	-	729.267.670
Decrease in fair value following the disposal of available for sale equity investments	-	(981.988.443)	-	-	-	(981.988.443)
Deferred tax on other comprehensive income	-	98.947.404	-	-	-	98.947.404
Total other comprehensive income	-	(153.773.369)	-	-	-	(153.773.369)
Total comprehensive income for the period	-	(153.773.369)	-	-	570.729.363	416.955.994
Transactions with owners, recorded directly in equity						
Decrease of the nominal value of the shares	(548.292.540)	-	-	13.215.578	-	(535.076.962)
Acquisition of treasury shares	-	-	-	(618.256.787)	-	(618.256.787)
Cancellation of treasury shares	(204.815.025)	-	18.273.170	186.541.855	-	-
Total transactions with owners recorded directly in equity	(753.107.565)	-	18.273.170	(418.499.354)	-	(1.153.333.749)
Balance as at 30 September 2016	9.320.973.181	4.079.037.031	545.671.056	(726.538.699)	(1.902.428.109)	11.316.714.460

The notes on pages 36 to 59 are an integral part of these financial statements.

**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2016**

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets	Other reserves	Treasury shares	Retained earnings / (Accumulated losses)	Total attributable to the equity holders of the Fund
Balance as at 1 January 2015	11.815.279.887	4.020.355.472	610.197.299	(1.189.918.464)	(1.908.041.171)	13.347.873.023
Comprehensive income for the period						
Loss for the period	-	-	-	-	(432.355.500)	(432.355.500)
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	(76.772.393)	-	-	-	(76.772.393)
Decrease in fair value following the disposal of available for sale equity investments	-	(702.288)	-	-	-	(702.288)
Deferred tax on other comprehensive income	-	(29.846.867)	-	-	-	(29.846.867)
Total other comprehensive income	-	(107.321.548)	-	-	-	(107.321.548)
Total comprehensive income for the period	-	(107.321.548)	-	-	(432.355.500)	(539.677.048)
Transactions with owners, recorded directly in equity						
Decrease of the nominal value of the shares	(609.213.933)	-	-	56.700.448	-	(552.513.485)
Acquisition of treasury shares	-	-	-	(285.349.636)	-	(285.349.636)
Cancellation of treasury shares	(1.131.985.208)	-	(82.799.413)	1.214.784.621	-	-
Total transactions with owners recorded directly in equity	(1.741.199.141)	-	(82.799.413)	986.135.433	-	(837.863.121)
Balance as at 30 September 2015	10.074.080.746	3.913.033.924	527.397.886	(203.783.031)	(2.340.396.671)	11.970.332.854

The notes on pages 36 to 59 are an integral part of these financial statements.

**CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2016**

(all amounts are in RON unless otherwise stated)

	9 months ended 30 September 2016	9 months ended 30 September 2015
Cash flows from operating activities		
Proceeds from disposal of equity investments	1,175,549,172	842,240
Disposal/ maturity of treasury bills and bonds	499,695,202	307,723,489
Dividends received (net of withholding tax)	243,903,658	528,878,195
Interest received	4,235,859	4,020,719
Amounts collected from the depository Bank of the Fund's GDRs	3,745,192	-
Maturity of bank deposits with original maturities of more than three months	-	25,000,000
Acquisition of treasury bills and bonds	(745,821,474)	(244,482,961)
Suppliers and other taxes and fees paid	(79,881,967)	(84,526,128)
Subscriptions to share capital increase of portfolio companies	(4,270,150)	(1,079,970)
Remunerations and related taxes paid	(1,063,542)	(825,603)
Realised foreign exchange loss on cash and cash equivalents	(275,269)	(96,759)
Other receipts	1,460,022	236,802
Net cash flows from operating activities	1,097,276,703	535,690,024
Cash flows from financing activities		
Acquisition of treasury shares	(611,115,636)	(287,050,998)
Payments to shareholders related to the return of capital	(510,290,528)	(519,159,908)
Payment in relation with lost litigations (please see <i>Note 16</i>)	(10,741,322)	-
Payment of interest and fees related to the short term bank loans	(323,438)	(1,763,292)
Dividends paid (including related taxes)	(47,297)	(3,208,281)
Short term bank loans	-	450,000,000
Repayment of short term bank loans	-	(100,000,000)
Payments to Central Depository in relation with 2015 return of capital to shareholders	-	(22,391,907)
Net cash flows used in financing activities	(1,132,518,221)	(483,574,386)
Net increase/ (decrease) in cash and cash equivalents	(35,241,518)	52,115,638
Cash and cash equivalents at the beginning of the period	198,467,448	91,158,127
Cash and cash equivalents at the end of the period	163,225,930	143,273,765
	30 September 2016	30 September 2015
Cash	7,976,053	9,404,513
Bank deposits with original maturities of less than three months	155,249,877	133,869,252
	163,225,930	143,273,765

The notes on pages 36 to 59 are an integral part of these financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(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 247/2005 regarding the reform in property and justice, as well as certain adjacent measures, as subsequently amended (“Law 247/2005”) and registered in Bucharest on 28 December 2005. The address of the Fund’s registered office is 78 - 80, 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 Financial Supervisory Authority (“FSA”), formerly known as the National Securities Commission (“CNVM”).

In accordance with its Constitutive Act, the main activity of the Fund is the management and administration of its portfolio.

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

The Sole Administrator of the Fund was Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML”) until and including 31 March 2016. The first mandate was effective since 29 September 2010 for a period of 4 years, and the mandate was renewed for 2 years with effect from 30 September 2014.

Considering the legal requirements to implement the Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFM Directive”) the shareholders of the Fund approved, on 29 October 2015, the change of the management structure and the termination of the mandate of FTIML as Fund Manager and Sole Administrator, with the mutual consent of both parties, with effect from 1 April 2016. Subsequent to the termination, the Fund appointed Franklin Templeton International Services S.à r.l. (“FTIS”) as its Sole Administrator and Alternative Investment Fund Manager under the AIFM Directive and local implementation regulations, and executed a new Management Agreement in order to comply with the AIFM Directive (the FTIS mandate commenced on 1 April 2016). FTIS delegates the role of investment manager as well as certain administrative functions to 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 US dollar.

These condensed interim financial statements for the nine-month period ended 30 September 2016 are not audited.

2. Basis of preparation

(a) Statement of compliance

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

These condensed interim financial statements for the nine-month period ended 30 September 2016 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 2015, prepared in accordance with IFRS.

Due to 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 no longer prepares consolidated financial statements, the separate financial statements being the Fund's only financial statements. The Fund has reassessed the criteria for being an investment entity for the nine-month period ended 30 September 2016 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, non-current assets held for sale, treasury bills and short-term government bonds respectively), and on a historical cost or amortised cost basis for the rest of the items included in the condensed interim financial statements.

