

Fondul Proprietatea SA

(this is a translation from the official Romanian version)



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Company Information

The Company

- Fondul Proprietatea SA (“the Fund” or “Fondul Proprietatea” or “FP”) was incorporated on 28 December 2005 as a joint stock company operating as a closed-end investment company. The Fund is registered with the Bucharest Trade Register under the number J40/21901/2005 and has the sole registration code 18253260.
- The Fund’s Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.
- During the reported period, the Fund was managed by Franklin Templeton International Services S.à r.l. (“FTIS” or “AIFM”) as its Sole Director and AIFM under the Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFM Directive”) and local implementation regulations, under the Management Agreement executed in 2015 that entered into force on 1 April 2016 (“2016 Management Agreement”) in order to comply with the AIFM Directive. FTIS has delegated the role of Investment Manager as well as certain administrative functions to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML”/ “Investment Manager”) for the entire duration of its mandate as AIFM. FTIML was the previous Sole Director and Fund Manager of Fondul Proprietatea (between 29 September 2010 and 31 March 2016).
- Since 25 January 2011, the Fund’s shares have been listed on the Bucharest Stock Exchange (“BVB”). Since 29 April 2015, the Fund’s global depository receipts (“GDRs”) have been listed on the Specialist Fund Market of the London Stock Exchange (“LSE”).

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

NAV* and share price developments	Notes	Q1 2018	Q1 2017	YE 2017	Change % Q1 2018 vs Q1 2017	Change % Q1 2018 vs YE 2017
Total shareholders' equity (RON million)		9,838.9	10,630.8	10,790.2	-7.4%	-8.8%
Total NAV (RON million)	a, m	9,839.0	10,689.5	10,790.4	-8.0%	-8.8%
NAV per share (RON)	a, m	1.3270	1.1943	1.2375		
NAV per share change in the period (%)	b	+7.2%	+0.7%	+4.3%		
NAV per share total return in the period (%)	h	+7.2%	+4.9%	+13.1%		
Share price as at the end of the period (RON)		0.9340	0.8880	0.8640		
Share price low (RON)	c	0.8900	0.8000	0.8000		
Share price high (RON)	c	0.9370	0.9200	0.9250		
Share price change in the period (%)	b	+8.1%	+11.7%	+8.7%		
Share price total return in the period (%)	i	+8.1%	+18.1%	+21.5%		
Share price discount to NAV as at the end of the period (%)	e	29.6%	25.6%	30.2%		
Average discount for the period (%)	e	27.0%	26.8%	28.0%		
Average daily share turnover (RON million)	d, k	15.0	11.2	6.9	+34.0%	+117.5%
GDR price as at the end of the period (USD)		12.6	10.50	11.4500		
GDR price low (USD)	f	11.3	9.40	9.4000		
GDR price high (USD)	f	12.6	10.90	11.4500		
GDR price change in the period (%)	b	+10.0%	+11.7%	+21.8%		
GDR price total return in the period (%)	b, j	+10.0%	+18.0%	+35.9%		
GDR price discount to NAV as at the end of the period (%)	e	28.3%	25.1%	28.0%		
Average GDR price discount for the period (%)	e	26.6%	25.9%	27.4%		
Average daily GDR turnover (USD million)	g, l	2.4	1.9	1.0	+26.3%	+140.0%

Source: Fondul Proprietatea

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

Notes:

- a. Prepared on the basis of local rules issued by the capital market regulator
- b. Compared to the end of the previous period
- c. Source: BVB - REGS market - Closing prices
- d. Source: BVB
- e. Share Price/ GDR Price discount to NAV as at the end of the period (%) is calculated as the discount between FP share closing price on BVB/ FP GDR closing price on LSE on the last trading day of the period and the NAV per share at the end of the period; the average discount is calculated according with the Investment Policy Statement ("IPS"), using the latest published NAV per share at the date of calculation.
- f. Source: LSE - Closing prices
- g. Source: Bloomberg
- h. The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per share at the end of the period plus any cash distribution during the period, dividing the resulting sum by the official NAV per share at the beginning of the period. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS.
- i. The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS.
- j. The GDR Price Total Return is calculated in USD is by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS.
- k. Including the tender offer carried by the Fund in February 2018 with a total value of RON 610.4 million (excluding transaction costs) for the 652.8 million shares acquired on BVB/ in March 2017, with a total value of RON 337.3 million (excluding transaction costs) for the 370.7 million shares acquired on BVB
- l. Including the tender offer carried by the Fund in February 2018 with a total value of USD 135.5 million (excluding transaction costs) for the 547.2 million shares equivalent to the GDRs acquired on LSE/ in March 2017, with a total value of USD 57.9 million (excluding transaction costs) for the 269.3 million shares equivalent to the GDRs acquired on LSE
- m. The difference in change (%) between total NAV and NAV per share is due to the change in the number of treasury shares during the period (treasury shares acquired through buy-backs, both ordinary shares and GDRs, are excluded from the number of shares used in the computation of NAV per share)

Share capital information	31 March 2018	31 March 2017	31 December 2017
Issued share capital (RON)	4,854,034,784.56	5,742,226,025.22	4,854,034,784.56
Paid in share capital (RON)	4,664,852,362.56	5,534,852,985.72	4,664,852,362.56
Number of shares in issue	9,334,682,278	10,074,080,746	9,334,682,278
Number of paid shares	8,970,869,928	9,710,268,396	8,970,869,928
Nominal value per share (RON)	0.52	0.57	0.52

Share information

Primary listing	Bucharest Stock Exchange
Since	25 January 2011
Secondary listing	London Stock Exchange
Since	29 April 2015
Bucharest Stock Exchange symbol	FP
London Stock Exchange symbol	FP.
Bloomberg ticker on BVB	FP RO
Bloomberg ticker on LSE	FP/ LI
Reuters ticker on BVB	FP.BX
Reuters ticker on LSE	FPq.L
ISIN	ROFPTAACNOR5
Financial Supervisory Authority register no	PJR09SIIR/400006/18.08.2010
LEI code	549300PVO1VWBFH3DO07
CIVM registration no	AC-4522-2/13.12.2017

Shareholder Structure (as at 31 March 2018)

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights
The Bank of New York Mellon (GDRs) ²	29.77%	30.98%	37.35%
Foreign institutional shareholders	15.91%	16.55%	20.02%
Romanian private individuals	15.76%	16.40%	19.85%
Romanian institutional shareholders	15.50%	16.13%	19.51%
Foreign private individuals	2.53%	2.64%	3.19%
Romanian State represented by Ministry of Public Finance ³	0.06%	0.06%	0.08%
Treasury shares ⁴	16.57%	17.24%	-
Unpaid shares ⁵	3.90%	-	-

Source: Depozitarul Central SA (*Romanian Central Depository)

As at 31 March 2018, the Fund had 6,292 shareholders and the total number of voting rights was 7,414,398,382.

Largest Shareholders

Shareholder	Latest ownership disclosure	% of voting rights
Elliott Associates	28 February 2018	9.11%
NN Group	27 March 2017	5.02%
City of London Investment Mgmt.	24 April 2018	4.96%

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 194,895 global depository receipts as at 31 March 2018 (9,744,750 shares equivalent)

³ The percentage represents the paid shares; the percentage of subscribed share capital of Romanian State represented by Ministry of Public Finance is 3.96%, including the unpaid shares

⁴ 1,546,726,796 treasury shares acquired by the Fund in the seventh, eighth and ninth buy-back programmes, based on settlement date (921,869,046 ordinary shares acquired and 624,857,750 shares corresponding to GDRs acquired, converted into shares)

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

Overview

Franklin Templeton International Services S.à r.l, as Sole Director and AIFM of Fondul Proprietatea presents the results of the Fund in accordance with IFRS for the quarter ended 31 March 2018, with an unaudited net profit of RON 293.6 million, as compared to the unaudited net profit for the first quarter of 2017 of RON 293.0 million.

The main contributor to the profit in the first three months of 2018 was the net unrealised gain from equity instruments at fair value through profit or loss amounting to RON 309.8 million, principally generated by OMV Petrom SA, as a result of the positive evolution of the share price for this company during the first quarter of 2018 (RON 181.2 million, share price increase of 11.2%).

For more details, please see section *Financial Statements Analysis*.

Total shareholders' equity was RON 9,838.9 million as at 31 March 2018, and decreased by 8.8% as compared to the value of RON 10,790.2 million as at 31 December 2017.

The Fund reported a Net Asset Value of RON 9,839.0 million as at 30 March 2018 and a Net Asset Value per Share ("NAV per share") of RON 1.3270 (a positive NAV per Share total return of 7.2% compared to 31 December 2017).

In the first quarter of 2018, the BVB outperformed the largest markets in Central Europe, in both local currency and EUR terms, as shown in the table below:

% change in Q1 2018	in local currency	in EUR
BET-XT (Romania)	+10.34%	+10.66%
PX (Czech Republic)	+4.24%	+4.79%
ATX (Austria)	+0.25%	+0.25%
BUX (Hungary)	-5.38%	-5.96%
WIG20 (Poland)	-10.19%	-10.94%

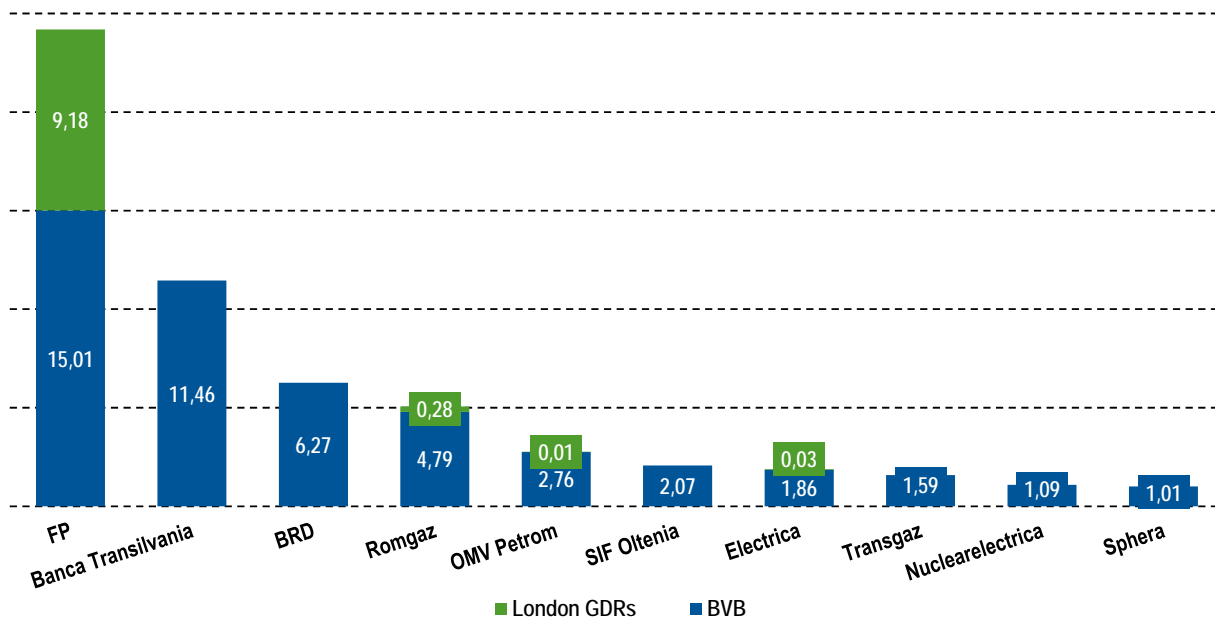
Source: Bloomberg

The discount of the Fund's share price to NAV was 29.6% as at 30 March 2018, based on NAV as at 30 March 2018. In the quarter ended 31 March 2018, the discount calculated according with the Investment Policy Statement ranged between 24.9% and 29.0%.

Significant Events

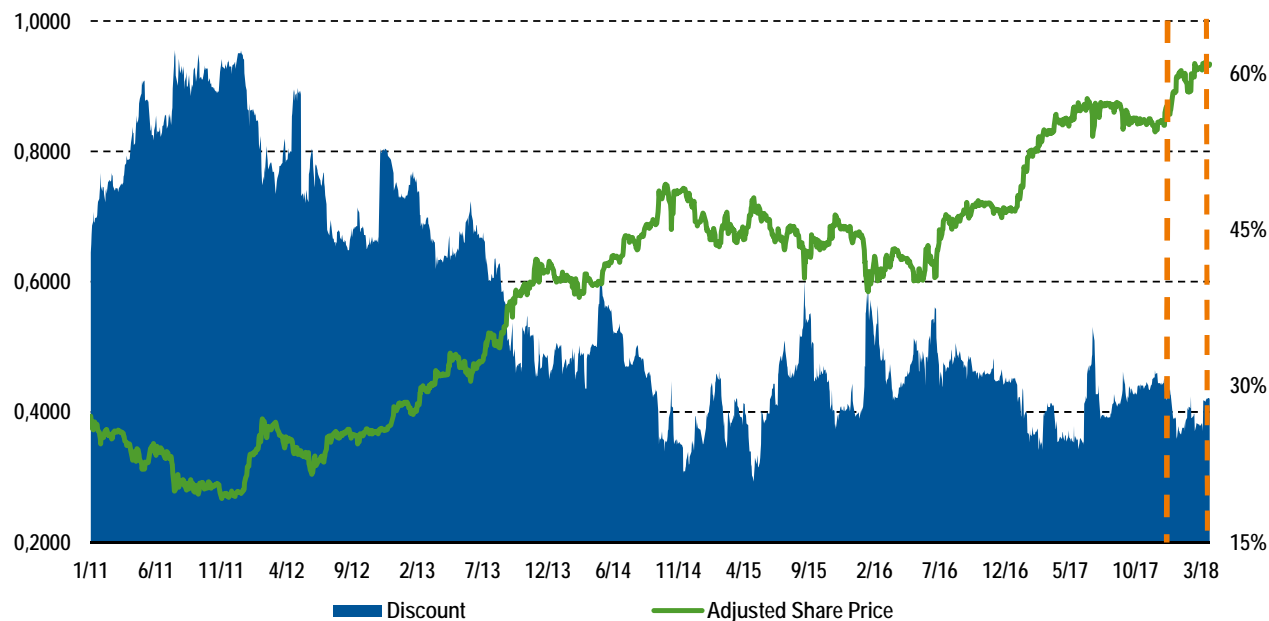
Regulated Stock Market Trading

Average Daily Turnover in the first quarter of 2018 (RON million)



