

Fondul Proprietatea SA

PREPARED IN ACCORDANCE WITH LAW NO 297/2004,
CNVM REGULATION NO 1/2006 AND FSA NORM NO 39/2015

(this is a translation from the official Romanian version)



Contents

Company Information	2
Sole Director's Letter to Shareholders	5
Presentation and Activity of the Fund	14
General Information	14
Buy-back Programmes	21
Analysis of the Portfolio of the Fund	23
Financial Risk Management	38
Key Financial Highlights of the Fund	40
Litigations and Other Contingencies	42
Market for Securities Issued by the Fund	44
Trading of the Fund's Shares	44
Distributions to Shareholders	45
Profit appropriation proposal	46
Corporate Governance of the Fund	47
Overview	47
Corporate Governance of the Fund	47
Financial Statements Analysis	68
Subsequent Events	75

Annexes

Annex 1	Financial Statements for the year ended 31 December 2016, prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union ("IFRS") and applying the Financial Supervisory Authority ("FSA") Norm no. 39/ 2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by FSA – Financial Investments and Instruments Sector.	77
Annex 2	Statement of Assets and Obligations of Fondul Proprietatea as at 31 December 2016, prepared in accordance with CNVM Regulation 4/2010 (Annex no.4)	134
Annex 3	Statement of Persons Responsible	138
Annex 4	Documents for appointment of two members of the Board of Nominees during the year ended 31 December 2016 ...	139
Annex 5	Management Agreement in force as at 31 December 2016	143
Annex 6	The Constitutive Act of Fondul Proprietatea SA in force as at 31 December 2016	171
Annex 7	Major contracts concluded by Fondul Proprietatea during 2016	189
Annex 7.1	Tender Offer Document	189
Annex 8	Compliance with the corporate governance requirements.	212

Company Information

The Company

- Fondul Proprietatea SA (“the Fund” or “Fondul Proprietatea” or “FP”) was incorporated on 28 December 2005 as a joint stock company operating as a closed-end investment company. The Fund is registered with the Bucharest Trade Register under the number J40/21901/2005 and has the sole registration code 18253260.
- The Fund’s Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.
- Between 1 January and 31 March 2016 the Sole Director of the Fund was Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML”/”Investment Manager”). The first mandate was effective since 29 September 2010 for a period of 4 years, and the mandate was renewed for 2 years with effect from 30 September 2014.
- Considering the legal requirements to implement the Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFM Directive”) the shareholders of the Fund approved, on 29 October 2015, the change of the management structure and the termination of the mandate of FTIML as Fund Manager and Sole Director, with the mutual consent of both parties, with effect from 1 April 2016. Subsequent to the termination, the Fund appointed Franklin Templeton International Services S.à r.l. (“FTIS” or “AIFM”) as its Sole Director and AIFM under the AIFM Directive and local implementation regulations, and executed a new Management Agreement (“2015 MA”) in order to comply with the AIFM Directive (FTIS mandate commenced on 1 April 2016). FTIS delegates the role of Investment Manager as well as certain administrative functions to FTIML.
- Since 25 January 2011, the Fund’s shares have been listed on the Bucharest Stock Exchange (“BVB”). Since 29 April 2015, the Fund’s global depository receipts (“GDRs”) have been listed on the Specialist Fund Market 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	31 December 2016	31 December 2015	31 December 2014	Change % YE 2016 vs YE 2015
Total shareholders' equity (RON million)	a	11,386.0	12,053.1	13,347.9	-5.5%
Total NAV (RON million)	b, n	11,427.4	12,087.8	13,236.7	-5.5%
NAV per share (RON)	b, n	1.1865	1.1564	1.2125	+2.6%
NAV per share change in the period (%)	c	+2.6%	-4.6%	-2.5%	
NAV per share total return in the period (%)	c, i	+7.3%	-0.6%	+1.4%	
Share price as at the end of the period (RON)		0.7950	0.8100	0.8960	
Share price low (RON)	d	0.6780	0.7250	0.7590	
Share price high (RON)	d	0.8100	0.9270	0.9535	
Share price change in the period (%)	c	-1.9%	-9.6%	+7.5%	
Share price total return in the period (%)	c, j	+4.9%	-4.1%	+14.5%	
Share price discount to NAV as at the end of the period (%)	f	33.0%	30.0%	26.1%	
Average discount for the period (%)	f	32.1%	28.9%	30.7%	
Total share turnover (RON million)	e, l	1,702.7	2,029.6	3,735.8	-16.1%
Average daily share turnover (RON million)	e, l	6.7	8.1	14.9	-17.3%
GDR price as at the end of the period (USD)		9.4000	9.9000	n.a.	
GDR price low (USD)	g	8.5000	9.4500	n.a.	
GDR price high (USD)	g	10.6500	11.5500	n.a.	
GDR price change in the period (%)	c	-5.1%	-13.5%	n.a.	
GDR price total return in the period (%)	c, k	+1.2%	-8.5%	n.a.	
GDR price discount to NAV as at the end of the period (%)	f	31.8%	29.0%	n.a.	
Average GDR price discount for the period (%)	f	30.0%	29.2%	n.a.	
Total GDR turnover (USD million)	h, m	235.3	266.9	n.a.	-11.8%
Average daily GDR turnover (USD million)	h, m	0.9	1.5	n.a.	-40.0%