(c) Functional and presentation currency

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

(d) Use of estimates

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

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

The following notes include the most important estimates and critical judgements in applying accounting policies, that have the most significant impact on the amounts recognised in the condensed interim financial statements:

- Note 8 – Operating expenses;
- Note 12 – Equity investments;
- Note 14 – Deferred tax;
- Note 16 – Other liabilities;
- Note 18 – 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 for the year ended 31 December 2015 and have been applied consistently to all periods presented in these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

4. Financial assets and financial liabilities

Accounting classifications and fair values

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

	Loans and receivables	Available for sale	At fair value through profit or loss	Other amortised cost	Total carrying amount	Fair value
30 September 2016						
Cash and current accounts	7.976.053	-	-	-	7.976.053	7.976.053
Deposits with banks	155.254.545	-	-	-	155.254.545	155.254.545
Treasury bills	-	321.119.670	-	-	321.119.670	321.119.670
Dividends receivable	105.723.728	-	-	-	105.723.728	105.723.728
Equity investments	-	7.726.478.262	1.965.988.263	-	9.692.466.525	9.692.466.525
Non-current assets held for sale	-	-	888.428.426	-	888.428.426	888.428.426
Other financial assets	192.127.697	-	-	-	192.127.697	192.127.697
Other financial liabilities	-	-	-	(53.320.579)	(53.320.579)	(53.320.579)
	461.082.023	8.047.597.932	2.854.416.689	(53.320.579)	11.309.776.065	11.309.776.065
	Loans and receivables	Available for sale	At fair value through profit or loss	Other amortised cost	Total carrying amount	Fair value
31 December 2015						
Cash and current accounts	648.858	-	-	-	648.858	648.858
Deposits with banks	197.825.552	-	-	-	197.825.552	197.825.552
Treasury bills	-	19.957.311	-	-	19.957.311	19.957.311
Government bonds	-	59.004.410	-	-	59.004.410	59.004.410
Equity investments	-	8.451.679.962	3.349.024.657	-	11.800.704.619	11.800.704.619
Other financial assets	19.659.613	-	-	-	19.659.613	19.659.613
Other financial liabilities	-	-	-	(41.962.841)	(41.962.841)	(41.962.841)
	218.134.023	8.530.641.683	3.349.024.657	(41.962.841)	12.055.837.522	12.055.837.522

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

5. Gross dividend income

	9 months ended 30 September 2016	9 months ended 30 September 2015
Hidroelectrica SA	134,644,264	128,915,585
Electrica Distributie Transilvania Nord SA	27,959,790	16,701,520
CN Aeroporturi Bucuresti SA	27,413,946	10,232,630
Electrica Distributie Muntenia Nord SA	26,895,798	24,653,096
Electrica Distributie Transilvania Sud SA	26,344,928	17,568,497
Electrica Furnizare SA	24,523,212	38,285,340
Enel Distributie Banat SA	16,815,423	20,673,959
Banca Transilvania SA	16,687,884	-
CN Administratia Porturilor Maritime SA	14,076,910	6,453,568
Enel Distributie Dobrogea SA	12,044,439	10,504,848
Nuclearelectrica SA	9,044,766	8,222,514
BRD Groupe Societe Generale SA	8,116,306	-
Conpet SA	3,827,813	3,115,248
Enel Energie SA	2,089,651	7,420,314
CN Administratia Canalelor Navigabile SA	607,381	235,450
Romgaz SA	-	121,410,324
OMV Petrom SA	-	120,496,860
Engie Romania SA (former GDF Suez Energy Romania SA)	-	24,000,000
Societatea Nationala a Sarii SA		10,234,109
Others	258,384	179,496
	<u>351,350,895</u>	<u>569,303,358</u>

The dividend income was subject to 5% withholding tax in 2016 and 16% withholding tax in 2015. In cases where the relevant shareholding of the Fund was larger than 10% of total issued shares of the company, for at least one year prior to the dividend distribution, no withholding tax was due.

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

	9 months ended 30 September 2016	9 months ended 30 September 2015
Unrealised net loss from equity investments	498,807,968	774,829,123
Total	<u>498,807,968</u>	<u>774,829,123</u>

The net loss from equity investments at fair value through profit or loss for the first nine months of 2016 and 2015 was unrealised and was mainly generated by the negative net change in the fair value for the holding in OMV Petrom SA, due to the decrease of this company's share price. No realised net gains or losses from equity investments at fair value through profit or loss were recorded in the nine-month periods ended 30 September 2016 and 30 September 2015 as there were no disposals.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

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

During the nine-month period ended 30 September 2016, the Fund sold its entire holdings in Romgaz SA, E.ON Distributie Romania SA and E.ON Energie Romania SA and part of its holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA. The net gain on disposal of these equity investments was RON 925,976,144 representing 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 the investments disposed, transferred from equity (other comprehensive income) to profit or loss upon their derecognition.

During the nine-month period ended 30 September 2015 the Fund sold its entire holdings in Forsev SA, SIFI CJ Agro SA and Electroconstructia Elco Cluj SA. The net loss on disposal of these equity investments was RON 93.

8. Operating expenses

	9 months ended 30 September 2016	9 months ended 30 September 2015
Investment management and administration fees	57,675,650	54,444,904
Intermediaries and other fees related to disposal of portfolio holdings	10,002,638	763,189
Third party services	9,019,402	23,286,661
FSA monthly fees	8,206,625	8,804,321
Penalties	1,312,439	1,871
Remunerations and related taxes	1,062,803	826,417
Depository bank fee	621,984	1,025,641
Other operating expenses	1,629,735	3,395,797
	89,531,276	92,548,801

The total investment management and administration fees in the nine-month period ended 30 September 2016 included the base fee of RON 35.1 million (nine-month period ended 30 September 2015: RON 40.5 million) and the distribution fee of RON 22.5 million (nine-month period ended 30 September 2015: RON 13.9 million). The investment management and administration fees are invoiced and paid on a quarterly basis.

Third party services were significantly higher in the first nine months of 2015 as compared to the first nine months of 2016 mainly due to the secondary listing expenses incurred in that period.

The Financial Supervisory Authority's monthly fees slightly decreased due to the decrease of the Fund's total NAV on which these fees are calculated. During 2016 and 2015, Financial Supervisory Authority fee was 0.0078% per month applied on the total NAV.

Penalties mainly included the legal interest related to the lost litigations (for more details please see *Note 16 Other liabilities*).

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

8. Operating expenses (continued)

	9 months ended 30 September 2016	9 months ended 30 September 2015
Members of the Board of Nominees	900,000	675,000
Special administrator appointed in portfolio companies in insolvency	7,531	11,961
Contributions to social security fund	108,018	103,636
Contributions to health insurance fund	47,254	35,820
	<u>1,062,803</u>	<u>826,417</u>

9. Finance costs

In the nine-month period ended 30 September 2016 the finance costs category comprised the commitment fee on undrawn amounts from the credit facility concluded by Fondul Proprietatea with Citibank Europe Plc, Dublin – Romania Branch. The purpose of the credit facility was for general corporate use, including share buy-backs (via ordinary shares or GDRs) and return of capital, but excluding investments.

In December 2015, the parties agreed to extend the revolving committed credit facility of RON 500 million, from 4 January 2016 until 31 August 2016, with the final reimbursement taking place on 30 September 2016, at the latest. On 7 March 2016, the Fund and Citibank Europe Plc, Dublin - Romania Branch agreed to split the credit facility into a committed facility of maximum RON 375 million and an uncommitted facility of maximum RON 125 million. During 2016 the Fund did not draw any amount from this credit facility. The credit facility was terminated on 8 July 2016 with the mutual consent of both parties.

On 4 July 2016 the Fund contracted a revolving committed credit facility for a maximum amount of RON 1 billion from BRD - Groupe Societe Generale SA. The availability period of the facility is for one year with the possibility to extend it by the same period. The purpose of this credit facility is for general corporate use, including share buy-backs, but excluding investments, and is meant to replace the previous financing arrangement concluded by the Fund with Citibank Europe Plc Dublin - Romania Branch. Until 30 September 2016, the Fund did not draw any amounts from the credit facility.