Note: the values include the Fund's tender offer from February 2018, of RON 610.4 million for the 652.8 million shares acquired on BVB and RON 511.1 million for the 547.2 million shares equivalent to the GDRs acquired on LSE, based on the RON/ USD exchange rate at the transaction date, as communicated by the National Bank of Romania
 Source: BVB, Bloomberg

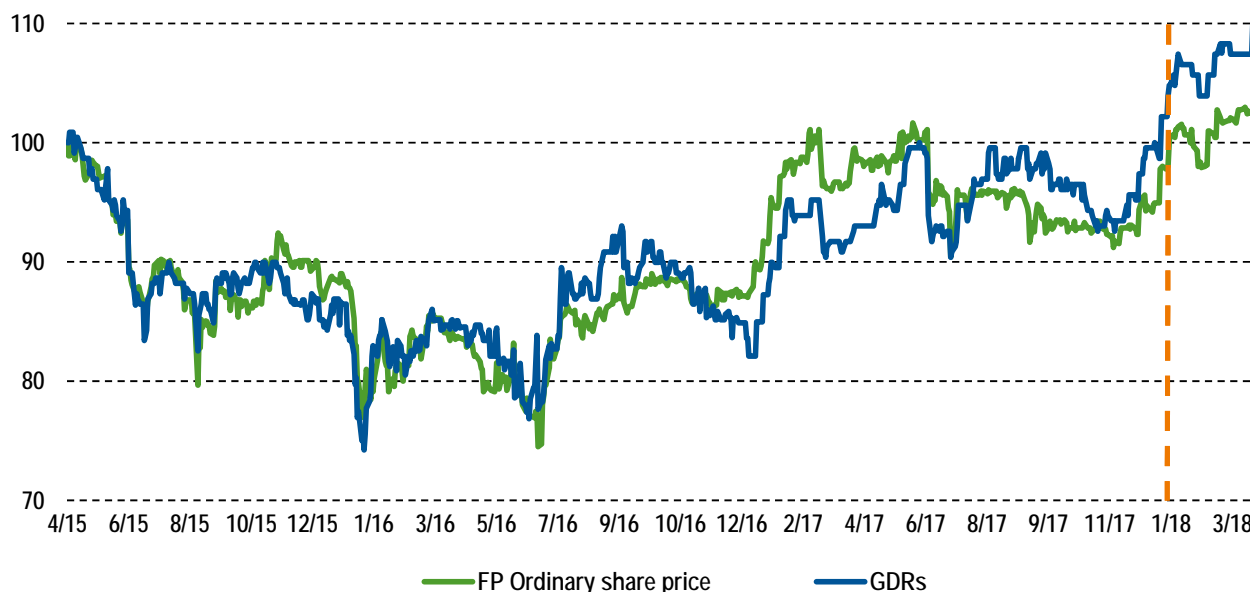
Fund's Share Price and Discount History (RON per share)



Source: BVB

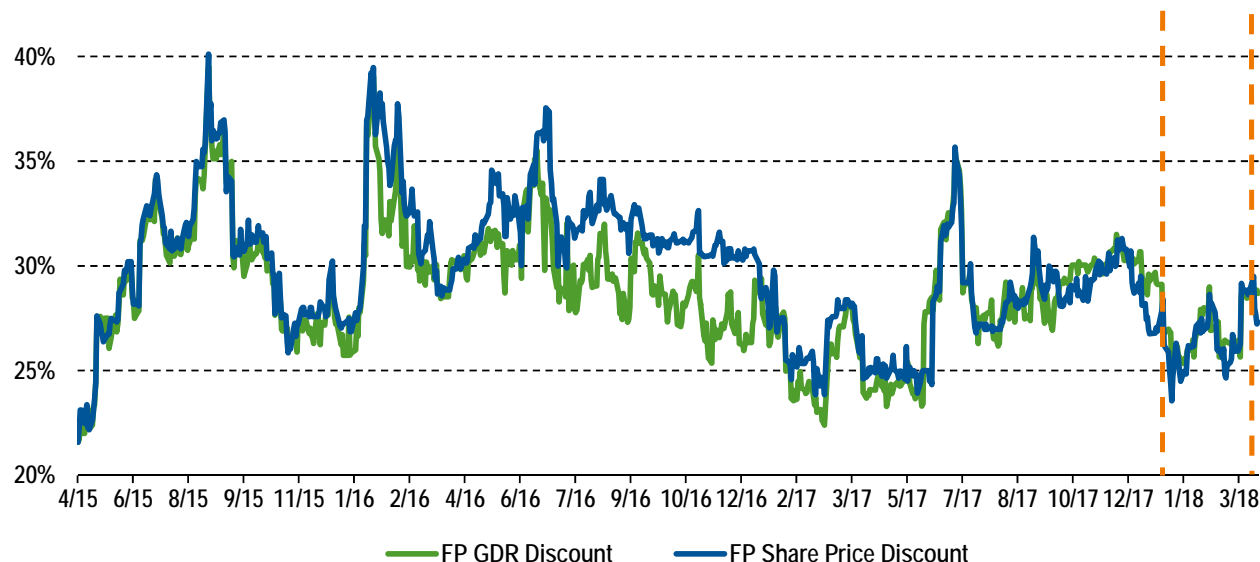
Note: The discount is calculated in accordance with the IPS i.e. the discount between the FP shares closing price on the BVB for each trading day and the latest published NAV per share at the date of calculation

FP Share Price vs. FP GDR price (%)



Note: As at 30 March 2018, FP GDRs were trading on LSE at a 2.03% premium to the FP share price on BVB.
 Source: BVB, LSE, for the period 29 April 2015 – 31 March 2018

FP Share Price Discount vs. FP GDR Price Discount (%)



Source: BVB, Bloomberg, for the period 29 April 2015 – 31 March 2018

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

Performance Objectives

According to the new Management Agreement in force starting with 1 April 2018 (“2018 Management Agreement”), as approved by shareholders during the 14 February 2018 General Shareholders Meeting (“GSM”), the first Reporting Period of the new mandate is from 1 January until 31 December 2018 and every subsequent Reporting Period shall be from 1 January until 31 December of the following year.

In accordance with the Fund’s IPS, there are two performance objectives that the AIFM is aiming to achieve. The NAV objective refers to a higher adjusted NAV¹ per share in the last day of the Reporting Period, than the reported

¹ Summarizing the provisions of the IPS, the adjusted NAV for a given date is calculated as the sum of: (i) the reported NAV as at the end of the Reporting Period; (ii) any distributions to shareholders, being either dividend or non-dividend ones (i.e. in the last case following reductions of the par value of the shares and distribution to the

NAV as at the end of the previous Reporting period. For the avoidance of doubt, the term “*previous Reporting Period*”, when applied to the first Reporting Period under 2018 Management Agreement, is to be understood as being the last Reporting Period derived from either the current or the previous Management Agreement (i.e. 30 June 2017).

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 Reporting Period.

NAV Objective – First reporting period (interim monitoring)

As at 30 March 2018, the adjusted NAV per share was 11.34% higher than the 30 June 2017 NAV per share of RON 1.1953.

NAV Objective	Amount RON	Details
Total NAV as at 30 March 2018	9,838,972,633	
Costs related to the returns of capital after 30 June 2017 , until 30 March 2018	25,866	Fees charged by the Central Depository and Paying Agent for the payments performed after 30 June 2017 (for the 2015, 2016 and 2017 returns of capital for which the statute of limitation did not occur)
Costs related to buy-backs after 30 June 2017 , until 30 March 2018	13,588,688	Fees related to the eighth buy-back programme after 30 June 2017; ninth buy-back programme, including the FSA fees of 1% of the tender offer value, and excluding the distribution fees for buy-backs
Distribution fees for return of capital after 30 June 2017 , until 30 March 2018		- Distribution fees for distributions to shareholders in the form of return of capital/ dividends
Distribution fees for buy-backs performed after 30 June 2017	13,593,185	Distribution fees for buy-backs, including the tender offer within the ninth buy-back programme
Total Adjusted NAV as at 30 March 2018	9,866,180,372	
Number of Fund's paid shares, less treasury shares and GDRs held as at 30 March 2018	7,414,148,382	
Adjusted NAV per share as at 30 March 2018	1.3308	
NAV per share as at 30 June 2017	1.1953	
Difference	0.1355	
%	11.34%	

Source: Fondul Proprietatea

Discount Objective – First reporting period (interim monitoring)

In the period between 1 January 2018 and 30 March 2018, the discount to NAV was greater than 15%, for both shares and GDRs.

Discount Evolution¹

Discount as at 30 March 2018	Minimum discount in the interim monitoring period	Maximum discount in the interim monitoring period	Average discount for the interim monitoring period
28.69%	24.93%	28.99%	26.96%

Source: Fondul Proprietatea

The AIFM and the Investment Manager will continue their 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 dividend yield, the ongoing buy-back programmes and our transparency, disclosure, and proactive investor relations efforts.

shareholders), implemented after the end of the previous Reporting Period, and (iii) any distribution fee and any transaction/ distribution costs relating to either dividend or non-dividend distributions including buy-backs of shares/ GDRs/ depository interests executed through daily acquisitions or public tenders after the end of the previous Reporting Period. The adjusted NAV per share is equal to the adjusted NAV divided by the total number of the Fund’s paid shares, less 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. For more details, please refer to the IPS available on the Fund’s webpage.

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

Investor Relations Update

In the first three months of the year, in our efforts to increase the visibility and the profile of the Fund, as well as the local capital market, and Romania, to a broader international institutional investor base, the Fund's management team participated in 2 regional emerging and frontier market conferences in London, and met with 24 investment professionals interested in finding out more details about the Fund and its equity story, and in receiving updates on the Fund, its corporate actions, and the main portfolio holdings, as well as on the Romanian macro-economic environment.

During this period, we also organised road-shows in the United Kingdom, Croatia, the United States, and South Africa. During the road-shows, the Investment Manager participated in individual and group meetings with representatives of 57 international institutional investment firms, both current shareholders and potential investors.

On 1 and 2 March we organised in collaboration with WOOD & Company the fifth edition of the "Romania Investor Days in London" event. 83 representatives from 43 international investments firm, with assets under management of over EUR 2,000 billion, and 43 representatives from 17 Romanian companies, listed or candidates for IPOs, participated in the event. During the event, over 244 individual and group meetings were held between the investors and the management teams of the Romanian companies present at the event.

On 16 February, we organised a conference call to present and discuss the 2017 annual results. Over 20 analysts and investors participated in the call, and received information regarding the 2017 financial results published on 15 February.

Furthermore, during the first quarter, we organised 9 additional meetings with analysts, brokers, current and prospective investors, and held 12 conference calls with institutional investors and analysts covering Fondul Proprietatea, interested in the latest developments regarding the Fund's corporate actions, and its portfolio companies.

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

GDR Facility Update

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations, or 62,231,215 GDRs as at 31 March 2018, each GDR representing 50 shares. As at 31 March 2018, 29.77% of the Fund's issued shares were converted into GDRs, accounting for 37.35% of the voting rights.

As at 31 March 2018 there were 55,581,806 GDRs issued, representing 89.31% of the GDR facility.

Credit Facility Agreement

On 4 July 2016 the Fund has contracted a revolving committed credit facility for a maximum amount of RON 1 billion from BRD Groupe Société Générale SA, with an availability period of one year and the possibility to extend it with the same period. In May 2017 the Fund announced that it has decided to extend the existing credit facility of RON 1 billion with 1 year, until 4 July 2018, within the same terms and conditions.

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

The Fund did not use the credit facility during the quarter ended 31 March 2018 and the outstanding balance is nil.

Buy-back Programmes

Overview of share buy-backs during the first quarter ended 31 March 2018

During the first quarter of 2018, the Fund bought back a total number of 1,304,843,206 own shares in the ninth buy-back programme (out of which 735,019,956 ordinary shares and 569,823,250 ordinary shares corresponding to GDRs), representing 14% of the total issued shares as at 31 December 2017, for a total acquisition value of RON 1,219,255,142, excluding transaction costs.

The total number of own shares (including GDRs) held by the Fund as at 31 March 2018 is 1,556,721,546 shares, having a total nominal value of RON 809,495,203.92 (RON 0.52 per share), which are in process of being cancelled or will be proposed for cancellation during the following extraordinary general meetings of shareholders.

During the first quarter of 2018 the Fund converted 11,201,570 of the GDRs acquired during the period into 560,078,500 ordinary shares. As at 31 March 2018, the Fund held 194,895 GDRs.

The table below shows a summary of the buy-back programmes during the three-month period ended 31 March 2018 (information based on the transaction date):

Programme	Description	No of shares	Equivalent shares of GDRs	Total no of shares	% of completion*
9th	Opening balance as at 1 January 2018	19,159,328	-	19,159,328	
	Acquisitions	735,019,956	569,823,250	1,304,843,206	
	Conversions during the period	560,078,500	(560,078,500)	-	
	Closing balance as at 31 March 2018	1,314,257,784	9,744,750	1,324,002,534	81.02%
	Weighted average share price (RON per share; USD per GDR)	0.9330	12.3614		

*% calculated based on the maximum number of shares considering the 20% limitation at the end of the reporting period.

Tender Offer within the ninth buy-back programme

On 15 December 2017 the Fund submitted to the FSA an application for endorsement of a tender offer to accelerate the ninth buy-back programme. Under this tender offer the Fund intended to repurchase up to 1,200,000,000 shares from its shareholders, both in the form of shares and GDRs.

The daily execution of the ninth buy-back programme, with respect to the shares on the BVB and GDRs on the LSE was suspended starting with 11 December 2017.

WOOD & Company Financial Services a.s. has been engaged as intermediary in relation to the purchase of shares. Jefferies International Limited and WOOD & Company Financial Services a.s. have been engaged as dealer managers and The Bank of New York Mellon has been appointed as tender agent in relation to the purchase of the GDRs.

On 10 January 2018, the FSA approved the Fund's application for the tender offer. The subscription period was from 18 January until 23 February 2018, and the purchase price was RON 0.9350 per share and the USD equivalent of RON 46.75 per GDR.

On 23 February 2018, the Investment Manager announced the results of the tender offer: total subscriptions of 4,853,201,369 shares representing 404% of the Offer (2,640,228,469 in the form of shares and 2,212,972,900 shares in the form of GDRs, namely 44,259,458 GDRs).

Under this tender offer, the Fund repurchased 1,200,000,000 shares (652,821,500 in the form of shares and 547,178,500 shares in the form of GDRs, namely 10,943,570 GDRs) at a purchase price of RON 0.9350 per share and the USD equivalent of RON 46.75 per GDR, computed in accordance with the terms and conditions of the offer documentation.

The daily execution of the ninth buy-back programme restarted on 7 March.