Source: FTIML

Net Asset Value (“NAV”) for the year ended 31 December 2016 was computed as at 30 December 2016, the last working day of the month

Notes:

- a. Prepared on the basis of IFRS (including the comparative amounts)
- b. Prepared on the basis of local rules issued by the capital market regulator (for year end 2015 and 2014 the non-portfolio items are calculated based on Romanian Accounting Regulations in force as at the respective date, i.e. Financial Supervisory Authority ("FSA") Regulation no. 4/2011; for year end 2016 the non-portfolio items are calculated based on IFRS)
- c. Compared to the end of the previous period
- d. Source: BVB - REGS market - Closing prices
- e. Source: BVB
- f. Share Price/ GDR Price discount to NAV as at the end of the period (%) is calculated as the discount between FP share closing price on BVB/ FP GDR closing price on LSE on the last trading day of the period and the NAV per share at the end of the period; the average discount is calculated according with the Investment Policy Statement ("IPS"), using the latest published NAV per share at the date of calculation.
- g. Source: LSE - Closing prices
- h. Source: LSE
- i. The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per share at the end of the period plus any cash distribution during the period, dividing the resulting sum by the official NAV per share at the beginning of the period. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS.
- j. The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS.
- k. The GDR Price Total Return is calculated in USD is by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS.
- l. Including the tender offer carried by the Fund in September 2016, with a total value of RON 327.2 million (excluding transaction costs) for the 388.6 million shares acquired on BVB
- m. Including the tender offer carried by the Fund in September 2016, with a total value of USD 39.7 million (excluding transaction costs) for the 186.4 million shares equivalent to the GDRs acquired on LSE
- n. The difference in change (%) between total NAV and NAV per share is 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 December 2016*	31 December 2015	31 December 2014
Issued share capital (RON)	9,168,314,116.70	10,074,080,745.90	11,815,279,886.85
Paid in share capital (RON)	8,859,073,619.20	9,746,649,630.90	11,469,658,154.35
Number of shares in issue	10,786,251,902	11,193,423,051	12,437,136,723
Number of paid shares	10,422,439,552	10,829,610,701	12,073,324,373
Nominal value per share (RON)	0.85	0.90	0.95

*Note: the following changes in the Fund's share capital took place in 2016:

1. On 14 March 2016, the Trade Registry registered Resolution no. 8/ 29 October 2015 of the Fund's Extraordinary General Shareholders Meeting ("EGM") for approving the decrease of the subscribed share capital from RON 10,074,080,745.90 to RON 9,869,265,720.90, pursuant to the cancellation of 227,572,250 own shares acquired by the Fund during the fifth buy-back programme, endorsed by the FSA through the Endorsement no. 74/ 25 February 2016.
2. On 9 June 2016, the Trade Registry registered Resolution no 1/ 27 January 2016 of the Fund's EGM for approving the subscribed share capital decrease from RON 9,869,265,720.90 to RON 9,320,973,180.85 through the reduction of the nominal value of the Fund's shares from RON 0.90 to RON 0.85.
3. On 26 October 2016, the Trade Registry registered Resolution no. 4/26 April 2016 of the Fund's EGM for approving the subscribed share capital decrease from RON 9,320,973,180.85 to RON 9,168,314,116.70, pursuant to the cancellation of 179,598,899 own shares acquired by the Fund during the six buy-back programme, endorsed by the FSA Endorsement no. 264/ 12 October 2016.

Share information	
Primary listing	Bucharest Stock Exchange
Since	25 January 2011
Secondary listing	London Stock Exchange
Since	29 April 2015
Bucharest Stock Exchange symbol	FP
London Stock Exchange symbol	FP.
Bloomberg ticker on BVB	FP RO
Bloomberg ticker on LSE	FP/ LI
Reuters	FP.BX
ISIN	ROFPTAACNOR5
Financial Supervisory Authority register no	PJR09SIIR/400006/18.08.2010
CIVM registration no	AC-4386-3/1.02.2017

Shareholder Structure (as at 31 December 2016)

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights ¹
The Bank of New York Mellon (depository bank for global depository receipts) ²	33.89%	35.07%	37.95%
Foreign institutional shareholders	21.20%	21.94%	23.74%
Romanian private individuals	17.31%	17.91%	19.38%
Romanian institutional shareholders	13.64%	14.12%	15.28%
Foreign private individuals	3.20%	3.32%	3.59%
Ministry of Public Finance ³	0.05%	0.05%	0.06%
Treasury shares ⁴	7.33%	7.59%	-
Unpaid shares ⁵	3.38%	-	-

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

There were 7,146 shareholders as at 31 December 2016.

Largest Shareholders

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

Source: ownership disclosure submitted by shareholders

Contact Details

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

Web: www.fondulproprietatea.ro

E-mail: investor.relations@fondulproprietatea.ro

Telephone: +40 21 200 9600

Fax: +40 21 200 9631/32

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

² Fondul Proprietatea held no global depository receipts as at 31 December 2016

³ The percentage represents the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 3.43%, including the unpaid shares

⁴ 791,145,507 treasury shares acquired by the Fund in the sixth and seventh buy-back programmes, based on settlement date (595,531,257 ordinary shares acquired and 195,614,250 shares corresponding to GDRs acquired, converted into shares)

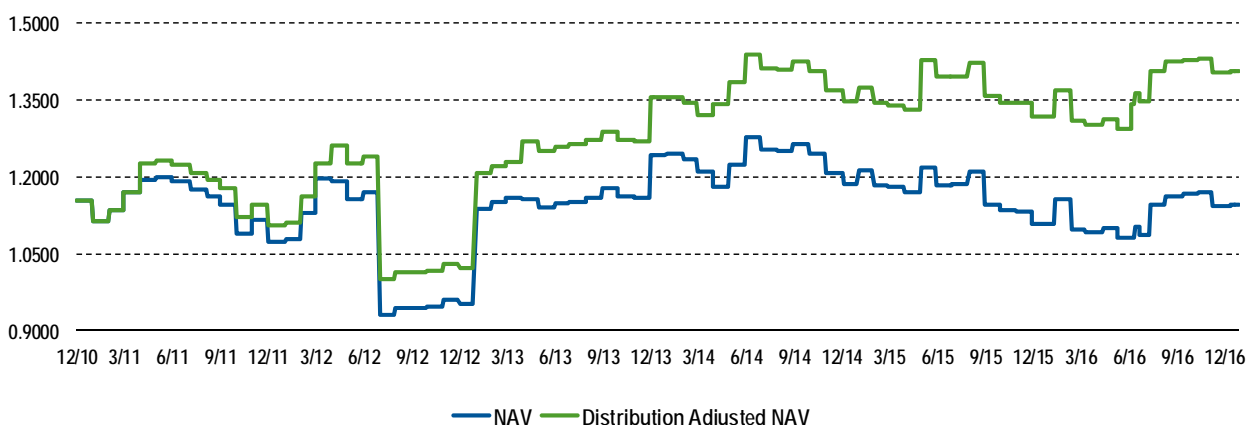
⁵ Shares unpaid by Romanian State represented by Ministry of Public Finance