10. Income tax expense

	9 months ended 30 September 2016	9 months ended 30 September 2015
Current tax expense		
Current tax (16%)	-	(2,019,127)
Dividend withholding tax	(1,896,760)	(1,826,041)
	<u>(1,896,760)</u>	<u>(3,845,168)</u>
Deferred tax related to:		
Equity investments	(98,947,403)	(122,832,083)
Fiscal loss	-	-
	<u>(98,947,403)</u>	<u>(122,832,083)</u>
Income tax expense	<u>(100,844,163)</u>	<u>(126,677,251)</u>

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

10. Income tax expense (continued)

	9 months ended 30 September 2016	9 months ended 30 September 2015
Reconciliation of effective tax rate		
Profit/ (Loss) for the period	570,729,363	(432,355,500)
Income tax expense	(100,844,163)	(126,677,251)
Profit/ (Loss) excluding income tax	671,573,526	(305,678,249)
Income tax using the standard tax rate (16%)	(107,451,764)	48,908,520
Effect of:		
Taxation applied on dividend income	(1,896,760)	87,728,627
Gain on cancellation of treasury shares (taxable equity item)	(1,778,480)	(5,508,875)
Decrease of the nominal value of the treasury shares (taxable equity item)	(2,114,493)	(9,072,072)
Non-taxable income	654,050,317	3,070,738
Non-deductible expenses	(614,423,419)	(945,943)
Impact in the current period of the utilisation of previous years fiscal loss	71,717,839	-
Impact of non-recognition of deferred tax on change in fair value of equity investments	-	(98,125,267)
Reversal through profit or loss of deferred tax previously recognised in other comprehensive income	(98,947,403)	(152,732,979)
Income tax expense	(100,844,163)	(126,677,251)
	9 months ended 30 September 2016	9 months ended 30 September 2015
Income tax recognised directly in equity:		
On equity investments carried at fair value	98,947,404	(29,846,867)

Please see *Note 14 Deferred tax* for details regarding deferred tax computation and recognition.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

11. Dividends receivable

	30 September 2016	31 December 2015
Dividends receivable		
Electrica Distributie Transilvania Nord SA	27,959,790	-
Electrica Distributie Muntenia Nord SA	26,895,798	-
Electrica Distributie Transilvania Sud SA	26,344,928	-
Electrica Furnizare SA	24,523,212	-
Other dividends receivable	968,515	1,141,765
	106,692,243	1,141,765
Impairment loss allowance	(968,515)	(1,141,765)
	105,723,728	-

12. Equity investments

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

- Either at fair value, determined by reference to published bid price quotations on the stock exchange where shares are traded (listed and liquid securities), or assessed by independent valuers, using valuation techniques in accordance with International Valuation Standards (unlisted securities);
- Or 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, 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. These values are considered to be equivalent to fair value and this approach is applied to an insignificant part of the portfolio.

The movement in the carrying amounts of equity investments for the nine-month period ended 30 September 2016 and the nine-month period ended 30 September 2015 is presented below:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

	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
Subscriptions to share capital increase of portfolio companies	4,200,000	70,150	4,270,150
Disposals	-	(1,411,493,673)	(1,411,493,673)
Impairment losses	-	(43,045,847)	(43,045,847)
Reclassification to non-current assets held for sale	(888,428,426)	-	(888,428,426)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	729,267,670	729,267,670
Net loss from equity investments at fair value through profit or loss	(498,807,968)	-	(498,807,968)
30 September 2016	1,965,988,263	7,726,478,262	9,692,466,525
	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2015	4,591,866,101	8,335,790,680	12,927,656,781
Subscriptions to share capital increase of portfolio companies	991,620	88,350	1,079,970
Disposals	-	(2,349,214)	(2,349,214)
Impairment losses	-	(28,701,247)	(28,701,247)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	(76,772,393)	(76,772,393)
Net loss from equity investments at fair value through profit or loss	(774,829,123)	-	(774,829,123)
30 September 2015	3,818,028,598	8,228,056,176	12,046,084,774

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)
Impairment losses

During the nine-month period ended 30 September 2016 the Fund recorded impairment adjustments of RON 43,045,847 (nine-month period ended 30 September 2015: RON 28,701,247) for the equity investments available for sale presented below (only listed holdings), based on fair values assessed by reference to published prices quotations on the stock exchange. All impairment losses are recognised through profit or loss.

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

Company	9 months ended 30 September 2016	9 months ended 30 September 2015
Nuclearelectrica SA	40,701,446	20,008,118
Alro SA	1,822,118	8,017,319
Mecon SA	381,551	-
Oil Terminal SA	140,732	-
CN Administratia Porturilor Dunarii Fluviale SA	-	675,810
Total	43,045,847	28,701,247

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

Equity investments at fair value through profit or loss	30 September 2016	31 December 2015
OMV Petrom SA*	1,736,681,731	3,120,007,974
Societatea Nationala a Sarii SA	177,419,000	177,419,000
Zirom SA	23,275,000	23,275,000
Primcom SA	14,599,116	14,280,358
Other	14,013,415	14,042,325
	1,965,988,263	3,349,024,657

*As at 30 September 2016, part of the holding in OMV Petrom SA was reclassified in the category "Non-current assets held for sale" (for more details please see Note 13 Non-current assets held for sale).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

Equity investments available for sale	30 September 2016	31 December 2015
Hidroelectrica SA	3,269,000,000	2,654,133,000
CN Aeroporturi Bucuresti SA	632,480,000	497,841,000
Enel Distributie Banat SA	624,000,000	624,000,000
Enel Distributie Muntenia SA	455,400,000	455,400,000
Engie Romania SA (former GDF Suez Energy Romania SA)	446,100,000	446,100,000
Enel Distributie Dobrogea SA	401,200,000	401,200,000
BRD Groupe Societe Generale SA	278,998,016	307,188,218
Electrica Distributie Muntenia Nord SA	253,900,000	253,900,000
Electrica Distributie Transilvania Sud SA	222,300,000	222,300,000
Electrica Distributie Transilvania Nord SA	215,600,000	215,600,000
Administratia Porturilor Maritime SA	211,300,000	175,109,000
Electrica Furnizare SA	149,600,000	149,600,000
Nuclearelectrica SA	135,260,360	175,961,806
Alro SA	88,554,928	96,207,822
Enel Energie SA	76,600,000	76,600,000
Enel Energie Muntenia SA	64,000,000	64,000,000
Complexul Energetic Oltenia SA	62,840,000	62,840,000
Posta Romana SA	58,698,000	58,698,000
Romaero SA	27,545,511	25,446,805
Banca Transilvania SA	20,391,205	211,608,784
Romgaz SA	-	613,168,512
E.ON Distributie Romania SA	-	510,400,000
E.ON Energie Romania SA	-	126,500,000
Other	32,710,242	27,877,015
	7,726,478,262	8,451,679,962
Total equity investments	9,692,466,525	11,800,704,619

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

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:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)
As at 30 September 2016

	Level 1	Level 2	Level 3	Total
Equity investments	2,263,455,455	-	7,349,812,000	9,613,267,455
Treasury bills	321,119,670	-	-	321,119,670
Non-current assets held for sale	888,428,426	-	-	888,428,426
	3,473,003,551	-	7,349,812,000	10,822,815,551

As at 31 December 2015

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

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.

If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that financial instrument is classified in Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires significant judgment, considering factors specific to the asset. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

For all Level 3, the equity investments valuation was performed 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, under the supervision and review of the Fund's management, who ensures that all underlying data used in the report is accurate, and appropriate inputs are used in the valuation.

The fair valuations as at 30 September 2016 are based on valuation reports prepared using financial information available for the companies under valuation as at 30 September 2015, with certain exceptions, as follows: 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, as at 31 December 2015 in case of the holdings in CN Aeroporturi Bucuresti SA and Administratia Porturilor Maritime SA and as at 31 March 2016 in case of the holding in Hidroelectrica SA. The Fund's management has analysed, based on the available information, the period between the date of the valuation reports and the reporting date and there was no information known or available to the Fund's management which may have significant impact on the fair values of the equity investments as at the reporting date, as they are presented in these condensed interim financial statements.

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

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

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(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

A corresponding impact on the Fund's profitability cannot be estimated reliably as at the date of these condensed interim financial statements.

For the equity investments classified under Level 1 the Fund had sufficient available information with respect to active markets, with sufficient trading volume for accurate price discovery.