Impact of buy-back programmes on the Fund's equity

The Fund recognises the treasury shares (repurchases of own shares and/ or GDRs) at trade date as a deduction to shareholders' equity (in an equity reserve account). Treasury shares are recorded at acquisition cost, including brokerage fees, distribution fees and other transaction costs directly related to their acquisition.

Upon completion of all legal and regulatory requirements, the treasury shares are cancelled and netted off against the share capital and/ or other reserves. The details on the accounting treatment to be applied for the registration and cancellation of treasury shares can be found in the FSA Norm 39/ 2015, article 75.

At the cancellation date, only a reallocation between the equity accounts is booked, without any impact on profit or loss or additional total shareholders' equity decrease. A negative equity element arises upon cancellation of the shares acquired in a buy-back programme, where the acquisition price is higher than the nominal value, but this does not generate an additional shareholder's equity decrease. Article 75 from Norm 39/2015 mentions that the negative balance arising on the cancellation of equity instruments may be covered from retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting.

The table below shows the estimated negative reserve that will arise upon the cancellation of the treasury shares in balance as at 31 March 2018:

		Buy-back programme 7	Buy-back programme 8	Buy-back programme 9
Balance of shares to be cancelled	(1)	90,849,151	141,869,861	1,324,002,534
Total costs (including transaction costs and other costs) (RON)	(2)	82,852,612	124,112,392	1,261,300,703
Less the impact of nominal value decrease (RON)*	(3)	(4,542,458)	(498,291)	-
Accounting value of the treasury shares to be cancelled as at 31 Mar 2018 (RON)	(4)=(2)+(3)	78,310,154	123,614,101	1,261,300,703
Correspondent nominal value (NV= RON 0.52 per share) as at 31 March 2018 (RON)	(5)=(1)*NV	47,241,559	73,772,328	688,481,318
Estimated negative reserve to be booked on cancelation (RON)	(6)=(5)-(4)	(31,068,595)	(49,841,773)	(572,819,385)

* for the shares in balance as at 16 June 2017 (for the 7th buy-back programme the remaining shares were 90,849,151 shares and for the 8th buy-back programme were 9,965,829 shares)

Share Capital Decrease

During the 26 September 2017 GSM the shareholders approved the decrease of the subscribed share capital of the Fund from RON 4,854,034,784.56 to RON 4,771,610,196.08 pursuant to the cancellation of 158,508,824 own shares (having a par value of RON 0.52) acquired by the Fund during the seventh and eight buy-back programmes.

The subscribed share capital decrease approved by shareholders on 26 September 2017 will take place on the basis of Article 207 paragraph 1 letter (c) of Law no. 31/1990 and will be effective after all of the following conditions are met:

- (i) the resolution is published in the Official Gazette of Romania, Part IV for at least two months (the resolution was published in the Official Gazette on 10 October 2017 and the two months period ended on 10 December 2017);
- (ii) FSA endorses the amendment of Article 7 paragraph (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders, where required by applicable law or regulation (the request for endorsement and additional documentation as requested by FSA were sent to FSA and FSA is expected to issue the endorsement in the following period of time);
- (iii) the share capital decrease approved by shareholders on 3 May 2017 is effective (this share capital decrease is effective starting with 29 November 2017);
- (iv) the shareholders' resolution for approving this share capital decrease is registered with the Trade Registry (this last stage will take place after the FSA endorsement).

As at 31 March 2018 two out of four conditions mentioned above were met and the process is still ongoing.

General Shareholders Meeting Resolutions in the First Quarter of 2018

The main resolutions approved by the Fund's shareholders during the 14 February 2018 GSM were the following:

- The approval of the new IPS in force starting with 1 April 2018;
- The approval of the 2018 Management Agreement –in force starting with 1 April 2018, containing the following key commercial terms:

Base Fee per Year	<ul style="list-style-type: none"> • 0.60% • Discount 15% – 20%, + 0.05%, i.e. Base Fee Rate = 0.65% • Discount < 15%, + 0.05%, i.e. Base Fee Rate = 0.70%
Consideration for the Base Fee	<ul style="list-style-type: none"> • Weighted average market capitalisation of the Fund
Distribution Fee for all cash distributions (including buy-backs)	<ul style="list-style-type: none"> • 1.00% applied to the value of the distributions
Consideration for the Distribution Fee	<ul style="list-style-type: none"> • Share buy-backs • GDR buy-backs • Public tender buy-backs • Return of share capital • Dividends
Duration	<ul style="list-style-type: none"> • 2 years
Continuation vote	<ul style="list-style-type: none"> • Annually, each April

- The appointment of three members in the Board of Nominees for a 3 years mandate, as follows
 - Mr. Julian Rupert Francis Healy starting with 5 April 2018
 - Mr. Piotr Rymaszewski starting with 5 April 2018 and
 - Mr. Steven Cornelis Van Groningen starting with 14 April 2018.
- The approval of the increase of the gross monthly remuneration for each member of the Board of Nominees from RON 20,000 per month to RON 24,123 per month as a result of change in taxation legislation starting with 1 January 2018.

Subsequent Events

26 April 2018 GSM Resolutions

The main resolutions approved by the Fund's shareholders during the 26 April 2018 GSM were the following:

- the approval of the Annual Activity Report of the AIFM for the financial year 2017, including the financial statements for the year ended on 31 December 2017 prepared in accordance with the IFRS as adopted by the European Union, and the approval of the auditor's report
- the ratification of all legal acts concluded, adopted or issued on behalf of the Fund, as well as of any management/ administration measures adopted, implemented, approved or concluded during the 2017 financial year, along with the discharge of the AIFM for any liability for its administration during the 2017 financial year
- the approval to cover the negative reserves incurred in the 2017 financial year derived from the cancelation of treasury shares
- the approval of the allocation of the net profit registered for the financial year 2017, and the approval of the value of the gross dividend of RON 0.0678 per share; the start of dividends payment on 29 June 2018 to the persons registered as shareholders of the Fund on 11 June 2018.

Disclosure of holdings below 5% of the total voting rights held by City of London Investment Management Company Limited in Fondul Proprietatea

On 26 April the Fund announced that City of London Investment Management Company Limited has sent a disclosure of holdings below 5% of the total voting rights in the Fund. According to the disclosure, City of London's combined holdings (shares and GDRs) as of 24 April 2018 represented 3.9428% of the subscribed share capital of the Fund, 4.1027% of the paid-up share capital and 368,044,051 voting rights, representing 4.9629% of the total number of voting rights in Fondul Proprietatea as at 29 March 2018.

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.

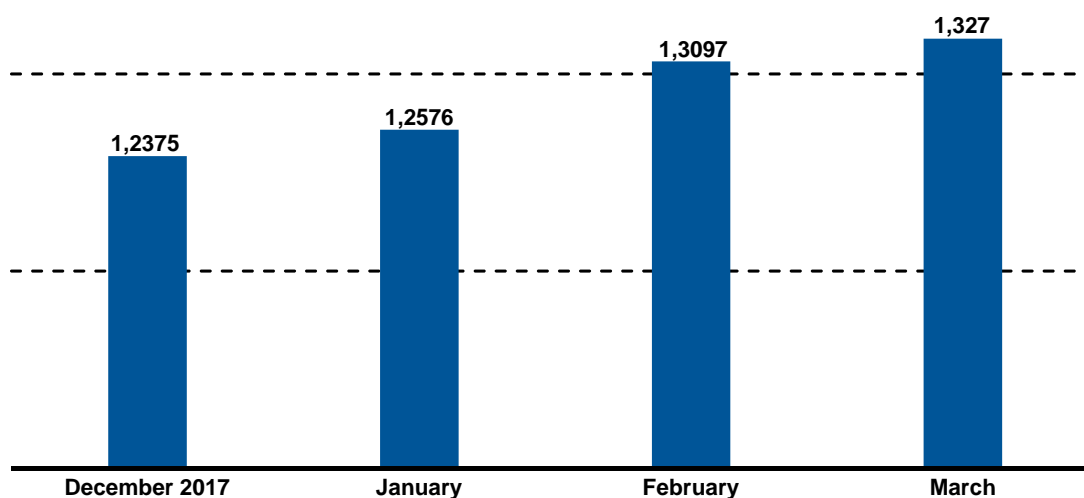
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards which permit fair valuation.

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

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

NAV per share (RON per share)

The following chart shows information on the monthly published NAVs per share for the period 31 December 2017 to 30 March 2018:



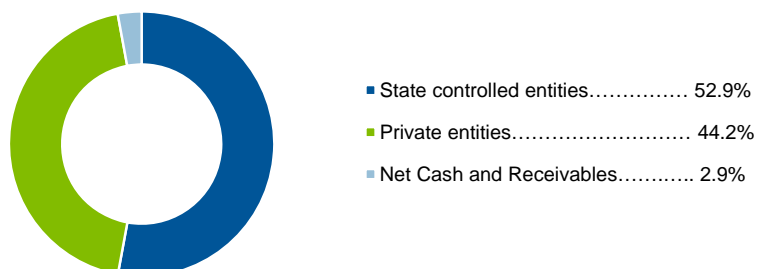
Source: Fondul Proprietatea, based on NAV reports submitted to the FSA, computed for the last working day of the month

During the first quarter of 2018, the NAV per share had an upward trend compared with end of the previous year, mainly due to the positive share price evolution of the Fund’s listed holdings, principally OMV Petrom SA (impact on the Fund’s NAV of RON 181.2 million or RON 0.0208 per share) and due to the ninth buy-back programme tender offer carried by the Fund during this period.

Investment Strategy and Portfolio Analysis

The Fund’s Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. The equity exposure amounted to 97% of the Fund’s NAV as at 30 March 2018. As at that date, the portfolio was composed of holdings in 37 companies (10 listed and 27 unlisted), a combination of privately held and state-controlled entities.

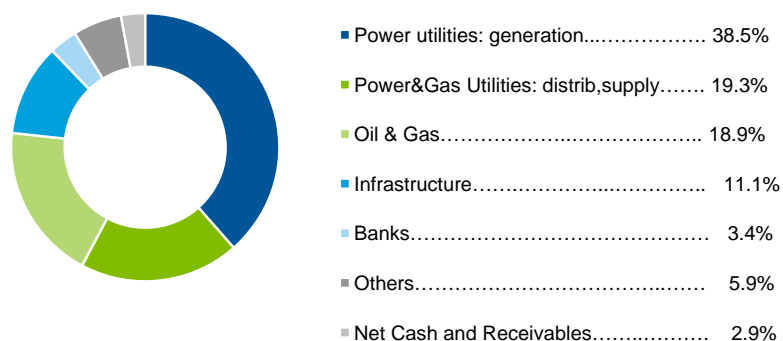
Portfolio Structure – by Controlling Ownership



Source: Fondul Proprietatea, data as at 30 March 2018

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

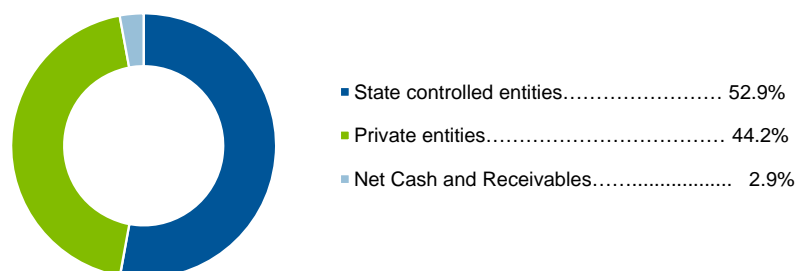
Portfolio Structure - by Sector



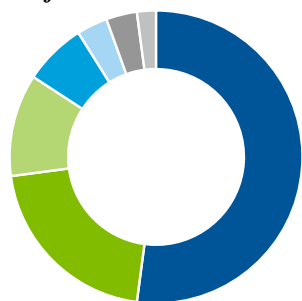
Source: Fondul Proprietatea, data as at 30 March 2018

- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 76.7% of the NAV), through a number of listed and unlisted Romanian companies

Portfolio Structure – by Asset Type



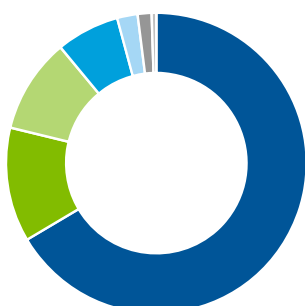
Source: Fondul Proprietatea, data as at 30 March 2018

Portfolio Structure – Unlisted holdings

■ Hidroelectrica SA.....	52.1%
■ Enel Group companies.....	20.8%
■ CN Aeroporturi Bucuresti SA.....	11.3%
■ Engie Romania SA.....	6.9%
■ CN Administratia Porturilor Maritime SA	3.4%
■ Societatea Nationala a Sarii SA.....	3.4%
■ Others.....	2.1%

- The largest unlisted holding is Hidroelectrica SA (36.2% of the NAV)

Source: Fondul Proprietatea, data as at 30 March 2018; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

Portfolio Structure – Listed holdings

■ OMV Petrom SA.....	66.5%
■ BRD Groupe Societe Generale SA...	12.3%
■ Alro SA.....	10.2%
■ Nuclearelectrica SA.....	6.8%
■ Conpet SA.....	2.2%
■ Romaero SA.....	1.5%
■ Others.....	0.5%

- The largest listed holding is OMV Petrom SA (18.3% of the NAV)

Source: Fondul Proprietatea, data as at 30 March 2018; the chart reflects the company NAV value as a % in total NAV value of listed holdings

Top 10 equity investments

No	Name	Fund's stake (%)	Value as at 30 March 2018 ¹ (RON million)	% of NAV as at 30 March 2018 ¹
1	Hidroelectrica SA	19.94%	3,566.0	36.2%
2	OMV Petrom SA	9.99%	1,801.0	18.3%
3	CN Aeroporturi Bucuresti SA	20.00%	774.0	7.9%
4	E-Distributie Banat SA	24.12%	545.0	5.5%
5	Engie Romania SA	11.99%	472.0	4.8%
6	E-Distributie Muntenia SA	12.00%	419.0	4.3%
7	E-Distributie Dobrogea SA	24.09%	342.0	3.5%
8	BRD Groupe Société Générale SA	3.17%	334.4	3.4%
9	Alro SA	10.21%	277.0	2.8%
10	Societatea Nationala a Sarii SA	48.99%	233.0	2.4%
Top 10 equity holdings			8,763.4	89.1%
Total equity holdings			9,549.7	97.1%
Net cash and receivables			289.3	2.9%
Total NAV			9,839.0	100%

Source: Fondul Proprietatea, based on NAV reports submitted to FSA (30 March 2018 NAV report)

¹Rounded to one decimal

Key Portfolio Developments in the Period

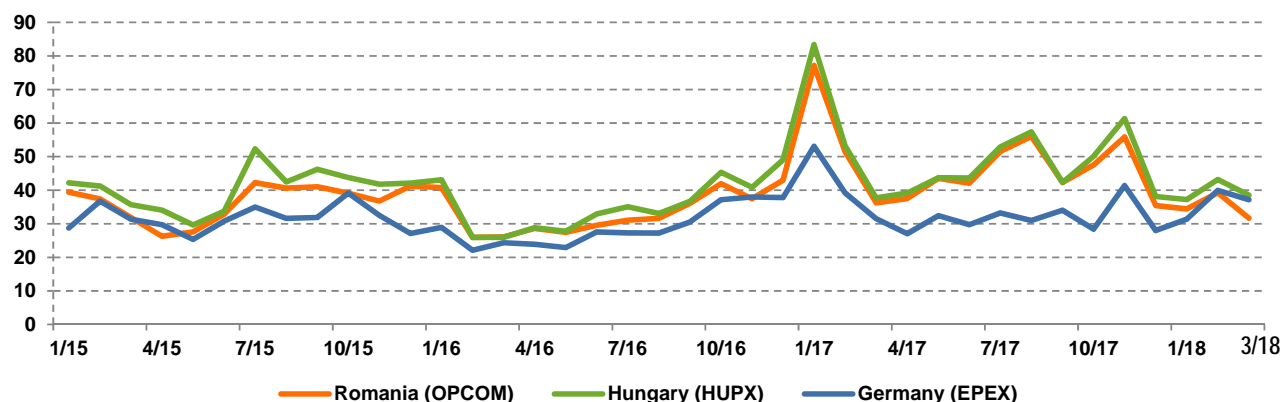
Acquisitions and disposals

Disposals

During the first quarter of 2018 the Fund sold part of the holding in Nuclearelectrica SA.