Sole Director's Letter to Shareholders

Dear Shareholders,

Our focus throughout 2016 has remained unwavering on protecting and creating shareholder value for the Fund's shareholders through our active management approach, close supervision of the portfolio companies, and a constant focus on value-enhancing corporate actions. In 2016, the Fund's NAV per share total return was 7.3% and the Fund's share price cumulative performance was 4.9%. The discount of the Fund's share price to the NAV ranged between a high of 39.5%¹ and a low of 27.4%¹, and ended the year at 33.0%². On the LSE, the total return for the GDR was 1.2% and the discount varied between a high of 39.0%¹ and a low of 25.4%¹, and ended the year at 31.8%². The GDRs traded at an average premium of 3.2% over the local shares for most 2016 after reaching the limit of 1/3 of the Fund's issued share capital which can be converted into GDRs in January 2016.

We are delighted about the positive returns on the NAV and on the share price delivered to shareholders especially during a volatile year, but we are unhappy with the discount level. Reducing the discount to NAV below 15% remains one of our key objectives for 2017 and to that end, we will continue with the actions which are under our control such as share buy-backs and cash distributions. In order for this objective to be achieved, a better visibility on the timeline for the Initial Public Offerings of Hidroelectrica SA, Aeroporturi Bucuresti SA ("Bucharest Airports"), Administratia Porturilor Maritime Constanta SA ("Constanta Ports"), and Societatea Nationala a Sarii SA ("Salrom") will be key.



Source: FTIML, based on NAV reports submitted to FSA

In 2016, the BVB underperformed most of the largest markets in Central Europe, in both local currency and EUR terms, as shown in the table below:

% change in 2016	in local currency	in EUR
BUX (Hungary)	+33.79%	+35.49%
ATX (Austria)	+9.24%	+9.24%
WIG20 (Poland)	+4.77%	+1.23%
BET-XT (Romania)	+0.47%	+0.15%
PX (Czech Republic)	-3.63%	-3.64%

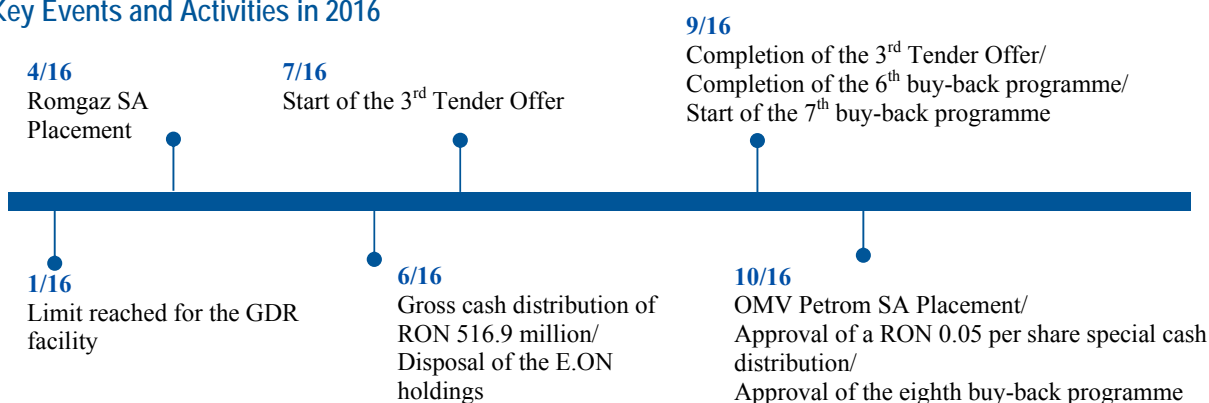
Source: Bloomberg

We provide details on the portfolio management on a monthly basis via Factsheets and also via the Quarterly Results Reports. We encourage you to read the full details given in the section *Analysis of the Portfolio of the Fund*.