As at 30 September 2016, the equity investments included equity investments valued at values used in the calculation of the net asset value of the Fund as at that date, determined in accordance to the regulations issued by the FSA/CNVM, in amount of RON 79,199,070 (31 December 2015: RON 71,664,522).

As at 30 September 2016, unlisted equity investments with a carrying amount of RON 7,349,812,000 (31 December 2015: RON 7,201,015,000) were classified into Level 3 of the fair value hierarchy. Out of this, an amount of RON 3,983,066,314 represents total net change in fair value recognised in equity (other comprehensive income) as at 30 September 2016 (31 December 2015: RON 3,619,032,941). The fair values for these equity investments were assessed with the assistance of independent valuers, using valuation methods in accordance with International Valuation Standards.

The following table sets out information about significant unobservable inputs used at 30 September 2016 and 31 December 2015 in measuring equity instruments categorised on Level 3 of the fair value hierarchy:

Financial assets	Fair value as at 30 September 2016	Valuation technique	Unobservable inputs range (weighted average)	Relationship between unobservable inputs and fair value
Total	7,349,812,000			
Unlisted equity instruments	7,024,094,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.19 to 10.36 (7.57) Discount for lack of marketability: 15% (15%)	The higher EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	202,606,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 10.81% to 14.31% (13.98%) Discount for lack of marketability ranging from 12% to 16.7% (14.9%) Discount for lack of control ranging from 0% to 22.96% (20%) Long-term revenue growth rate: 1.5% (1.5%)	The lower the weighted average cost of capital, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. The lower discount for lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	62,840,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.93 (0.93) Discount for lack of marketability: 20% (20%)	The higher Revenue multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	58,698,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price Earnings value: 10.29 (10.29) Discount for lack of marketability: 24% (24%)	The higher Price /Earnings multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	1,574,000	Market approach - comparable companies (based on Price/ Book value multiple)	Price/ Book value: 0.48 (0.48) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.

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(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

Financial assets	Fair value as at 31 December 2015	Valuation technique	Unobservable inputs range (weighted average)	Relationship between unobservable inputs and fair value
Total	7,201,015,000			
Unlisted equity instruments	6,875,297,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.19 to 10.45 (6.75) Discount for lack of marketability: 15% or 20% (17%)	The higher EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	202,606,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 10.81% to 14.31% (13.98%) Discount for lack of marketability ranging from 12% to 16.7% (14.9%) Discount for lack of control ranging from 0% to 22.96% (20%) Long-term revenue growth rate: 1.5% (1.5%)	The lower the weighted average cost of capital, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. The lower discount for lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	62,840,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.93 (0.93) Discount for lack of marketability: 20% (20%)	The higher Revenue multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	58,698,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price Earnings value: 10.29 (10.29) Discount for lack of marketability: 24% (24%)	The higher Price /Earnings multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	1,574,000	Market approach - comparable companies (based on Price/ Book value multiple)	Price/ Book value: 0.48 (0.48) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

Significant unobservable inputs are the following:

Revenue multiple: is a tool used to appraise businesses based on market comparison to similar public companies. Revenue based business value estimation may be preferred to earnings multiple valuation whenever there is uncertainty or doubt regarding some of the company's expenses. The most common tendency is to value a firm based on its sales whenever this number is the most direct indication of the company's earning capacity.

EBITDA multiple: represents the most relevant multiple used when pricing the investments and it is calculated using information from comparable public companies (similar geographic location, industry size, target markets and other factors that valuers consider to be reasonable). The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount for lack of marketability: represents the discount applied to the comparable market multiples to reflect the liquidity differences between a portfolio company relative to the comparable peer group. Valuers estimate the discount for lack of marketability based on professional judgement after considering market liquidity conditions and company-specific factors.

Discount for lack of control: represents the discount applied to reflect the absence of the control power and it was considered under the discounted cash flow method, in order to derive the value of a minority shareholding in the equity of the subject companies.

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

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

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

13. Non-current assets held for sale

As at 30 September 2016, based on the assessment made by the Fund, all the criteria for classifying as held-for-sale part of the holding in OMV Petrom SA were met, in accordance with IFRS 5 requirements. There were no non-current assets held for sale as at 30 September 2015.

The non-current assets held for sale as at 30 September 2016 included the fair value of the shares in OMV Petrom SA subject to the secondary public offering carried by the Fund. The Fund has publicly announced in September 2016 that it has taken the decision to proceed with the partial sale of investment in OMV Petrom SA. The maximum number of shares in the selling offer was 3,641,100,108 shares (representing approximately 6.4% of OMV Petrom SA share capital).

The offering was completed in October 2016, following the approval of the Prospectus by the Romanian Financial Supervision Authority and the confirmation of the UK Listing Authority regarding the eligibility of OMV Petrom SA for admission to the Official List of the UK Financial Conduct Authority.

For more details regarding the secondary public offering carried by the Fund please see Note 20 *Subsequent Events*.

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(all amounts are in RON unless otherwise stated)

14. Deferred tax

	30 September 2016	31 December 2015
Temporary differences on equity investments	(64,849,828)	(683,271,099)
Fiscal loss carried forward	64,849,828	683,271,099
Recognised deferred tax at 16%	<u><u>-</u></u>	<u><u>-</u></u>

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

As at 30 September 2016 and 31 December 2015, the net deferred tax position is nil due to the fact that the Fund recognised a deferred tax asset for the unused tax losses carried forward, only to the level of the deferred tax liability arising from the taxable temporary differences. The deferred tax is recognised either in profit or loss or other comprehensive income, depending on the nature of the corresponding item.

15. Other assets

As at 30 September 2016 and 31 December 2015, other assets include, among others, receivables from transactions with financial instruments, payments to Central Depository in relation with 2015 return of capital to shareholders and income tax to be recovered from the State Budget.

16. Other liabilities

	30 September 2016	31 December 2015
Payable to shareholders related to the return of capital	22,684,387	22,972,691
Investment management and administration fees	22,165,358	13,878,424
Payables related to treasury shares under settlement	1,695,962	848,468
Financial Supervisory Authority fees	938,203	905,581
Provision for litigations	856,247	11,567,805
Prior years dividends payable	-	1,349,398
Other liabilities	6,849,136	3,103,457
	<u><u>55,189,293</u></u>	<u><u>54,625,824</u></u>

During the third quarter of 2016, the Fund paid most of the amounts provisioned for litigations. These amounts are related to the legal case started by World Trade Center București SA against the Fund in August 2013, requesting the Fund to repay the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and the related legal interest. As at 30 September 2016, the provision for litigations refers to unpaid legal interest. For more details please see *Note 18 (2) Contingencies – Other contingencies*.

Other liabilities mainly included the amounts due in relation with the disposal of the portfolio companies and legal advisory.

17. Shareholders' equity
(a) Share capital

As at 30 September 2016, the subscribed share capital was RON 9,320,973,180.85 (31 December 2015: RON 10,074,080,745.90) representing 10,965,850,801 shares (31 December 2015: 11,193,423,051 shares) with a nominal value of RON 0.85 per share (31 December 2015: RON 0.90 per share), out of which 363,812,350 shares were unpaid (31 December 2015: 363,812,350 unpaid shares).

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(all amounts are in RON unless otherwise stated)

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

The paid-in share capital of the Fund as at 30 September 2016 was RON 9,011,732,683.35 (31 December 2015: RON 9,746,649,630.90) representing 10,602,038,451 shares (31 December 2015: 10,829,610,701 shares) with a nominal value of RON 0.85 per share (31 December 2015: RON 0.90 per share).

In March 2016, the paid-in share capital of the Fund decreased by RON 204,815,025 following the cancellation of 227,572,250 treasury shares acquired by the Fund during the fifth buy-back programme carried on in 2015.