Energy sector updates

Electricity prices (EUR/ MWh)



Source: Bloomberg, Hidroelectrica SA

Note: Day Ahead Market – monthly average for base load

Energy resources (thousand tonnes barrels of oil equivalent)

	January - February 2018			January - February 2017			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	817.3	753.2	64.1	863.9	824.6	39.3	(5.4)	(8.7)	63.1
Crude oil	1,995.9	542.5	1,453.4	1,773.8	562.9	1,210.9	12.5	(3.6)	20.0
Usable natural gas	1,764.1	1,388.5	375.6	1,884.5	1,402.7	481.8	(6.4)	(1.0)	(22.0)
Hidro, nuclear, and import energy	872.8	837.2	35.6	861.4	819.6	41.8	1.3	2.1	(14.8)
Import oil products	340.7	-	340.7	-	-	-	100.0	-	100.0
Others	72.6	-	72.6	406.9	-	406.9	(82.2)	-	(82.2)
Total resources	5,863.4	3,521.4	2,342.0	5,790.5	3,609.8	2,180.7	1.3	(2.4)	7.4

Source: National Institute of Statistics webpage

Update on the largest 10 portfolio holdings

Alro SA

RON million	2016	2017	Budget 2017*	Budget 2018*
Turnover	2,302.8	2,726.3	2,417.2	2,595.8
Operating profit	166.7	438.9	270.2	280.4
Net profit/ (loss)	71.5	391.1	167.9	199.8
Dividends*	67.2	317.7	-	-

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. 23 March 2017/22 December 2017)

March: On a consolidated basis, Alro reported a audited net profit of RON 391.1 million for 2017, as compared to RON 71.5 million during 2016, while consolidated sales advanced by 18.4% y.o.y. to RON 2.73 billion, on the back of a strong LME environment and higher volumes. Sales volumes of primary aluminium products decreased by 3.3% y.o.y. to approximate 122.6 thousand tones (vs. 126.7 thousands tones in 2016) while sales volumes of processed aluminium products advanced 6.8% y.o.y. to 107.5 thousands tones (vs 100.6 thousands tones in 2016).

April: Based on the Board's recommendation, shareholders approved a gross dividend per share of RON 0.53523 per share, out of unconsolidated, distributable net profit.

BRD – Groupe Société Générale SA

RON million	2016	2017	Q1 2017	Q1 2018	Budget 2017*	Budget 2018
Operating income	2,777.6	2,785.9	650.1	724.2	Around 4% increase	Solid Net Interest Income growth, fee & commission under strong price pressure
Net operating profit	1,390.1	1,312.6	266.0	339.3	Around 5% increase	Stable
Net cost of risk	(483.5)	359.5	123.8	152.8	Further normalisation trajectory	Below 60 bp
Net profit	763.5	1,414.6	329.9	414.3	Improvements	ROE > 12%
Dividends	508.7	1,142.9				

Source: Consolidated IFRS financial statements

* Budgeted figures based on individual IFRS financial statements

April: The bank reported the consolidated net profit for year 2017 of RON 1,414.6 million, up 85.3% y.o.y. leading to return on equity of 20.1% compared to 11.8% in the previous year. Reported net banking income inched up 0.3% y.o.y. to RON 2,785.9 million and advanced by 4.9% y.o.y. when adjusted for non-recurring items. During 2017, general operating expenses advanced by 6.2% y.o.y. on the back of rising labour costs and higher IT investments, leading to a net operating profit of RON 1,312.7 million, down 5.6% y.o.y. According to the bank, during the 4th quarter, it recorded an exceptional charge of RON 29 million corresponding to transformation costs anticipated over the next three years. Over the full year 2017, the bank generated a positive net cost of risk of RON 359.5 million compared to a provision charge of RON 483.5 million in 2016 driven by recoveries on non-retail customers, recognition of insurance indemnities, and gain on sale of non-performing loans portfolio. At the end of 2017, the bank's consolidated net loan book and finance lease portfolio reached RON 29.6 billion, up nearly 6.4% y.o.y.

Based on the Board's recommendation, shareholders approved a gross dividend of RON 1.64 per share, corresponding to a pay-out ratio of 83% out of unconsolidated, distributable net profit.

May: The bank reported for the first quarter of 2018 a consolidated net profit of RON 414.3 million, up 25.6% y.o.y. Net banking income advanced by 11.4% y.o.y. to RON 724.2 million, while general operating expenses inched up by 0.2% y.o.y. leading to a net operating profit of RON 339.3 million, up 27.6% y.o.y. Over the first three months of the year the bank continued to report a positive net cost of risk, which reached RON 152.8 million, up 23.4% y.o.y. At the end of March 2018, the bank's consolidated net loan book and finance lease portfolio reached RON 30.4 billion, up 0.9% compared to 31 December 2017.

CN Aeroporturi Bucuresti SA

RON million	2016	H1 2016	H1 2017	Budget 2016	Budget 2017
Total revenue	910.3	416.0	497.0	842.9	983.2
Operating profit	276.6	145.7	176.9	127.4	225.7
Net profit	234.5	122.2	150.3	104.8	185.9
Dividends	214.8	n.a.	n.a.	55.4	95.9

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

E-Distributie Banat SA

RON million	2016	2017	Budget 2017	Budget 2018
Operating revenue	557.8	550.5	483.6	446.7
Operating profit	107.8	87.4	233.3	221.8
Net profit	93.6	82.8	72.8	66.4
Dividends	37.0	31.9	-	-

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

January: Starting 1 January 2018, the regulated electricity distribution tariffs decreased on average by 0.9% (based on ANRE Order no. 113 published on 12 December 2017).

E-Distributie Dobrogea SA

RON million	2016	2017	Budget 2017	Budget 2018
Operating revenue	480.3	475.3	414.1	401.2
Operating profit	84.8	56.6	184.0	172.1
Net profit	73.5	49.5	53.8	44.5
Dividends	27.4	17.7	-	-

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

January: Starting 1 January 2018, the regulated electricity distribution tariffs increased on average by 2.0% (based on ANRE Order no. 111 published on 12 December 2017).

February: Company appointed two new board members proposed by SAPE, Valerica Draniceanu and Alexandru Iulian Bocai, following the expiration of the mandate as board members for Elena Voicu and Cornel Bobalca.

E-Distributie Muntenia SA

RON million	2016	2017	Budget 2017	Budget 2018
Operating revenue	921.7	856.6	848.7	717.9
Operating profit	178.5	77.3	417.4	343.9
Net profit	151.7	85.9	156.8	96.6
Dividends	-	-	-	-

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

January: Starting 1 January 2018, the regulated electricity distribution tariffs increased on average by 0.8% (based on ANRE Order no. 112 published on 12 December 2017).

Engie Romania SA

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

Source: Consolidated IFRS financial statements

*Budgeted figures are on a consolidated basis

**Dividends are based on the separate IFRS financial statements

January: According to ANRE Order no. 1/2018, with effect from 10 January 2018 the regulated supply tariffs for households were increased on average by approximately 6.1%.

April: According to ANRE Order no. 60/2018, with effect from 1 April 2018 the regulated supply tariffs for households were increased on average by approximately 9.8%.

Hidroelectrica SA

RON million	2015	2016	H1 2016	H1 2017
Turnover	3,183.2	3,338.0	1,615.8	1,705.1
Operating profit	1,127.4	1,540.3	748.3	844.4
Net profit	899.4	1,227.7	567.9	716.7
Dividends	675.1	1,035.7	-	-

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

OMV Petrom SA

RON million	2016*	2017	Q1 2017	Q1 2018	Budget 2017	Budget 2018
Sales	16,646.6	19,435.1	4,652.6	4,874.8	13,487.0	13,680
Operating profit/ (loss)	1,476.2	3,270.4	798.3	1,080.0	1,851.0	2,936.0
Net profit/ (loss)	1,037.7	2,489.3	618.1	854.1	1,827.0	2,582
Dividends**	849.7	1,132.9	-	-	-	-

Source: Consolidated IFRS financial statements

*Restated figures

**Based on separate IFRS financial statements

January: on 9 January 2018 the Supervisory Board of OMV Petrom decided to appoint Christina Verchere as the new President of the Executive Board and CEO. She will replace Mariana Gheorghe for the remaining term of the mandate granted to Mariana Gheorghe which was until 16 April 2019.

February: the Executive Board made an initial proposal regarding gross dividend distribution for the financial year 2017 of RON 0.02 per share.

March: Mr. Johann Pleininger has notified the waiver of his mandate as member of the Supervisory Board of OMV Petrom, effective starting April 26, 2018.

April: Lacramioara Diaconu-Pintea waived her mandate as Executive Board Member responsible for Downstream Gas of OMV Petrom SA. Her waiver shall become effective on the date when her successor, Franck Neel, takes office, but in any event on 1 August 2018, at the latest.

Starting with 17 April, the Supervisory Board of OMV Petrom SA appointed Alina-Gabriela Popa as the new CFO, following the finalisation of the mandate as CFO of Stefan Waldner.

May: the company reported the financial results for the first quarter of 2018. The highlights include: sales increase by 4,8% compared to the same period of 2017 to RON 4,874.8 million, operating profit increased by 35.3% compared to the same period of 2017 to RON 1,080.0 million and net profit increase by 38.2% compared with the same period of 2017, to RON 854.1 million. The increase of Q1 2018 operating result was mainly due to higher sales revenues and cost optimisation.

Societatea Nationala a Sarii SA (Salrom)

RON million	2015	2016	H1 2016	H1 2017	Budget 2016	Budget 2017
Operating revenue	319.1	315.0	146.2	183.4	329.7	338.4
Operating profit	27.5	43.3	33.6	57.4	69.5	57.5
Net profit	15.8	30.1	26.0	47.8	57.3	48.2
Dividends	-	28.1	-	-	45.4	48.2

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

Financial Statements Analysis

The unaudited IFRS financial statements for the three-month period ended 31 March 2018, prepared in accordance with IAS 34 Interim Financial Reporting and applying the FSA Norm 39/2015 with subsequent amendments, are included in full in Annex 1 to this Report. The captions Statement of Financial Position and Statement of Comprehensive Income presented in the quarterly report may differ from the ones included in the IFRS financial statements due to other regulatory requirements.

This section provides an overview on the main elements of the Fund's financial position and performance for the quarter ended 31 March 2018.

Statement of Financial Position

RON million	31 March	31 December	31 March 2018
	2018	2017	vs 31 December 2017
	Unaudited	Audited	(%)
Cash and current accounts	17.4	19.2	
Deposits with banks	292.4	1,276.7	
Treasury bills	13.3	46.3	
Government bonds	-	195.9	
Equity investments	9,549.7	9,278.2	
Other assets	11.2	10.7	
Total assets	9,884.0	10,827.0	-8.7%
Payables	25.3	15.2	
Other liabilities	19.8	21.6	
Total liabilities	45.1	36.8	+22.6%
Total equity	9,838.9	10,790.2	-8.8%
Total liabilities and equity	9,884.0	10,827.0	-8.7%

The cash and cash equivalents of the Fund included term **deposits with banks**, **government bonds** and **treasury bills** issued by the Ministry of Public Finance of Romania. All instruments are denominated in RON and have maturities of up to one year.

The decrease in liquid assets by 79% during the three-month period ended 31 March 2018 was mainly due to the cash outflow for funding the Public Tender Offer settled during February (RON 1,134.8 million, including transaction costs), netted off by inflows from the partial sales of Nuclearelectrica shares.

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.

Starting 1 January 2018 the Fund adopted IFRS 9 and classified all its equity investments (other than subsidiaries and associates) as equity investments at fair value through profit or loss (the default option under IFRS 9). Additional disclosures and detailed analysis and comparison between the measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 are included in the Fund's Condensed Interim IFRS Financial Statements for the three-month period ended 31 March 2018.

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.

Valuation

As at 31 March 2018 substantially all the equity investments of the Fund were carried at fair value.

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

The fair value of *unlisted shares* and *listed shares* that are not traded in an active market, for which sufficient information is available, is estimated with the assistance of independent valuers, using valuation techniques, in accordance with IFRS 13 Fair Value Measurement and the International Valuation Standards (over 99% of the total unlisted portfolio).

The other equity investments that do not have a quoted price in an active market are measured at the values used in the calculation of the net asset value of the Fund, in accordance to the regulations issued by the FSA/ CNVM and reported on a monthly basis. These values are considered to be equivalent to fair value and this approach is applied to an insignificant part of the portfolio (less than 1% of the portfolio).

The increase in equity investments of RON 271.5 million in the three-month period ended 31 March 2018 is mainly due to the 11.2% increase in OMV Petrom SA share price (impact of RON 181.2 million).

Statement of Comprehensive Income

RON million	3-month period ended 31 March 2018	3-month period ended 31 March 2017
	Unaudited	Unaudited
Net unrealised gain from equity investments at fair value through profit or loss	309.8	296.1
Interest income	2.6	6.1
Reversal of impairment losses on receivables, net	-	18.5
Net gain on disposal of equity investments classified as available for sale	-	6.3
Other (expenses) / income, net*	(0.7)	(3.8)
Net operating income	311.7	323.2
Administration fees recognised in profit and loss	(11.2)	(34.0)
Other operating expenses	(6.9)	(6.0)
Operating expenses	(18.1)	(40.0)
Profit before income tax	293.6	283.2
Income tax	-	9.8
Profit for the period	293.6	293.0
Other comprehensive income	-	75.3
Total comprehensive income for the period	293.6	368.3

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

The net unrealised gain from equity investments at fair value through profit or loss of RON 309.8 million was mainly generated by OMV Petrom SA, as a result of the positive evolution of the share price for this company during the first quarter of 2018 (RON 181.2 million, share price increase of 11.2%). The gain for the first quarter of 2017 was also generated by OMV Petrom SA, as a result of the positive evolution of the share price for this company (share price increase of 15.9%).

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

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

Administration fees recognised in profit and loss in the first quarter of 2018 included the base fee of RON 11.2 million (31 March 2017: base fee of RON 12.2 million and distribution fee of RON 21.8 million). Starting with the financial statements for the year ended 31 December 2017, the distribution fee related to buy-backs is recognised directly in equity together with the value of the underlying shares. This changed was not applied to the comparative amounts for the quarter ended 31 March 2017, as the effect is not significant. For the quarter ended 31 March 2018 the distribution fee recognised directly in equity as buy-back acquisition costs is of RON 12.2 million (31 March 2017: RON 21.8 million recognised directly as expenses). The higher distribution fee in 2017 was due to the

special return of capital performed in March 2017 of RON 0.05 per share for which the payment started on 27 March 2017.

In the first quarter of 2017, the **other comprehensive income** mainly comprised the changes in fair value of available for sale equity investments (mainly Nuclearelectrica due to the 39.4% increase in share price, impact of RON 51.9 million and Alro SA due to the 23.9% increase in share price, impact of RON 20.4 million), net of related tax. Starting 1 January 2018, all equity investments are classified as fair value to profit and loss, following implementation of IFRS 9.

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

Other operating expenses

RON million	3-month period	3-month period
	ended 31 March 2018	ended 31 March 2017
	Unaudited	Unaudited
FSA monthly fees	2.4	2.8
Intermediaries and other fees related to disposal of portfolio holdings	0.5	-
Depositary fees	0.2	0.2
Other expenses	3.8	3.0
Other operating expenses	6.9	6.0

In the first quarter of 2018, other expenses caption comprised mainly legal and litigation assistance expenses, external audit expenses (which include also auditor fees charged for the reports performed according with the FSA requirements), expenses regarding the valuation of unlisted companies, Board of Nominees remuneration and related expenses, PR and investor relation expenses and GSM organisation related expenses.

Financial Ratios

Description				31 March 2018
1. Current liquidity ratio				
<u>Current Assets</u>		=		7.38
Current Liabilities				
2. Debt-to-equity ratio (%)				
<u>Borrowings</u>	x 100	=		-
Shareholders' Equity				
<i>*The Fund had no borrowings as at 31 March 2018, therefore this ratio is nil</i>				
3. Receivables turnover ratio - customers (number of days)				
<u>Average balance of receivables</u>	x 365	=		n.a.
Turnover or sales				
<i>This ratio is not applicable to an investment fund and cannot be calculated.</i>				
4. Turnover of non-current assets				
<u>Gross turnover</u>		=		0.033
Non-current assets				
<i>For the computation of this ratio, "Gross turnover" includes interest income, dividend income, net gain/ (loss) from equity investments at fair value through profit or loss and net gain/ (loss) on disposal of equity investments available for sale for three-month period ended 31 March 2018, while "Non-current assets" included equity investments and other assets classified as non-current as at 31 March 2018.</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

Johan Meyer
Permanent Representative

Prepared by
Catalin Cadaru
Financial Reporting Manager

14 May 2018

Annex 1

FONDUL PROPRIETATEA SA

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

Prepared in accordance with IAS 34 Interim Financial Reporting and applying the Financial Supervisory Authority ("FSA") Norm no. 39/ 28 December 2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by the FSA – Financial Investments and Instruments Sector ("FSA Norm 39/2015")

(This is a translation from the official Romanian version)

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2018**

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	3 months ended 31 March 2018	3 months ended 31 March 2017
Net gain from equity investments at fair value through profit or loss	9	309,774,428	296,092,263
Interest income		2,571,570	6,064,555
Reversal of impairment losses on receivables, net		5,204	18,535,042
Net foreign exchange (loss)/gain		(581,828)	586,733
Net loss from other financial instruments at fair value through profit or loss		(132,923)	(4,300,633)
Other income/(expenses), net		7,887	(127,377)
Gain on disposal of equity investments classified as available for sale, net		n/a	6,316,210
Net operating income		311,644,338	323,166,793
Operating expenses	5	(18,068,588)	(39,983,377)
Profit before income tax		293,575,750	283,183,416
Income tax	6	-	9,838,910
Profit for the period		293,575,750	293,022,326
Other comprehensive income			
Net change in fair value of available for sale equity investments		n/a	91,268,494
Deferred tax on other comprehensive income		n/a	(9,838,910)
Decrease in fair value reserve following the disposal of available for sale equity investments		n/a	(6,110,521)
Total other comprehensive income		-	75,319,063
Total comprehensive income for the period		293,575,750	368,341,389
Basic and diluted earnings per share	7	0.0355	0.0307

These condensed interim financial statements were authorised for issue on 14 May 2018 by:

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

The notes on pages 31 to 51 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018
 (all amounts are in RON unless otherwise stated)

	<i>Note</i>	31 March 2018	31 December 2017
Assets			
Cash and current accounts	8	17,424,062	19,173,567
Deposits with banks	8	292,433,810	1,276,669,452
Treasury bills		13,318,214	46,277,947
Government bonds		-	195,923,820
Equity investments	9	9,549,743,691	9,278,201,345
Other assets		11,107,965	10,710,812
Total assets		9,884,027,742	10,826,956,943
Liabilities			
Payable to shareholders	11 (a)	18,960,258	20,705,311
Other liabilities and provisions	11 (b)	26,217,032	16,007,479
Total liabilities		45,177,290	36,712,790
Equity			
Share capital	12 (a)	4,664,852,363	4,664,852,363
Other reserves related to the unpaid share capital	12 (a)	189,182,422	189,182,422
Fair value reserve on available for sale financial assets, net of deferred tax	12 (b)	n/a	4,248,175,069
Other reserves	12 (c)	254,954,179	254,954,179
Treasury shares	12 (d)	(1,463,224,958)	(218,255,507)
Retained earnings		6,193,086,446	1,651,335,627
Total equity		9,838,850,452	10,790,244,153
Total liabilities and equity		9,884,027,742	10,826,956,943

The notes on pages 31 to 51 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

	Share capital	Other reserves related to the unpaid share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2018	4,664,852,363	189,182,422	4,248,175,069	254,954,179	(218,255,507)	1,651,335,627	10,790,244,153
Changes on initial application of IFRS 9 (see Note 3)	-	-	(4,248,175,069)	-	-	4,248,175,069	-
Restated balance as at 1 January 2018	4,664,852,363	189,182,422	-	254,954,179	(218,255,507)	5,899,510,696	10,790,244,153
Profit for the period	-	-	-	-	-	293,575,750	293,575,750
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	293,575,750	293,575,750
Transactions with owners, recorded directly in equity							
Acquisition of treasury shares	-	-	-	-	(1,244,969,451)	-	(1,244,969,451)
Total transactions with owners recorded directly in equity	-	-	-	-	(1,244,969,451)	-	(1,244,969,451)
Balance as at 31 March 2018	4,664,852,363	189,182,422	-	254,954,179	(1,463,224,958)	6,193,086,446	9,838,850,452

The notes on pages 31 to 51 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

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

The notes on pages 31 to 51 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2018**

(all amounts are in RON unless otherwise stated)

	3 months ended 31 March 2018	3 months ended 31 March 2017
Cash flows from operating activities		
Disposal/ maturity of treasury bills and bonds	81,369,296	1,309,557,564
Proceeds from disposal of equity investments, net	37,636,949	10,751,544
Interest received	4,557,909	8,718,299
Suppliers and other taxes and fees paid	(33,566,079)	(31,674,416)
Dividends received (net of withholding tax)	-	332,509
Acquisition of treasury bills and bonds	-	(355,691,547)
Other payments, net	(512,351)	(621,316)
Net cash flows from operating activities	89,485,724	941,372,637
Cash flows from financing activities		
Payments to shareholders related to the return of capital	(1,739,417)	(450,159,749)
Acquisition cost of treasury shares	(1,219,116,308)	(610,822,209)
Dividends paid (including related taxes)	-	(5,243)
Net cash flows used in financing activities	(1,220,855,725)	(1,060,987,201)
Net decrease in cash and cash equivalents	(1,131,370,001)	(119,614,564)
Cash and cash equivalents at the beginning of the period	1,441,188,216	311,105,488
Cash and cash equivalents at the end of the period as per Statement of Cash Flows	309,818,215	191,490,924

**Reconciliation of Statement of Cash Flows with the equivalent items reported in the Statement of Financial
Position**

	31 March 2018	31 March 2017
Cash and current accounts (see Note 8)	17,424,062	36,162,555
Bank deposits with original maturities of less than three months (see Note 8)	292,394,153	155,328,369
	309,818,215	191,490,924
Interest accrued on bank deposits (see Note 8)	39,657	2,506
Treasury bills and government bonds with original maturities of more than three months and less than one year	13,318,214	149,107,942
Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position	323,176,086	340,601,372

The notes on pages 31 to 51 are an integral part of these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

1. General information

Fondul Proprietatea SA (referred to as “Fondul Proprietatea” or “the Fund”) was incorporated as a joint stock company and is operating as an undertaking for collective investment, in the form of a closed end investment company, established in accordance with Law no. 247/2005 on the reform in the field of property and justice and other adjacent measures, as subsequently amended (“Law 247/2005”) and registered in Bucharest on 28 December 2005. The address of the Fund’s registered office is 78 - 80, Buzești Street, 7th Floor, District 1, Bucharest.

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

The Fund undertakes its activities in accordance with Law 247/2005, Law 297/2004 regarding the capital market, as subsequently amended (“Law 297/2004”), Law 31/1990 regarding companies, republished as subsequently amended (“Law 31/1990”), and Law 74/2015 regarding Alternative Investment Fund Managers (“Law 74/2015”) and it is an entity authorised, regulated and supervised by the FSA, formerly known as the National Securities Commission (“CNVM”).

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

The Fund was established to allow the payment in shares equivalent to the compensation payable in respect of abusive expropriations undertaken by the Romanian State during the communist period, when properties were not returned in kind. Beginning with 15 March 2013, the date when Government Emergency Ordinance no. 4/2012 entered into force, the compensation process was suspended. In January 2015 the Law no. 10/2015 on amending Title VII of Law no. 247/2005 regarding the reforms in the sectors of justice and property, as well as certain related measures, with subsequent amendments (“Law 10/2015”) entered into force confirming that the Romanian State will no longer use the compensation scheme using Fondul Proprietatea shares.

The Fund is managed by Franklin Templeton International Services S.à r.l. (“FTIS”) as its Sole Director and Alternative Investment Fund Manager (“AIFM”) under the Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFM Directive”) and local implementation regulations. The initial FTIS’ mandate for a period of two years commenced on 1 April 2016 and expired on 31 March 2018. On 14 February 2018, the Fund’s shareholders approved the renewal of FTIS’ mandate for another 2 years term starting with 1 April 2018 under a new Management Agreement which became effective starting with the same date (i.e. 1 April 2018). Under both agreements FTIS has delegated the role of Investment Manager as well as certain administrative functions to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML” or “Investment Manager”) for the entire duration of its mandate as AIFM.

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

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

Since 29 April 2015, the Fund’s Global Depositary Receipts (“GDR”) have been listed on the London Stock Exchange – Specialist Fund Market, under ISIN number US34460G1067, with the market symbol “FP.”. The Bank of New York Mellon has been appointed by the Fund to act as depositary bank in relation to the GDR facility. The GDR facility is limited to one-third of the Fund’s subscribed share capital under the Romanian securities regulations, each GDR representing 50 shares, and the currency of the GDRs is the US dollar.

These condensed interim financial statements for the three month period ended 31 March 2018 are not audited.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements for the three month period ended 31 March 2018 have been prepared in accordance with IAS 34 Interim financial reporting and applying the FSA Norm 39/2015. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, prepared in accordance with IFRS.

The Fund is an investment entity and does not consolidate its subsidiaries as it applies IFRS 10, IFRS 12 and IAS 27 (Investment Entities). In consequence, the Fund does not prepare consolidated financial statements, the separate financial statements being the Fund's only financial statements. The Fund has reassessed the criteria for being an investment entity for the quarter ended 31 March 2018 and continues to meet them.

(b) Basis of measurement

These condensed interim financial statements have been prepared on a fair value basis for the main part of the Fund's assets (equity investments, treasury bills and government bonds, respectively), and on the historical cost or amortised cost basis for the rest of the items included in the financial statements.

(c) Functional and presentation currency

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

(d) Use of estimates

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

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

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

- Note 9 – Equity investments;
- Note 10 – Deferred tax;
- Note 13 – Contingencies.

3. Significant accounting policies

Except for the changes related to the adoption of IFRS 9 “Financial Instruments” (“IFRS 9”) described below, 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 2017 and have been applied consistently to all periods presented in these condensed interim financial statements.

Adoption of IFRS 9

IFRS 9 replaces the existing guidance in IAS 39 “Financial Instruments: Recognition and Measurement” and includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)

The Fund adopted IFRS 9 with the date of initial application 1 January 2018. The Fund holds the following types of financial instruments that fall under the scope of IFRS 9: equity investments, government bonds, treasury bills, cash and current accounts, deposits with banks and other assets and liabilities. Following the analysis performed, the Fund decided to classify starting with the date of initial application of IFRS 9, all its equity investments as equity investments at fair value through profit or loss (the default option under IFRS 9).