In June 2016, the paid in share capital of the Fund decreased by RON 530,101,922.55 following the reduction of the nominal value of the shares from RON 0.90 to RON 0.85 per share and the return to shareholders of RON 0.05 per share.

Unpaid share capital as at 30 September 2016, in amount of RON 309,240,497.50 (31 December 2015: RON 327,431,115), represents the net value of certain contributions due to the Fund by the Romanian State represented by the Ministry of Public Finance as shareholder, that were recorded in previous years as paid-in share capital (based on Law 247/2005) and subsequently were considered unpaid following the results of several litigations that took place in the past. Holders of unpaid shares are not entitled to vote or to receive dividends or other cash distributions, until the matters are legally clarified. The Fund recorded an impairment adjustment for the entire receivable related to the unpaid share capital from Ministry of Public Finance.

As at 30 September 2016, the Romanian State's share in the Fund's subscribed share capital was 3.36% (31 December 2015: 3.29%) and the share in the Fund's paid-in share capital was of 0.04% (31 December 2015: 0.04%).

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

The fair value reserve of RON 4,079,037,031 as at 30 September 2016 (31 December 2015: RON 4,232,810,400) comprised the cumulative net change in the fair value of available for sale financial assets recognised in other comprehensive income until the investments are derecognised or impaired, net of the related deferred tax recognised through equity, where applicable.

(c) Treasury shares***The sixth buy-back programme***

During the 27 April 2015 General Shareholders Meeting ("GSM") the shareholders approved the sixth buy-back programme for a maximum number of 891,770,055 shares or the equivalent number of GDRs corresponding to the shares of Fondul Proprietatea, valid until 15 November 2016. The buy-backs could be performed at a price between RON 0.2 per share and RON 2 per share. The buy-back transactions could only be applied to fully paid shares and the repurchased shares will be cancelled.

The execution of the six buy-back programme started on 9 September 2015 and until 27 September 2016, the sixth buy-back programme was completed, all 891,770,055 shares being repurchased (656,831,105 ordinary shares and 234,938,950 equivalent shares of the GDRs repurchased, where 1 GDR represents 50 ordinary shares), at a total acquisition value of RON 731,959,565 (excluding transaction costs). The weighted average price was approximately RON 0.8156 per share, respectively USD 10.5221 per GDR.

Until 30 September 2016, the Fund converted into ordinary shares the total number of 4,698,779 GDRs acquired within the sixth buy-back programme (equivalent of 234,938,950 ordinary shares).

For details regarding the cancellation of the shares acquired within the six buy-back programme, please see *Note 20 Subsequent Events*.

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(all amounts are in RON unless otherwise stated)

17. Shareholders' equity (continued)**(c) Treasury shares (continued)*****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) does 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 has commenced on 29 September 2016 and until 30 September 2016, the total number of shares repurchased was 2,108,464 shares at a total acquisition value of RON 1,693,786 (excluding transaction costs). There were no acquisitions of shares in the form of GDRs within the seventh buy-back programme until 30 September 2016.

The eighth buy-back programme

On 11 October 2016 the Fund's shareholders approved the eighth buy-back programme – please see *Subsequent Events* for more details.

(d) Return of capital to shareholders

At the 27 January 2016 GSM, the Fund's shareholders approved the return to shareholders of RON 0.05 per share, following the share capital decrease through the reduction of the nominal value of Fund's share from RON 0.90 to RON 0.85. The shareholders resolution was published in the Official Gazette of Romania on 22 February 2016 and the endorsement by the FSA of the new Constitutive Act reflecting the share capital decrease was received on 26 May 2016. On 9 June 2016, the Trade Registry registered the 27 January 2016 GSM Resolution for approving the subscribed share capital decrease.

The shareholders registered in the shareholders' registry with the Central Depository on 6 June 2016 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 June 2016 and by 30 September 2016, shareholders had collected over 98% of the total distribution of RON 516,886,344.

During the 31 October 2016 GSM, the Fund's shareholders approved a special distribution to shareholders of RON 0.05 per share, to be paid in March 2017 – please see *Note 20 Subsequent Events* for more details.

18. Contingencies**1. Litigations**

As at 30 September 2016 the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of the IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*" the Fund has disclosed in these condensed interim financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

- One former minority shareholder of the Fund has filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the General Shareholders Meetings. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by management through the Bucharest Stock Exchange news system.

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(all amounts are in RON unless otherwise stated)

18. Contingencies (continued)**1. Litigations (continued)**

- In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the Administrator of the Fund.

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

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new changes and versions of the Constitutive Act were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, the 3 February 2014 GSM, the 28 April 2014 GSM, the 23 September 2014 GSM, the 19 November 2014 GSM, the 21 January 2015 GSM, the 27 April 2015 GSM, the 29 October 2015 GSM, the 27 January 2016 GSM and 26 April 2016 GSM;
- new resolutions passed during the 25 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, the 3 February 2014 GSM, the 28 April 2014 GSM, the 23 September 2014 GSM, the 19 November 2014 GSM, the 21 January 2015 GSM, the 27 April 2015 GSM, the 29 October 2015 GSM, the 27 January 2016 GSM and 26 April 2016 GSM specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (these resolutions were proposed by a shareholder and approved with a significant majority);
- FTIML was appointed for a new 2-year mandate as Sole Director and Fund Manager of Fondul Proprietatea with effect from 30 September 2014. Considering the legal requirements to implement the AIFM Directive the shareholders of the Fund approved, on 29 October 2015, the change of the management structure and the termination of the mandate of FTIML as Fund Manager and Sole Director, with the mutual consent of both parties, with effect from 1 April 2016. Subsequent to the termination, the Fund appointed FTIS as its Sole Director and Alternative Investment Fund Manager under AIFM Directive. The mandate of the new Sole Director (FTIS) has not been challenged.

As at 30 September 2016 the litigant was no longer a shareholder of Fondul Proprietatea.

Therefore, FTIS as Sole Director and FTIML as Investment Manager of Fondul Proprietatea are liable to observe the current Constitutive Act and the shareholders' resolutions in force, and consequently will continue to manage the Fund in accordance with these and with the Management Agreement in force.

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

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

2. Other contingencies

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

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(all amounts are in RON unless otherwise stated)

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

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 the years 2008-2010, 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 on receipt basis in the Fund's financial statements.

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

On 7 July 2016, 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 July – August 2016, the Fund performed the payment of these amounts and of the related legal interest to World Trade Center București SA. The decision can be appealed.

The file started by the Fund against Ministry of Public Finance for recovering the contributions of Ministry of Public Finance to the share capital of the Fund is currently suspended until the file mentioned above is irrevocably settled.

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

19. Related parties**(a) Key management**

	9 months ended 30 September 2016	9 months ended 30 September 2015
Remunerations		
Members of the Board of Nominees	900,000	675,000

There were no loans to or other transactions between the Fund and the members of the Board of Nominees during the first nine months of 2016 or during the first nine months of 2015.

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch 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 Franklin Templeton International Services S.à r.l. was appointed as Sole Director and Alternative Investment Fund Manager under AIFM Directive. FTIS delegated the role of investment manager as well as certain administrative functions to FTIML.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

19. Related parties (continued)
(a) Key management (continued)

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

Transactions	9 months ended 30 September 2016	9 months ended 30 September 2015
Investment management and administration fees	45,107,803	-

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

Transactions	9 months ended 30 September 2016	9 months ended 30 September 2015
Investment management and administration fees	12,567,847	54,444,904
Rental expense	49,381	50,458
Operating cost	17,744	18,249
	12,634,972	54,513,611

During the nine-month period ended 30 September 2016, the Fund also recorded RON 1,135,249 representing expenses incurred by the FTIML on its behalf (nine-month period ended 30 September 2015: RON 1,543,212). 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.