There was no change in the carrying amounts of financial assets and liabilities upon transition to IFRS 9 on 1 January 2018 compared to their previous measurement in accordance with IAS 39. The classification and the carrying amount of the financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are presented below:

Instrument type	IAS 39 (31 December 2017)		IFRS 9 (1 January 2018)	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Subsidiaries and associates	Fair value through profit or loss	271,735,746	Fair value through profit or loss	271,735,746
Equity investments at fair value through profit or loss	Fair value through profit or loss	1,619,774,750	Fair value through profit or loss	1,619,774,750
Other equity investments	Available for sale	7,386,690,849	Fair value through profit or loss	7,386,690,849
Cash and current accounts and deposits with banks	Loans and receivables	1,295,843,019	Amortised cost	1,295,843,019
Treasury bills	Fair value through profit or loss	46,277,947	Fair value through profit or loss	46,277,947
Government bonds	Fair value through profit or loss	195,923,820	Fair value through profit or loss	195,923,820
Other financial assets	Loans and receivables	1,647,570	Amortised cost	1,647,570
Other liabilities	Other financial liabilities at amortised cost	(35,000,138)	Other financial liabilities at amortised cost	(35,000,138)

As result of the adoption of IFRS 9, as at 1 January 2018 (the date of initial application), the fair value reserve on available for sale financial assets net of the related deferred tax in total amount of RON 4,248,175,069 was transferred to retained earnings.

In accordance with the transitional provisions of IFRS 9, the AIFM and the Investment Manager of the Fund elected to not restate prior periods.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(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:

	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value	
31 March 2018						
Cash and current accounts	17,424,062	-	-	17,424,062	17,424,062	
Deposits with banks	292,433,810	-	-	292,433,810	292,433,810	
Treasury bills	-	13,318,214	-	13,318,214	13,318,214	
Equity investments	-	9,549,743,691	-	9,549,743,691	9,549,743,691	
Other financial assets	2,286,762	-	-	2,286,762	2,286,762	
Other financial liabilities	-	-	(43,469,550)	(43,469,550)	(43,469,550)	
	312,144,634	9,563,061,905	(43,469,550)	9,831,736,989	9,831,736,989	
	Loans and receivables	Available for sale	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
31 December 2017						
Cash and current accounts	19,173,567	-	-	-	19,173,567	19,173,567
Deposits with banks	1,276,669,452	-	-	-	1,276,669,452	1,276,669,452
Treasury bills	-	-	46,277,947	-	46,277,947	46,277,947
Government bonds	-	-	195,923,820	-	195,923,820	195,923,820
Equity investments	-	7,386,690,849	1,891,510,496	-	9,278,201,345	9,278,201,345
Other financial assets	1,647,570	-	-	-	1,647,570	1,647,570
Other financial liabilities	-	-	-	(35,000,138)	(35,000,138)	(35,000,138)
	1,297,490,589	7,386,690,849	2,133,712,263	(35,000,138)	10,782,893,563	10,782,893,563

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

5. Operating expenses

	3 months ended 31 March 2018	3 months ended 31 March 2017
Administration fees	11,158,433	34,003,512
Third party services	3,083,508	2,351,379
FSA monthly fees	2,403,590	2,767,562
Intermediaries and other fees related to disposal of portfolio holdings	492,712	-
BON remunerations and related taxes	361,845	356,075
Depositary bank fee	164,947	200,081
Other operating expenses	403,553	304,768
	<u>18,068,588</u>	<u>39,983,377</u>

The total administration fees for the first quarter of 2018 included the base fee of RON 11,158,433 (the first quarter of 2017: RON 12,185,561) and the distribution fee of RON 12,242,288 which was entirely related to the buybacks and thus recognised directly in equity as buybacks acquisition cost (the first quarter of 2017: RON 21,817,951 out of which RON 12,220,088 represented distribution fee related to the buybacks). Starting with the financial statements for the year ended 31 December 2017, the distribution fee related to buybacks is recognised directly in equity together with the underlying shares. This change was not applied on the comparative amounts as at 31 March 2017 as the effect is not significant.

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

Third party services mainly include legal and litigation assistance, the financial auditor's fees, valuation services in relation to the Fund's portfolio and other expenses related to the Board of Nominees as accommodation, transport and insurance costs.

During the first quarter of 2018 and the first quarter of 2017, the FSA fee was 0.0078% per month applied on the total net asset value.

6. Income tax

There was no current tax recorded during the first quarter of 2018 and first quarter of 2017.

There was no deferred tax recognised in profit or loss during the first quarter of 2018 (first quarter of 2017: net deferred income tax of RON 9,838,910 related to the fiscal loss).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

6. Income tax (continued)

	3 months ended 31 March 2018	3 months ended 31 March 2017
Reconciliation of effective tax rate		
Net profit for the period	293,575,750	293,022,326
Income tax	-	9,838,910
Profit excluding income tax	293,575,750	283,183,416
Income tax using the standard tax rate (16%)	(46,972,120)	(45,309,347)
<i>Impact on the income tax expense of:</i>		
Elements similar to revenues (taxable equity items)	(33,615,519)	(3,131,086)
Non-taxable income	26,524,355	126,903,421
Non-deductible expenses	(19,441,774)	(82,870,940)
Fiscal result impact in the current period	73,505,058	4,407,952
Deferred tax movement during the period	-	9,838,910
Income tax	-	9,838,910

See *Note 10 Deferred tax* for details regarding the deferred tax computation and recognition.

7. Basic and diluted earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit for the period by the weighted average number of ordinary paid shares in issue during the period, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares based on their settlement date. As at 31 March 2018 and 31 March 2017, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted earnings per share are the same.

	3 months ended 31 March 2018	3 months ended 31 March 2017
Profit for the period	293,575,750	293,022,326
Weighted average number of ordinary shares	8,276,767,475	9,546,818,692
Basic and diluted earnings per share	0.0355	0.0307

8. Cash and current accounts and deposits with banks

	31 March 2018	31 December 2017
Petty cash	152	973
Current accounts with banks	78,861	80,094
Distributions bank accounts	17,345,049	19,092,500
Cash and current accounts	17,424,062	19,173,567

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

8. Cash and current accounts and deposits with banks (continued)

	31 March 2018	31 December 2017
Bank deposits with original maturities of less than three months	292,394,153	1,275,849,317
Interest accrued on bank deposits	39,657	820,135
Deposits with banks	292,433,810	1,276,669,452

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

9. Equity investments

As a result of the application of IFRS 9 starting 1 January 2018, the Fund changed its accounting policies classifying all its equity investments at fair value through profit or loss. The AIFM and the Investment Manager of the Fund elected to not restate prior periods.

Before 1 January 2018, the Fund's investments in subsidiaries and associates and equity investments previously classified as subsidiaries and associates were classified and measured at fair value through profit or loss while the other Fund's investments in equity instruments were classified as available for sale financial assets and measured at fair value through other comprehensive income.

Substantially all equity instruments of the Fund are valued at the fair value as follows:

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

The movement in the carrying amounts of equity investments in the first quarter of 2018 and the first quarter of 2017 is presented below:

	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2018	1,891,510,497	7,386,690,848	9,278,201,345
Reclassification following the adoption of IFRS 9 (see Note 3)	7,386,690,848	(7,386,690,848)	-
Net gain from equity investments at fair value through profit or loss	309,774,428	-	309,774,428
Disposals	(38,232,082)	-	(38,232,082)
31 March 2018	9,549,743,691	-	9,549,743,691

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

9. Equity investments (continued)

	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2017	2,086,956,567	7,905,226,677	9,992,183,244
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	91,268,494	91,268,494
Net gain from equity investments at fair value through profit or loss	296,092,263	-	296,092,263
Disposals	-	(10,576,044)	(10,576,044)
31 March 2017	2,383,048,830	7,985,919,127	10,368,967,957

The net gain from equity investments at fair value through profit or loss for the quarter ended 31 March 2018 of RON 309,774,428 (for the quarter ended 31 March 2017: RON 296,092,263) was mainly generated by the change in fair value for the holding in OMV Petrom SA, as a result of the increase of this company's share price during the respective period.

Disposals

During the first quarter of 2018, the Fund sold part of its holding in Nuclearelectrica SA.

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

Portfolio

As at 31 March 2018 and 31 December 2017 the Fund's portfolio comprised the following holdings:

	31 March 2018	31 December 2017
Hidroelectrica SA	3,566,000,000	3,566,000,000
OMV Petrom SA	1,801,008,289	1,619,774,750
CN Aeroporturi Bucuresti SA	774,000,000	774,000,000
E-Distributie Banat SA	545,000,000	545,000,000
Engie Romania SA	472,000,000	472,000,000
E-Distributie Muntenia SA	419,000,000	419,000,000
E-Distributie Dobrogea SA	342,000,000	342,000,000
BRD Groupe Societe Generale SA	334,361,354	285,646,454
Alro SA	276,961,913	238,333,015
Societatea Nationala a Sarii SA	233,000,000	233,000,000
Administratia Porturilor Maritime SA	230,000,000	230,000,000
Nuclearelectrica SA	184,726,251	197,340,343
Enel Energie Muntenia SA	61,000,000	61,000,000
Conpet SA	58,519,246	52,121,980
Enel Energie SA	57,000,000	57,000,000
Romaero SA	39,350,730	30,168,893
Posta Romana SA	35,000,000	35,000,000
Complexul Energetic Oltenia SA	32,000,000	32,000,000
Zirom SA	26,839,000	26,839,000
Other	61,976,908	61,976,910
Total equity investments	9,549,743,691	9,278,201,345

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(all amounts are in RON unless otherwise stated)

9. Equity investments (continued)

Except for the Fund's investments in subsidiaries (i.e. Alcom SA, Comsig SA, Zirom SA), associates (i.e. Societatea Nationala a Sarii SA, Plafar SA) and equity investments previously classified as associates (i.e. OMV Petrom SA), all other investments were classified as equity investments available for sale as at 31 December 2017.

There was no change in the carrying amounts of financial assets and liabilities upon transition to IFRS 9 on 1 January 2018 compared to their previous measurement category in accordance with IAS 39.

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:

As at 31 March 2018:

	Level 1	Level 2	Level 3	Total
Equity investments	2,655,577,053	-	6,894,166,638	9,549,743,691
Treasury bills	13,318,214	-	-	13,318,214
	2,668,895,267	-	6,894,166,638	9,563,061,905

As at 31 December 2017:

	Level 1	Level 2	Level 3	Total
Equity investments	2,393,216,543	-	6,884,984,802	9,278,201,345
Treasury bills	46,277,947	-	-	46,277,947
Government bonds	195,923,820	-	-	195,923,820
	2,635,418,310	-	6,884,984,802	9,520,403,112

The table below presents the movement in Level 3 equity investments during the first quarter of 2018 and the first quarter of 2017:

	3 months ended 31 March 2018	3 months ended 31 March 2017
Opening balance	6,884,984,802	7,592,183,120
Net unrealised gain recognised in profit or loss	9,181,836	714,018
Net change in fair value recorded in other comprehensive income	-	3,257,065
Transfers in/(out) of Level 3	-	-
Closing balance	6,894,166,638	7,596,154,203

The level in the fair value hierarchy within which the fair value measurement is classified is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

9. Equity investments (continued)

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

For Level 3, a majority of the equity investments valuations were performed with the assistance of independent valuers, based on financial information provided by the Fund, using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, which ensures that the underlying data is accurate, and that appropriate inputs were used in the valuation.

As the valuation reports were prepared as at 30 September 2017 (for 31 March 2017: as at 30 September 2016), based on financial information available for the companies under valuation at the respective date, the Fund's management has analysed the period between the date of the valuation reports and the reporting date. There was no information known or available to the Fund's management which may have significant impact on the fair values of the equity investments as at the reporting date, as they are presented in these 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 markets and severe restrictions in the credit markets both globally and in Romania, notwithstanding any potential economic stabilisation measures that may be put into place by the Romanian State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, the future development of the market and demand for goods and services they produce. These economic uncertainties are expected to continue in the foreseeable future and, as a consequence, there is a possibility that the assets of the Fund are not recovered at their carrying amounts in the ordinary course of business. A corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of these condensed interim financial statements.

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

As at 31 March 2018, unlisted equity investments and listed illiquid equity investments with a total carrying amount of RON 6,894,166,638 (31 December 2017: RON 6,884,984,802 out of which RON 3,908,505,337 represented the total net change in fair value recognised in equity), were classified as Level 3 of the fair value hierarchy. Out of the total value of the equity investments classified as Level 3 of the fair value hierarchy, 99% were assessed with the assistance of an independent valuer, using valuation methods in accordance with the International Valuation Standards and 1% were determined based on values used in the calculation of the net asset value of the Fund as at that date, calculated in accordance with the regulations issued by the FSA/CNVM.

The following table sets out information about the significant unobservable inputs used at 31 March 2018 and 31 December 2017 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

9. Equity investments (continued)

Financial assets	Fair value as at 31 March 2018	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	6,894,166,638			
Unlisted equity instruments	6,488,000,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.46 - 10.93 (8.35) Discount for lack of marketability: 15% (15%)	The higher the EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	261,829,000	Income approach - discounted cash flow method	Weighted average cost of capital: 12.69% or 13.24% or 13.82% (13.30%) Discount for lack of marketability: 12% or 15% or 17% (15.18%) Discount for lack of control: 0% or 18% or 26% (23%) Long-term revenue growth rate: 1.5% (1.5%)	The lower the weighted average cost of capital, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. The lower the discount for the lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	35,000,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 13.34 (13.34) Discount for lack of marketability: 24.4% (24.4%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	32,000,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.78 (0.78) Discount for lack of marketability: 15% (15%)	The higher the Revenue multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	2,441,000	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.46 (0.46) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Listed illiquid equity instruments	52,916,269	Bucharest Stock Exchange reference price - Average price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM.	
Unlisted equity instruments	21,980,369	Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM, primarily based on the value of the shareholders' equity of the issuer extracted from its latest annual financial statements.		

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

9. Equity investments (continued)

Financial assets	Fair value as at 31 December 2017	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	6,884,984,802			
Unlisted equity instruments	6,488,000,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.46 - 10.93 (8.35) Discount for lack of marketability: 15% (15%)	The higher the EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	261,829,000	Income approach - discounted cash flow method	Weighted average cost of capital: 12.69% or 13.24% or 13.82% (13.30%) Discount for lack of marketability: 12% or 15% or 17% (15.18%) Discount for lack of control: 0% or 18% or 26% (23%) Long-term revenue growth rate: 1.5% (1.5%)	The lower the weighted average cost of capital, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. The lower the discount for the lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	35,000,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 13.34 (13.34) Discount for lack of marketability: 24.4% (24.4%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	32,000,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.78 (0.78) Discount for lack of marketability: 15% (15%)	The higher the Revenue multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	2,441,000	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.46 (0.46) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Listed illiquid equity instruments	43,734,433	Bucharest Stock Exchange reference price - Average price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM.	
Unlisted equity instruments	21,980,369	Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM, primarily based on the value of the shareholders' equity of the issuer extracted from its latest annual financial statements.		

Significant unobservable inputs are the following:

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

9. Equity investments (continued)

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

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

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

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

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

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

10. Deferred tax

	Deductible temporary differences	Related deferred tax asset, out of which:	Recognised deferred tax asset	Not recognised deferred tax asset
31 March 2018				
Fiscal loss carried forward	3,455,349,650	552,855,944	-	552,855,944
	Deductible temporary differences	Related deferred tax asset/(liability), out of which:	Recognised deferred tax asset/(liability)	Not recognised deferred tax asset
31 December 2017				
Equity investments	(210,096,993)	(33,615,519)	(33,615,519)	-
Fiscal loss carried forward	3,914,756,220	626,360,995	33,615,519	592,745,476
	3,704,659,227	592,745,476	-	592,745,476

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

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10. Deferred tax (continued)

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

3 months ended 31 March 2018	Balance at 1 January 2018	Reversed through profit or loss	Balance at 31 March 2018
Equity investments	(33,615,519)	33,615,519	-
Fiscal loss carried forward	33,615,519	(33,615,519)	-
	-	-	-

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

As at 31 March 2018, the net deferred tax position is nil as the Fund did not recognise any deferred tax asset or deferred tax liability.

As at 31 December 2017, the Fund recognised in profit or loss a deferred tax asset for the unused tax losses carried forward, only to the level of the deferred tax liability recognised in other comprehensive income arising from the taxable temporary differences on equity investments.

11. Liabilities
(a) Payable to shareholders

The payable to shareholders caption comprises the amounts due to shareholders related to the returns of capital in total amount of RON 18,960,258 (31 December 2017: RON 20,705,311).

The movement during the period is presented in the table below:

	3 months ended 31 March 2018	3 months ended 31 March 2017
Opening balance	20,705,311	20,208,049
Payments related to the returns of capital performed from the Fund's dedicated bank accounts	(1,739,417)	(450,159,749)
Payments related to 2015 return of capital performed directly by Central Depository from the amount transferred by the Fund in their account in 2015	(5,636)	(9,666,620)
Distributions started during the period	-	480,543,496
Closing balance	18,960,258	40,925,176

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

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11. Liabilities (continued)
(b) Other liabilities and provisions

	31 March 2018	31 December 2017
Administration fees	23,456,965	11,752,658
Provision for litigations	856,247	856,247
Financial Supervisory Authority fees	768,136	829,634
Intermediaries and other transactions fees related to disposal of portfolio holdings	534,941	1,236,632
Payables related to treasury shares under settlement	232,799	-
Other liabilities	367,944	1,332,308
	26,217,032	16,007,479

12. Shareholders' equity
(a) Share capital

There was no change in the share capital of the Fund recorded during the first quarter of 2018.

The movements in the share capital components are presented below:

	Share capital paid-in	Share capital unpaid	Total share capital
31 December 2016	8.859.073.619	309.240.498	9.168.314.117
Coverage of the cumulated accounting losses	(2.233.361.731)	(83.676.841)	(2.317.038.572)
Decrease of the nominal value of the shares	(971.026.839)	(36.381.235)	(1.007.408.074)
Cancellation of treasury shares	(989.832.686)	-	(989.832.686)
Total as per Trade Registry evidence	4.664.852.363	189.182.422	4.854.034.785
Presentation adjustment related to the unpaid share capital	-	(189.182.422)	(189.182.422)
31 December 2017	4.664.852.363	-	4.664.852.363
31 March 2018	4.664.852.363	-	4.664.852.363

Unpaid share capital represents the nominal value of certain contributions due to the Fund by the Romanian State, represented by the Ministry of Public Finance as shareholder, that were recorded in previous years as paid in share capital (based on Law 247/2005) and subsequently were considered unpaid following the final results of several litigations that took place in the past. Holders of unpaid shares are not entitled to vote or to receive dividends or other cash distributions, until the matters are legally clarified. Due to the fact that there are no clear provisions regarding the unpaid share capital in the special legislation related to the Fund and that according to the general framework provided by the Companies' Law the deadline for the payment by the Romanian State represented by Ministry of Public Finance of the unpaid share capital expired, the Fund recorded a presentation adjustment as at 31 December 2017 for the entire balance of unpaid share capital against other reserves. This adjustment was recorded in the financial statements only for presentation purpose, while the actual cancellation of the unpaid share capital in the accounting will follow the legal requirements and will be booked only after the successful completion of the necessary legal steps and only if the cancelation of shares will be the solution agreed with the Romanian State represented by the Ministry of Public Finance.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

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

The receivable related to the unpaid amounts from the Romanian State is fully impaired.

The table below presents the share balance and their nominal value:

	31 March 2018	31 December 2017
Number of shares in issue	9,334,682,278	9,334,682,278
Number of paid shares	8,970,869,928	8,970,869,928
Number of unpaid shares	363,812,350	363,812,350
Nominal value per share (RON)	0.52	0.52

The shareholder structure as at 31 March 2018 was as follows:

Shareholder categories	% of subscribed share capital	% of paid-in share capital
The Bank of New York Mellon (depository bank for the Fund's GDRs)	29.77%	30.98%
Foreign institutional investors	15.91%	16.55%
Romanian institutional investors	15.50%	16.13%
Romanian private individuals	15.76%	16.40%
Foreign private individuals	2.53%	2.64%
Romanian State	0.06%	0.06%
Treasury shares	16.57%	17.24%
Unpaid shares	3.90%	-
Total	100%	100%

Source: Depozitarul Central SA

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

The fair value reserve of RON 4,248,175,069 as at 31 December 2017 comprising the cumulative net change in the fair value of the available for sale financial assets, recognised in other comprehensive income, net of the related deferred tax recognised through equity, was transferred to retained earnings on 1 January 2018, the date of initial application of IFRS 9, respectively the date from which the Fund classified all its equity investments as equity investments at fair value through profit or loss.

(c) Other reserves

	31 March 2018	31 December 2017
Legal reserve	330,578,802	330,578,802
Gains from cancellation of treasury shares	177,865,119	177,865,119
Losses from cancellation of treasury shares	(256,073,589)	(256,073,589)
Distributions for which the statute of limitation occurred	2,583,847	2,583,847
	254,954,179	254,954,179

The legal reserve cannot be used for distributions to shareholders.

Gains from cancellation of treasury shares comprise the reserves related to the net gain on the cancellation of treasury shares acquired at an acquisition value lower than the nominal value. This amount may be used for corporate actions in accordance with the applicable legislation.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

12. Shareholders' equity (continued)
(c) Other reserves (continued)

Losses from cancellation of treasury shares comprise the reserves related to the losses on the cancellation of treasury shares acquired at an acquisition value higher than the nominal value. This amount may be covered from the retained earnings and other equity elements, in accordance with the resolution of the general meeting of shareholders.

The Fund's Sole Director proposed to shareholders and the shareholders approved the coverage of the negative reserves in amount of RON 256,073,589 at 26 April 2018 General Shareholders' Meeting as follows:

- RON 177,865,119 from reserves related to the gain on cancellation of treasury shares
- RON 2,583,847 from reserves related to distributions (return of capital) for which the statute of limitation occurred
- RON 1,313,027 from retained earnings related to dividends for which the statute of limitation occurred
- RON 74,311,596 from 2016 unallocated profit remained under unallocated retained earnings.

(d) Treasury shares

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

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

During the first quarter of 2018 the Fund continued the ninth buy-back programme started on 14 November 2017.

The table below summarises the details regarding the ninth buy-back programme, respectively the buy-back programme valid during the first quarter of 2018:

Programme	GSM date approving the buy-back programme	Starting date	Completion date	Acquisition price range as approved by GSM
Ninth buy-back	26-Oct-2017	14-Nov-2017	ongoing	0.2 - 2 RON per share

The maximum number of shares that can be repurchased within the ninth buy-back has to be computed so that all outstanding treasury shares acquired during this programme and/or with the previous ones, do not exceed 20% of the issued share capital at the relevant time.

The movement in the number of treasury shares (including the equivalent shares of GDRs bought-back) during the first quarter of 2018 and the first quarter of 2017 is presented in the below table:

	Opening balance 1 Jan 2018	Acquisitions during the period	Cancellations during the period	Closing balance 31 Mar 2018
Seventh buy-back	90,849,151	-	-	90,849,151
Eighth buy-back	141,869,861	-	-	141,869,861
Ninth buy-back	19,159,328	1,304,843,206	-	1,324,002,534
	251,878,340	1,304,843,206	-	1,556,721,546

	Opening balance 1 Jan 2017	Acquisitions during the period	Cancellations during the period	Closing balance 31 Mar 2017
Sixth buy-back	712,171,156	-	712,171,156	-
Seventh buy-back	79,336,721	680,674,662	-	760,011,383
	791,507,877	680,674,662	712,171,156	760,011,383

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

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

The movement in the buy-back programmes carrying amounts during the first quarter of 2018 and the first quarter of 2017 is presented in the below table:

	Opening balance 1 Jan 2018	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 31 Mar 2018
Seventh buy-back	78,310,155	-	-	78,310,155
Eighth buy-back	123,615,960	-	-	123,615,960
Ninth buy-back	16,329,392	1,244,969,450	-	1,261,298,842
	218,255,507	1,244,969,450	-	1,463,224,957

	Opening balance 1 Jan 2017	Cost of treasury shares acquired	Cancellation of treasury shares	Decrease of the nominal value of the shares	Closing balance 31 Mar 2017
Sixth buy-back	590,746,116	-	(590,746,116)	-	-
Seventh buy-back	63,399,047	624,763,708	-	(4,969,923)	683,192,832
	654,145,163	624,763,708	(590,746,116)	(4,969,923)	683,192,832

(e) Dividend distribution

At the 26 April 2018 GSM, the Fund's shareholders approved the distribution of a gross dividend of RON 0.0678 per share, in relation to 2017 statutory profits.

The shareholders registered in the shareholders' registry with the Central Depository on 11 June 2018 have the right to receive a gross dividend of RON 0.0678 per share, proportionally with their participation in the paid in share capital of the Fund. The payment will start on 29 June 2018.

13. Contingencies
Litigations

As at 31 March 2018, the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets the Fund considers that there are no litigations which may have significant effects on the Fund's financial position or profitability.

Other contingencies

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

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

During 2008 through 2010, the Fund recovered from World Trade Center București SA, USD 510,131, EUR 148,701 and RON 8,724,888. Given the uncertainties regarding the recoverability of the amounts due by World Trade Center București SA, the above amounts were recognised on receipt basis in the Fund's financial statements.

In August 2013, World Trade Center București SA filed a claim against the Fund asking the Fund to pay back all the amounts received through the enforcement procedure during 2010 and 2011 (EUR 148,701, USD 10,131 and RON 8,829,663). The amounts recovered from the enforcement procedure were originally accounted for by the Fund as contributions of the Romanian State to the share capital of the Fund, decreasing the receivable related to the unpaid capital.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

13. Contingencies (continued)

Consequently, these amounts are to be recovered by the Fund from the Romanian State (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, the Bucharest Court admitted the claim filed by World Trade Center București SA and obliged Fondul Proprietatea to pay back the amounts recovered from the enforcement procedure (EUR 148,701, USD 10,131 and RON 8,829,663) and the related legal interest calculated for these amounts. During the period from July to August 2016, the Fund performed the payment of these amounts and the related legal interest to World Trade Center București SA. The Fund appealed the above decision but the Court rejected it, making the decision irrevocable.

The related file started by the Fund against the Romanian State being represented by Ministry of Public Finance for recovering the contributions of the Romanian State to the share capital of the Fund was initially suspended, waiting the Court's final decision in relation with the file mentioned above. Considering the above decision the Court is about to reactivate this file.

14. Related parties
(a) Key management

	3 months ended 31 March 2018	3 months ended 31 March 2017
Remunerations		
Members of the Board of Nominees	361,845	300,000

Following the taxation changes regarding salaries and other income assimilated to salaries starting 1 January 2018, respectively the transfer of the social contributions from employers to employees, the Fund's shareholders approved during 14 February 2018 GSM, the increase starting with 1 January 2018 of the gross remuneration paid to the Board of Nominees in order that the level of net remuneration per each member of the Board of Nominees to remain the same as in December 2017.

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in the first quarter of 2018 or in the first quarter of 2017.

FTIS is the Sole Director and Alternative Investment Fund Manager of the Fund starting with 1 April 2016. The role of investment manager as well as certain administrative functions have been delegated by FTIS to FTIML.

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

	3 months ended 31 March 2018	3 months ended 31 March 2017
Transactions		
Administration fees	23,400,720	34,003,512

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

	3 months ended 31 March 2018	3 months ended 31 March 2017
Transactions		
Rental expense	20,380	16,591
Operating cost	6,459	6,029
	<u>26,839</u>	<u>22,620</u>

During the first quarter of 2018, the Fund also recorded RON 89,057 representing expenses incurred by FTIML on its behalf (for the quarter ended 31 March 2017: RON 70,506). 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 agreement in place at the respective moment and was subject to Board of Nominees' approval.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

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

The outstanding liabilities owed by the Fund were as follows:

Amounts due to:	31 March 2018	31 December 2017
FTIS	23,456,965	11,752,658
FTIML	4,969	69,752
	<u>23,461,935</u>	<u>11,822,410</u>

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

(b) Subsidiaries

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

	31 March 2018	31 December 2017
Ownership interest		
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	70%	70%

During the first quarter of 2018 and the first quarter of 2017, the Fund did not carry out any transaction with its subsidiaries.

In April 2017, the shareholders of Comsig SA approved the dissolution of the company. As at the reporting date of these condensed interim financial statements, Comsig SA is in administrative liquidation process.

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

	31 March 2018	31 December 2017
Zirom SA	26,839,000	26,839,000
Alcom SA	9,906,746	9,906,746
Comsig SA	-	-
	<u>36,745,746</u>	<u>36,745,746</u>

As at 31 March 2018, the Fund has no commitment or intention to provide financial or other support to its subsidiaries, including commitments or intentions to assist the subsidiaries in obtaining financial support.

(c) Associates

As at 31 March 2018 and 31 December 2017 the Fund had two associates, both of them incorporated in Romania:

	31 March 2018	31 December 2017
Ownership interest		
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

The Fund did not carry out any transaction with its associates in the first quarter of 2018 or in the first quarter of 2017.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

(all amounts are in RON unless otherwise stated)

15. Subsequent events

26 April 2018 GSM decisions

The main shareholders decisions at the 26 April 2018 GSM were the following:

- the approval of the Annual Activity Report of the Sole Director of the Fund for the financial year 2017, including the statutory IFRS financial statements for the year ended 31 December 2017 and the auditor's report;
- the approval of the coverage of the negative reserves incurred in 2017 financial year derived from the cancelation of treasury shares;
- the approval of the net profit allocation registered for the financial year 2017 and the approval of the distribution of a gross dividend of RON 0.0678 per share.