The outstanding liabilities owed by the Fund were as follows:

Amounts due to:	30 September 2016	31 December 2015
FTIS	22,165,358	-
FTIML	7,438	15,050,105
	22,172,797	15,050,105

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:

	30 September 2016	31 December 2015
Ownership interest		
Alcom SA	72%	72%
Comsig SA	70%	70%
Primcom SA	75%	68%
Zirom SA	100%	100%

In March and August 2016, the Fund participated in the cash share capital increases of Zirom SA subscribing 300,000 and 120,000 new shares respectively, at the nominal value of RON 10 per share (in total of RON 3,000,000 and RON 1,200,000 respectively).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

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

On 5 July 2016, Primcom SA finalised the registration within the Romanian Central Depository of its share capital decrease by RON 18,768.90 through the cancellation of 187,689 shares according with the resolution of the General Shareholders Meeting held on 17 March 2016. The number of shares owned by Fondul Proprietatea in Primcom SA, respectively 1,275,032 shares did not change, but the holding percentage increased from 68% to 75%.

On 13 February 2015, Primcom SA finalised the registration within the Romanian Central Depository of its share capital decrease by RON 19,237.20 through the cancellation of 192,372 shares according with the resolution of the General Shareholders Meeting held on 17 July 2014. The number of shares owned by Fondul Proprietatea in Primcom SA, respectively 1,427,188 shares did not change, but the holding percentage increased from 69% to 76%. In December 2015 the Fund sold 152,156 shares in Primcom SA, at the price of RON 30 per share, within the buy-back programme carried by this company. Following this transaction Fund's holding percentage decreased from 76% to 68%.

In August 2015, the Fund participated in the cash share capital increase of Zirom SA subscribing 99,162 new shares, at the nominal value of RON 10 per share (in total of RON 991,620).

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

	30 September 2016	31 December 2015
Zirom SA	23,275,000	23,275,000
Primcom SA	14,599,116	14,280,358
Alcom SA	10,133,492	10,409,423
Comsig SA	1,967,923	1,720,902
	49,975,531	49,685,683

As at 30 September 2016, 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. As at 30 September 2016 and 31 December 2015, there is no restriction on the ability of any of the subsidiaries to transfer funds to Fondul Proprietatea in any form of distributions.

During the nine-month period ended 30 September 2016, the Fund did not carry out any other transaction with its subsidiaries.

During the nine-month period ended 30 September 2015, the Fund recorded and received a dividend of RON 104,524 from Alcom SA.

(c) Associates

As at 30 September 2016 and 31 December 2015, the Fund had three associates, all of them incorporated in Romania:

	30 September 2016	31 December 2015
Ownership interest		
OMV Petrom SA	19%	19%
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

The Fund did not carry out any transactions with its associates during the nine-month period ended 30 September 2016.

During the nine-month period ended 30 September 2015, the Fund recorded and collected from OMV Petrom SA a dividend of RON 120,496,860 and from Societatea Nationala a Sarii SA a dividend of RON 10,234,109.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

20. Subsequent events

(a) Decisions of 11 October 2016 Extraordinary General Shareholders Meeting

The main decisions of the shareholders at the 11 October 2016 GSM were the following:

- Approve of the decrease of the subscribed share capital as a result of the partial cancelation of 712,171,156 own shares repurchased during the sixth buy-back programme;
- Approval of the eight 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-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;
- 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 Administrator/ its Alternative Investment Fund Manager between 6 September 2010 and 10 October 2016.

(b) Decisions of 31 October 2016 General Shareholders Meeting

The main decisions of the shareholders at the 31 October 2016 GSM were the following:

- Approval of the decrease of the Fund's subscribed share capital through the reduction of the par value of the Fund's shares from RON 0.85 to RON 0.57, for covering the accounting losses and for a special distribution to shareholders of RON 0.05 per share;
- Approval of the amendments to the Fund's Constitutive Act;
- Approval for a special authorisation for the Sole Director to execute any acts over any holdings in the Fund's portfolio companies during the financial year 2017;
- Approval of the continuation of the mandate of FTIS as the Fund's AIFM and Sole Director;
- Approval of the Fund's 2017 Budget;
- Approval of Deloitte Audit SRL as the Fund's financial auditor for the financial year ending 31 December 2016 and of the financial audit agreement;
- 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 Administrator/ its Alternative Investment Fund Manager between 6 September 2010 and 30 October 2016.

(c) Secondary public offering for partial sale of shares in OMV Petrom SA

On 5 October 2016 the FSA approved the Prospectus relating to the secondary public offering by the Fund regarding a partial sale of its shares in OMV Petrom SA. The value of the offer was up to 3,641,100,108 shares, representing approx. 6.4% of the OMV Petrom share capital, in the form of shares and GDRs (the company has also applied for admission to listing of the GDRs on the London Stock Exchange).

The Final Offer Price was RON 0.21 per share and USD 7.70 per GDR. The price per share for investors in the Small Retail Tranche during the first four working days of the offer was of 95% of the Final Offer Price (i.e. RON 0.1995 per share) and 97% of the Final Offer Price (i.e. RON 0.2040 per share) starting with the fifth working day of the offer.

The subscription period was six business days, from 6 October 2016 to 13 October 2016. The number of shares sold in the offer was 3,641,100,108, out of which 3,267,250,908 in the form of shares and 373,849,200 in the form of GDRs, where 1 GDR represents 150 ordinary shares. The gross proceeds received from the sale amount to RON 682,342,730.23 for the Shares and USD 19,190,925.60 for the GDRs sold.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

(all amounts are in RON unless otherwise stated)

20. Subsequent events (continued)

(d) Partial cancelation of the shares acquired within the sixth buy-back programme

At the 26 April 2016 GSM the shareholders approved the cancellation of 179,598,899 shares repurchased by the Fund during the six buy-back programme. The shareholders resolution was published in the Official Gazette of Romania on 24 May 2016.

On 26 October 2016, the Trade Registry registered Resolution no. 4/ 27 April 2016 of the Fund's Extraordinary General Shareholders Meeting for approving the decrease of the subscribed share capital from RON 9,320,973,180.85 to RON 9,168,314,116.70, pursuant to the cancellation of 179,598,899 own shares acquired by the Fund during the six buy-back programme, endorsed by the FSA Endorsement no. 264/ 12 October 2016.

Therefore, starting with 26 October 2016, the new value of the Fund's subscribed share capital is RON 9,168,314,116.70, being divided into 10,786,251,902 shares with a nominal value of RON 0.85 per share. The value of the paid-in share capital is RON 8,859,073,619.20, being divided into 10,422,439,552 shares.

Also, as a result of the cancellation of shares, the new GDR facility limit, of one-third of the Fund's subscribed share capital under the Romanian securities regulations, is 71,908,346 GDRs starting 26 October 2016, each GDR representing 50 shares.