Disposal of Fund's holdings in Conpet

In April 2018, the Fund sold its entire holding in Conpet SA.

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 March 2018, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	29 December 2017				30 March 2018				Differences
	% of the net asset	% of the total asset	Currency	Lei	% of the net asset	% of the total asset	Currency	Lei	
I. Total assets	100.3372%	100.0000%		10,826,827,868.09	100.4576%	100.0000%		9,884,012,560.15	(942,815,307.94)
1 Securities and money market instruments, out of which:*	24.3997%	24.3177%		2,632,840,979.68	27.5281%	27.4027%		2,708,493,322.38	75,652,342.70
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	24.3997%	24.3177%	-	2,632,840,979.68	27.5281%	27.4027%	-	2,708,493,322.38	75,652,342.70
1.1.1 listed shares traded in the last 30 trading days	22.4907%	22.4152%	-	2,426,855,059.71	27.3902%	27.2655%	-	2,694,927,782.56	268,072,722.85
1.1.2 listed shares not traded in the last 30 trading days	0.0936%	0.0932%	-	10,095,916.20	0.1379%	0.1372%	-	13,565,539.82	3,469,623.62
1.1.3 Government bonds	1.8154%	1.8093%	-	195,890,003.77	0.0000%	0.0000%	-	-	(195,890,003.77)
1.1.4 allotment rights not admitted at trading on a regulated market	-	-	-	-	-	-	-	-	-
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-	-	-	-	-	-	-	-
1.2.1 listed shares traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.2.2 listed shares not traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.3. securities and money market instruments admitted on a stock exchange from a 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 Financial Supervisory Authority ("FSA".)	-	-	-	-	-	-	-	-	-
2 New issued securities	-	-	-	-	-	-	-	-	-
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	63.4009%	63.1879%	-	6,841,241,262.82	69.5319%	69.2152%	-	6,841,241,262.82	-
- shares not admitted at trading on a regulated market	63.4009%	63.1879%	-	6,841,241,262.82	69.5319%	69.2152%	-	6,841,241,262.82	-
4 Bank deposits, out of which:	11.8307%	11.7910%	-	1,276,587,197.95	2.9721%	2.9586%	-	292,425,410.07	(984,161,787.88)
4.1. bank deposits made with credit institutions from Romania	11.8307%	11.7910%	-	1,276,587,197.95	2.9721%	2.9586%	-	292,425,410.07	(984,161,787.88)
- in RON	11.8307%	11.7910%	-	1,276,587,197.95	2.9721%	2.9586%	-	292,425,410.07	(984,161,787.88)
- 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:	0.1777%	0.1771%	-	19,173,642.78	0.1777%	0.1763%	-	17,424,127.94	(1,749,514.84)
- in RON	0.1777%	0.1771%	-	19,167,497.50	0.1777%	0.1763%	-	17,419,557.88	(1,747,939.62)
- in EUR	0.0000%	0.0000%	EUR	671.64	0.0000%	0.0000%	EUR	412.41	(1,208.80)
- in USD	0.0000%	0.0000%	USD	331.35	0.0000%	0.0000%	USD	380.57	148.31
- in GBP	0.0000%	0.0000%	GBP	328.61	0.0000%	0.0000%	GBP	228.19	(514.73)
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:	0.4289%	0.4274%	-	46,273,974.68	0.1354%	0.1347%	-	13,317,937.25	(32,956,037.43)
- Treasury bills with original maturities of less than 1 year	0.4289%	0.4274%	-	46,273,974.68	0.1354%	0.1347%	-	13,317,937.25	(32,956,037.43)
8 Participation titles of OCIU and/or of UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.0993%	0.0989%	-	10,710,810.18	0.1130%	0.1125%	-	11,110,499.69	399,689.51
- 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	0.0150%	0.0149%	-	1,612,518.00	0.0163%	0.0163%	-	1,606,882.15	(5,635.85)
- receivables related to transactions under settlement	-	-	-	-	0.0054%	0.0054%	-	531,759.88	531,759.88
- tax on dividends to be recovered from the State Budget	0.0068%	0.0067%	-	730,314.00	0.0074%	0.0074%	-	730,314.00	-
- tax on profit to be recovered from the State Budget	0.0679%	0.0677%	-	7,330,440.00	0.0745%	0.0742%	-	7,330,440.00	-
- intangible assets	0.0070%	0.0070%	-	756,603.69	0.0068%	0.0067%	-	664,906.65	(91,697.04)
- advance payments for intangible assets	0.0002%	0.0002%	-	19,332.26	0.0002%	0.0002%	-	19,332.26	-
- other receivables out of which:	0.0001%	0.0001%	-	15,720.00	0.0019%	0.0018%	-	180,971.83	165,251.83
- in RON	0.0001%	0.0001%	-	15,720.00	0.0019%	0.0018%	-	180,971.83	165,251.83
- prepaid expenses	0.0023%	0.0023%	-	245,882.23	0.0005%	0.0005%	-	45,892.92	(199,989.31)
II. Total liabilities	0.3372%	0.3363%		36,409,534.29	0.4576%	0.4557%		45,039,927.46	8,630,393.17
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1066%	0.1063%	-	11,506,104.96	0.2372%	0.2362%	-	23,343,494.54	11,837,389.58
2 Liabilities related to the fees payable to the depository bank	0.0004%	0.0004%	-	50,031.96	0.0005%	0.0005%	-	52,206.75	2,174.79
3 Liabilities related to the fees payable to intermediaries	0.0111%	0.0111%	-	1,197,286.95	0.0046%	0.0046%	-	454,260.74	(743,026.21)
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
5 Interest payable	-	-	-	-	0.0000%	0.0000%	-	-	-
6 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-
7 Liabilities in relation with the fees/commissions to FSA	0.0072%	0.0072%	-	776,109.30	0.0075%	0.0075%	-	743,357.70	(32,751.60)
8 Liabilities related to audit fees	-	-	-	-	0.0011%	0.0011%	-	110,850.88	110,850.88
9 Other Liabilities, out of which:	0.2119%	0.2113%	-	22,880,001.12	0.2067%	0.2058%	-	20,335,756.85	(2,544,244.27)
- liabilities related to the return of capital	0.1918%	0.1912%	-	20,705,310.85	0.1927%	0.1918%	-	18,960,258.05	(1,745,052.80)
- provisions	0.0079%	0.0079%	-	856,247.22	0.0087%	0.0087%	-	856,247.22	-
- liabilities related to buybacks under settlement	-	-	-	-	0.0024%	0.0024%	-	232,798.76	232,798.76

FONDUL PROPRIETATEA SA

Item	29 December 2017				30 March 2018				Differences
	% of the net asset	% of the total asset	Currency	Lei	% of the net asset	% of the total asset	Currency	Lei	
- remunerations and related contributions	0.0004%	0.0004%	-	40,065.00	0.0004%	0.0004%	-	42,215.00	2,150.00
- other liabilities out of which:	0.0118%	0.0118%	-	1,278,378.05	0.0025%	0.0025%	-	244,237.82	(1,034,140.23)
- in RON	0.0070%	0.0070%	-	762,042.01	0.0025%	0.0025%	-	244,237.82	(517,804.19)
- in USD	0.0009%	0.0009%	USD 25,007.00	97,314.74	0.0000%	0.0000%	USD	-	(97,314.74)
- in GBP	0.0039%	0.0039%	GBP 79,768.00	419,021.30	0.0000%	0.0000%	GBP	-	(419,021.30)
III. Net Asset Value (I - II)	100.0000%	99.6637%		10,790,418,333.80	100.0000%	99.5443%		9,838,972,632.69	(951,445,701.11)

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

Unitary Net Asset Value

Item	30 March 2018	29 December 2017	Differences
Net Asset Value	9,838,972,632.69	10,790,418,333.80	(951,445,701.11)
Number of outstanding shares	7,414,148,382	8,718,991,588	(1,304,843,206)
Unitary net asset value	1.3270	1.2375	0.0895

DETAILED STATEMENT OF INVESTMENTS AS AT 30 MARCH 2018
Securities admitted or traded on a regulated market in Romania, out of which:
1.1 listed shares traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alro Slatina SA	ALR	30/Mar/2018	72,884,714	0.5	3.8000	276,961,913.20	10.21%	2.8021%	2.8149%	Closing price
BRD-Groupe Societe Generale SA	BRD	30/Mar/2018	22,143,136	1	15.1000	334,361,353.60	3.17%	3.3829%	3.3983%	Closing price
Conpet SA	COTE	30/Mar/2018	524,366	3.3	111.6000	58,519,245.60	6.05%	0.5921%	0.5948%	Closing price
OMV Petrom SA	SNP	30/Mar/2018	5,663,548,078	0.1	0.3180	1,801,008,288.80	9.99%	18.2214%	18.3048%	Closing price
Romaero SA	RORX	22/Mar/2018	1,311,691	2.5	30.0000	39,350,730.00	20.03%	0.3981%	0.3999%	Reference price - Average price
Nuclearelectrica SA	SNN	30/Mar/2018	22,638,021	10	8.1600	184,726,251.36	7.50%	1.8689%	1.8775%	Closing price
Total						2,694,927,782.56		27.2655%	27.3902%	

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	10/Feb/2017	89,249	2.5	111.0012	9,906,746.10	71.89%	0.1002%	0.1007%	Shareholders' equity as of 31 December 2016
IOR SA	IORB	29/Dec/2017	2,622,273	0.1	0.3000	786,681.90	2.51%	0.0080%	0.0080%	Fair value (Last trading price)
Mecon SA	MECP	4/Oct/2017	60,054	11.6	3.1500	189,170.10	12.51%	0.0019%	0.0019%	Fair value (Last trading price)
Palace SA	PACY	29/Dec/2017	5,832,482	0.1	0.4600	2,682,941.72	15.42%	0.0271%	0.0273%	Fair value (Last trading price)
Total						13,565,539.82		0.1372%	0.1379%	

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	105.4017	2,440,997.97	20.00%	0.0247%	0.0248%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19-iul.-2005	2,652,588	687.1564	21,999,999.30	20.00%	0.2226%	0.2236%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
BAT Service SA	194,022	19-iul.-2005	656,686	0.0000	0.00	33.00%	0.0000%	0.0000%	Bankruptcy	Priced at zero
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	77.0272	15,648,845.95	20.00%	0.1583%	0.1590%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2016 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	127.5586	3,514,749.66	20.00%	0.0356%	0.0357%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2016 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Maritime SA	21,237	19/Jul/2005	1,351,671	132.6352	2,816,773.74	20.00%	0.0285%	0.0286%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2016 adjusted with dividends declared/ share)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	65,511,444	86.5270	229,999,841.46	19.99%	2.3270%	2.3376%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
CN Aeroporturi Bucuresti SA ***	2,875,443	5/Feb/2010	131,168,263	269.1759	773,999,957.42	20.00%	7.8308%	7.8667%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	1.1683	31,997,330.30	21.55%	0.3237%	0.3252%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Comsig SA	75,655	19/Jul/2005	132.633	0.0000	0.00	69.94%	0.0000%	0.0000%	Liquidation	Priced at zero
E-Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	59.1065	544,999,994.59	24.12%	5.5140%	5.5392%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
E-Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	50.6432	341,999,961.29	24.09%	3.4601%	3.4760%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
E-Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	128.6698	418,999,822.04	12.00%	4.2392%	4.2586%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	137.3706	60,999,964.41	12.00%	0.6172%	0.6200%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	33.9285	56,999,880.00	12.00%	0.5767%	0.5793%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	197.4318	471,999,809.40	11.99%	4.7754%	4.7972%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
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	89,381,593	19/Jul/2005	3,107,701,576	39.8963	3,565,994,848.81	19.94%	36.0784%	36.2436%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Piafar SA	132,784	28/Jun/2007	3,160,329	14.9867	1,989,993.97	48.99%	0.0201%	0.0202%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	2.3534	34,999,640.07	25.00%	0.3541%	0.3557%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Romplumb SA	1,595,520	28/Jun/2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Salubriserv SA	43,263	19/Jul/2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
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	116.1582	232,999,874.85	48.99%	2.3573%	2.3681%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
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 2016)
Zirom SA	5,677,083	28/Jun/2007	56,558,072	4.7276	26,838,977.59	100.00%	0.2715%	0.2728%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Total			4,695,723,805		6,841,241,262.82		69.2152%	69.5319%		

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.

** = The acquisition price includes the initial value of Fondul Proprietatea's final portfolio of shares contributed by the Romanian State in December 2005 and June 2007 determined based on the valuation performed in October 2007 by an independent valuer (Finevex SRL Constanta) and the subscriptions to share capital increase of portfolio companies, if the case,

(both in cash and in form of free of charge shares received) less the disposals (if the case). Fondul Proprietatea did not perform any acquisition of unlisted shares from its incorporation date until now.

*** = 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 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
RO1718CTN0C3	2,670	25/Sep/2017	25/Jul/2018	13,267,355.49	276.40	50,581.76	13,317,937.25	0.1347%	0.1354%	Banca Comerciala Romana	Acquisition price cumulated with the related interest since the acquisition date
Total							13,317,937.25	0.1347%	0.1354%		

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
CITI Bank	26/Mar/2018	3/Apr/2018	67,800,000.00	1,883.34	9,416.67	67,809,416.67	0.6861%	0.6892%	
ING BANK	27/Mar/2018	10/Apr/2018	75,500,000.00	2,202.08	8,808.33	75,508,808.33	0.7639%	0.7674%	
Banca Comerciala Romana	27/Mar/2018	10/Apr/2018	75,500,000.00	2,306.95	9,227.78	75,509,227.78	0.7640%	0.7675%	
Unicredit Tiriac Bank	29/Mar/2018	5/Apr/2018	64,700,000.00	1,797.22	3,594.44	64,703,594.44	0.6546%	0.6576%	Bank deposit value cumulated with the daily related interest for the period from starting date
BRD Groupe Societe Generale	30/Mar/2018	2/Apr/2018	8,894,152.85	210.00	210.00	8,894,362.85	0.0900%	0.0904%	
Total						292,425,410.07	2.9586%	2.9721%	

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

	30 December 2016	29 December 2017	30 March 2018
Net Asset	11,427,351,380.47	10,790,418,333.80	9,838,972,632.69
NAV/share	1.1865	1.2375	1.3270

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

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