Annex 2 Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 September 2016, prepared in accordance with CNVM Regulation 4/2010

(Annex no. 4)

Item	31 December 2015				30 September 2016				Differences Lei		
	% of the net asset	% of the total asset	Currency		Lei	% of the net asset	% of the total asset	Currency		Lei	
I. Total assets	100.4517%	100.0000%			12,148,082,016.47	100.4859%	100.0000%			11,411,950,989.02	(736,131,027.45)
1 Securities and money market instruments, out of which:*	38.6935%	38.5198%			4,679,379,747.81	28.5943%	28.4561%			3,247,382,147.80	(1,431,997,600.01)
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	38.6935%	38.5198%			4,679,379,747.81	28.5943%	28.4561%			3,247,382,147.80	(1,431,997,600.01)
1.1.1 listed shares traded in the last 30 trading days	38.1175%	37.9464%			4,609,725,698.56	28.5051%	28.3673%			3,237,248,655.69	(1,372,477,042.87)
1.1.2 listed shares not traded in the last 30 trading days	0.0881%	0.0877%			10,649,639.24	0.0892%	0.0888%			10,133,492.11	(516,147.13)
1.1.3 Government bonds	0.4879%	0.4857%			59,004,410.01	-	-			-	(59,004,410.01)
1.1.4 allotment rights not admitted at trading on a regulated market	-	-			-	-	-			-	-
securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-			-	-	-			-	-
1.2. 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 state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the FSA	-	-			-	-	-			-	-
2 New issued securities	-	-			-	-	-			-	-
Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	59.7075%	59.4391%			7,220,693,259.75	64.9264%	64.6128%			7,373,560,039.84	152,866,780.09
- shares not admitted at trading on a regulated market	59.7075%	59.4391%			7,220,693,259.75	64.9264%	64.6128%			7,373,560,039.84	152,866,780.09
4 Bank deposits, out of which:	1.6358%	1.6286%			197,825,552.00	1.3671%	1.3604%			155,254,545.09	(42,571,006.91)
4.1. bank deposits made with credit institutions from Romania	1.6358%	1.6286%			197,825,552.00	1.3671%	1.3604%			155,254,545.09	(42,571,006.91)
- in RON	1.6358%	1.6286%			197,825,552.00	1.3671%	1.3604%			155,254,545.09	(42,571,006.91)
- 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:	0.0053%	0.0053%			648,858.28	0.0703%	0.0699%			7,976,052.98	7,327,194.70
- in RON	0.0053%	0.0053%			644,341.11	0.0703%	0.0699%			7,972,888.77	7,328,547.66
- in EUR	0.0000%	0.0000%	EUR	550.27	2,489.70	0.0000%	0.0000%	EUR	201.52	897.23	(1,592.47)
- in USD	0.0000%	0.0000%	USD	249.87	1,036.39	0.0000%	0.0000%	USD	307.67	1,225.20	188.81
- in GBP	0.0000%	0.0000%	GBP	161.24	991.08	0.0000%	0.0000%	GBP	201.79	1,041.78	50.70
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:	0.1650%	0.1643%			19,957,310.85	2.8276%	2.8140%			321,119,669.63	301,162,358.78
- Treasury bills with original maturities of less than 1 year	0.1650%	0.1643%			19,957,310.85	2.8276%	2.8140%			321,119,669.63	301,162,358.78
8 Participation titles of OCIU and/or of UCITS (A.O.P.C./ O.P.C.V.M.)	-	-			-	-	-			-	-
9 Other assets out of which:	0.2446%	0.2429%			29,577,287.78	2.7002%	2.6868%			306,658,533.68	277,081,245.90
- net dividend receivable from Romanian companies	-	-			-	-	-			-	-
- receivable representing the amount transferred to Central Depository for 2015 return of capital and not yet paid to / collected by shareholders until the end of the period	0.1588%	0.1580%			19,207,349.00	0.1085%	0.1079%			12,323,229.40	(6,884,119.60)
- dividend withholding tax to be recovered from Austrian Tax Authorities	0.0087%	0.0086%	EUR	231,495.58	1,047,401.75	-	-			-	(1,047,401.75)
- tax on dividends to be recovered from the State Budget	0.0056%	0.0056%			681,562.00	0.0061%	0.0060%			692,489.00	10,927.00
- tax on profit to be recovered from the State Budget	0.0606%	0.0602%			7,330,440.00	0.0646%	0.0641%			7,330,440.00	-
- intangible assets	0.0066%	0.0065%			796,412.31	0.0053%	0.0053%			602,097.39	(194,314.92)
- other receivables	0.0038%	0.0037%			452,263.51	1.5832%	1.5756%			179,804,467.84	179,352,204.33
- in RON	0.0038%	0.0037%			452,263.51	1.5832%	1.5756%			179,804,467.84	179,352,204.33
- prepaid expenses	0.0005%	0.0003%			61,859.21	0.0016%	0.0015%			182,081.93	120,222.72
II. Total liabilities	0.4517%	0.4497%			54,625,823.74	0.4859%	0.4835%			55,189,293.23	563,469.49
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1148%	0.1142%			13,878,424.02	0.1952%	0.1942%			22,165,358.48	8,286,934.46
2 Liabilities related to the fees payable to the depository bank	0.0007%	0.0007%			84,979.19	0.0006%	0.0006%			71,217.70	(13,761.49)
3 Liabilities related to the fees payable to intermediaries	0.0037%	0.0037%			446,715.00	-	-			-	(446,715.00)
4 Liabilities related to commissions and other bank services	-	-			-	-	-			-	-
5 Interest payable	-	-			-	-	-			-	-
6 Liabilities related to issuance costs	-	-			-	-	-			-	-
7 Liabilities in relation with the fees/commissions to FSA	0.0075%	0.0075%			905,580.70	0.0083%	0.0082%			938,202.80	32,622.10
8 Liabilities related to audit fees	-	-			-	-	-			-	-
9 Other Liabilities, out of which:	0.3250%	0.3236%			39,310,124.83	0.2818%	0.2805%			32,014,514.25	(7,295,610.58)
- liabilities related to the return of capital	0.1900%	0.1891%			22,972,690.65	0.1997%	0.1988%			22,684,386.60	(288,304.05)
- dividends payable	0.0111%	0.0111%			1,349,397.52	-	-			-	(1,349,397.52)
- provisions	0.0956%	0.0952%			11,567,804.85	0.0075%	0.0075%			856,247.22	(10,711,557.63)

FONDUL PROPRIETATEA SA

Item	31 December 2015				30 September 2016				Differences Lei
	% of the net asset	% of the total asset	Currency	Lei	% of the net asset	% of the total asset	Currency	Lei	
- liabilities related to buybacks under settlement	0.0070%	0.0070%	-	848,468.13	0.0149%	0.0149%	-	1,695,962.23	847,494.10
- remunerations and related contributions	0.0003%	0.0003%	-	32,689.00	0.0003%	0.0003%	-	31,950.00	(739.00)
- VAT payable to State Budget	0.0011%	0.0011%	-	132,207.55	0.0005%	0.0005%	-	59,070.40	(73,137.15)
- other liabilities out of which:	0.0199%	0.0198%	-	2,406,867.13	0.0589%	0.0586%	-	6,686,897.80	4,280,030.67
- in RON	0.0195%	0.0194%	-	2,354,839.90	0.0546%	0.0543%	-	6,200,453.75	3,845,613.85
- in EUR	0.0004%	0.0004%	EUR 11,499.00	52,027.23	0.0043%	0.0042%	EUR 108,442.21	482,817.25	430,790.02
- in GBP	0.0000%	0.0000%	GBP -	-	0.0000%	0.0000%	GBP 702.50	3,626.80	3,626.80
III. Net Asset Value (I - II)	100.0000%	99.5503%		12,093,456,192.73	100.0000%	99.5165%		11,356,761,695.79	(736,694,496.94)

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

Unitary Net Asset Value

Item	30 September 2016	31 December 2015	Differences
Net Asset Value	11,356,761,695.79	12,093,456,192.73	(736,694,496.94)
Number of outstanding shares	9,708,159,932	10,452,388,827	(744,228,895)
Unitary net asset value	1.1698	1.1570	0.0128

Detailed statement of investments as at 30 September 2016
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
Airo Slatina SA	ALR	29/Sep/2016	72,884,714	0.5	1.2150	88,554,927.51	10.21%	0.7760%	0.7798%	Closing price
Banca Transilvania SA	TLV	30/Sep/2016	8,622,074	1	2.3650	20,391,205.01	0.23%	0.1787%	0.1796%	Closing price
BRD-Groupe Societe Generale SA	BRD	30/Sep/2016	25,363,456	1	11.0000	278,998,016.00	3.63%	2.4448%	2.4567%	Closing price
Conpet SA	COTE	30/Sep/2016	524,366	3.3	76.4000	40,061,562.40	6.05%	0.3510%	0.3528%	Closing price
IOR SA	IORB	23/Sep/2016	2,622,273	0.1	0.4000	1,048,909.20	2.81%	0.0092%	0.0092%	Reference price - Average price
Mecon SA	MECP	28/Sep/2016	60,054	11.6	2.4000	144,129.60	12.51%	0.0013%	0.0013%	Reference price - Average price
Oil Terminal SA	OIL	30/Sep/2016	36,796,026	0.1	0.0970	3,569,214.52	6.31%	0.0313%	0.0314%	Closing price
OMV Petrom SA	SNP	30/Sep/2016	10,758,648,186	0.1	0.2440	2,625,110,157.38	18.99%	23.0032%	23.1150%	Closing price
Palace SA	PACY	16/Sep/2016	5,832,482	0.1	0.3370	1,965,546.43	15.42%	0.0172%	0.0173%	Reference price - Average price
Primcom SA	PRIB	15/Sep/2016	1,275,032	0.1	11.4500	14,599,116.40	75.48%	0.1279%	0.1285%	Reference price - Average price
Romaero SA	RORX	29/Sep/2016	1,311,691	2.5	21.0000	27,545,511.00	20.99%	0.2414%	0.2425%	Reference price - Average price
Nuclearelectrica SA	SNN	30/Sep/2016	27,408,381	10	4.9350	135,260,360.24	9.09%	1.1853%	1.1910%	Closing price
Total						3,237,248,655.69		28.3673%	28.5051%	

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%	0.0888%	0.0892%	Shareholders' equity as of 31 December 2015
Total						10,133,492.11		0.0888%	0.0892%	

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	67.9649	1,573,999.12	20.00%	0.0138%	0.0139%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	81.6466	2,613,997.55	20.00%	0.0229%	0.0230%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
BAT Service SA	194,022	19/Jul/2005	656,686	0.0000	0.00	33.00%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Cetatea SA	354,468	19/Jul/2005	118,840	0.9855	349,328.21	20.43%	0.0031%	0.0031%	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%	0.1512%	0.1519%	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%	0.0264%	0.0265%	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%	0.0104%	0.0104%	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	79.4920	211,299,910.98	19.99%	1.8516%	1.8606%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 December 2015)
CN Aeroporturi Bucuresti SA **	2,875,443	5/Feb/2010	131,168,263	219.9591	632,479,854.38	20.00%	5.5423%	5.5692%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 December 2015)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	2.2944	62,838,889.54	21.55%	0.5506%	0.5533%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Consig SA	75,655	19/Jul/2005	132,633	26.0118	1,967,922.73	69.94%	0.0172%	0.0173%	Unlisted companies, in function	Shareholders' equity as of 31 December 2015/ share
Electrica Distributie Muntenia Nord SA	7,796,022	19/Jul/2005	165,221,141	32.5678	253,899,285.29	21.99%	2.2249%	2.2357%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 August 2015)
Electrica Distributie Transilvania Nord SA	8,167,813	19/Jul/2005	113,299,904	26.3962	215,599,225.51	22.00%	1.8892%	1.8984%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 August 2015)
Electrica Distributie Transilvania Sud SA	9,327,282	19/Jul/2005	125,918,629	23.8333	222,299,910.09	21.99%	1.9480%	1.9574%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 August 2015)
Electrica Furnizare SA ***	1,366,412	22/Jul/2011	17,819,672	109.4838	149,599,978.13	22.00%	1.3109%	1.3173%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 August 2015)
Enel Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	67.6742	623,999,706.18	24.12%	5.4679%	5.4945%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Enel Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	59.4095	401,199,898.51	24.09%	3.5156%	3.5327%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Enel Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	139.8478	455,399,816.53	12.00%	3.9906%	4.0099%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	144.1266	63,999,993.24	12.00%	0.5608%	0.5635%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	45.5952	76,599,936.00	12.00%	0.6712%	0.6745%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	186.5982	446,099,943.54	11.99%	3.9091%	3.9281%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,378,235	19/Jul/2005	3,107,667,996	36.5748	3,268,991,069.48	19.94%	28.6453%	28.7845%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 March 2016)
Plafar SA	132,784	28/Jun/2007	3,160,329	14.3993	1,911,996.65	48.99%	0.0168%	0.0168%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	3.9468	58,696,600.42	25.00%	0.5143%	0.5168%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Romplumb SA	1,595,520	28/Jun/2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Salubriserv SA	43,263	19/Jul/2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Insolvency	Priced at zero
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	88.4492	177,418,835.09	48.99%	1.5547%	1.5622%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	0.0000	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero
World Trade Hotel SA	17,912	19/Jul/2005	17,912	0.0000	0.00	19.90%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (lack of annual financial statements for the year-ended 31 December 2015)
Zirom SA	5,405,083	28/Jun/2007	53,838,072	4.3061	23,274,827.91	100.00%	0.2040%	0.2049%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Total			5,115,702,791		7,373,560,039.84		64.6128%	64.9264%		

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
RO1516CTN0L8	20,000	16/Aug/2016	19/Dec/2016	99,871,693.00	1,026.46	47,216.98	99,918,909.98	0.8756%	0.8798%	BRD Groupe Societe Generale	Acquisition price cumulated with the related interest since the acquisition date
RO1516CTN0L8	2,288	19/Sep/2016	19/Dec/2016	11,429,998.69	111.13	1,222.38	11,431,221.07	0.1002%	0.1007%	BRD Groupe Societe Generale	
RO1617CTN017	15,000	19/Sep/2016	18/Jan/2017	74,910,108.00	749.10	8,240.10	74,918,348.10	0.6565%	0.6597%	BRD Groupe Societe Generale	
RO1617CTN017	20,000	20/Sep/2016	18/Jan/2017	99,886,795.00	943.38	10,377.12	99,897,172.12	0.8754%	0.8796%	BRD Groupe Societe Generale	
RO1617CTN033	7,000	26/Sep/2016	6/Feb/2017	34,952,222.20	359.23	1,796.16	34,954,018.36	0.3063%	0.3078%	BRD Groupe Societe Generale	
Total							321,119,669.63	2.8140%	2.8276%		

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	20/Sep/2016	4/Oct/2016	37,200,000.00	206.66	2,273.33	37,202,273.33	0.3260%	0.3276%	Bank deposit value cumulated with the daily related interest for the period from starting date
BRD Groupe Societe Generale	22/Sep/2016	20/Oct/2016	58,200,000.00	194.00	1,746.00	58,201,746.00	0.5100%	0.5125%	
Banca Comerciala Romana	27/Sep/2016	11/Oct/2016	23,900,000.00	99.58	398.33	23,900,398.33	0.2094%	0.2105%	
BRD Groupe Societe Generale	30/Sep/2016	3/Oct/2016	9,996,277.95	24.99	24.99	9,996,302.94	0.0876%	0.0880%	
BRD Groupe Societe Generale	30/Sep/2016	3/Oct/2016	2,453,598.67	29.99	29.99	2,453,628.66	0.0215%	0.0216%	
Unicredit Tiriac Bank	30/Sep/2016	3/Oct/2016	23,500,000.00	195.83	195.83	23,500,195.83	0.2059%	0.2069%	
Total						155,254,545.09	1.3604%	1.3671%	

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

	31 December 2014	31 December 2015	30 September 2016
Net Asset	13,236,700,614.13	12,093,456,192.73	11,356,761,695.79
NAV/share	1.2125	1.1570	1.1698

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

BRD Groupe Societe Generale

Oana Truta
Permanent representative

Marius Nechifor
Compliance Officer

Claudia Ionescu
Director

Victor Strâmbei
Manager Depository Department



FONDUL
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