¹ Calculated using the latest published NAV per share at the date of calculation

² 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

Key Events and Activities in 2016



Some of the key highlights of 2016 are:

- The GDR facility reaching the limit of 1/3 of the Fund's issued share capital, limit set by the regulations in force, in less than one year since the Fund's listing on the LSE;
- Successful placement of 22.5 million shares held in Romgaz SA (5.8% of the total shares issued by the company and 100% of the Fund's holding in the company), via an accelerated bookbuilding process on the BVB and LSE;
- Disposal of the entire E.ON holdings;
- Gross distribution of RON 516.9 million to shareholders through the reduction of the nominal value of the Fund's shares from RON 0.90 per share to RON 0.85 per share;
- Completion of the third tender offer of 575 million shares (388.6 million in the form of shares and 186.4 million in the form of GDRs), at a purchase price of RON 0.8420 per share and the USD equivalent of RON 42.10 per GDR, executed in order to accelerate the sixth buy-back programme;
- Completion of the sixth buy-back programme for 891.8 million shares. The total value of the programme excluding transaction costs was RON 731.9 million, and the average share price was RON 0.8208 per share;
- Start of the seventh buy-back programme for 366.5 million shares¹, equivalent to 3.40% of the Fund's issued share capital as at 31 December 2016;
- Update of the Annual Cash Distribution Policy to distribute at least RON 0.05 per share, on an annual basis, in the absence of exceptional market conditions or circumstances, subject to any restrictions under Romanian legal or tax regulations and subject to available funding;
- Partial sale of 3.6 billion shares in OMV Petrom SA via a secondary public offering executed on the BVB (3.3 billion ordinary shares) and LSE through GDR listing (373.8 million shares in the form of GDRs). The value of the transaction was RON 682.3 million and USD 19.2 million, and represented 6.4% of the company's share capital. The Fund reduced its stake from 18.99% to 12.57%, significantly increasing the company's free float from 9.4% to 15.8%.
- Continued efforts to promote the Fund and raise its visibility, as well as the visibility of the Romanian capital market, the local companies (listed or candidates for IPOs), and of Romania in general, in the key financial centres in the United States of America, Europe, and the Middle East;
- Record high participation from foreign institutional investors and analysts at the Romania Investor Days in London and New York, and Fondul Proprietatea Analyst and Investor Days in Bucharest;
- Key shareholders' approvals:
 - The return of capital of RON 0.05 per share to shareholders, as proposed by the Sole Director;
 - Continuation of the mandate of FTIS as Fund Manager and Sole Director of Fondul Proprietatea;

¹ The limit of the buy-back programme is adjusted to maximum 10% of the issued share capital at the relevant time; for further details please see Subsequent Events section

- Approval of the eighth buy-back programme to repurchase a maximum number of 10% of the issued share capital at the relevant time, starting with the date when the share capital decrease regarding the cancellation of the shares repurchased within the sixth buy-back programme is effective;
- The approval of a special cash distribution of RON 0.05 per share, in addition to the annual cash distribution, payable to the Fund's shareholders starting 27 March 2017.

Profit appropriation proposal

As per statutory financial statements prepared in accordance with the IFRS, the Fund recorded a net profit for the financial year ended 31 December 2016 of RON 446,969,856. The proposal for the appropriation of the net accounting profit for 2016 financial year in amount of RON 446,969,856 is as follows:

- RON 22,348,493 to legal reserve
- RON 424,621,363 will remain available to the Fund, the proposal being subject for GSM approval in accordance with the legislation in force.

The proposal is motivated by the fact that during 2017 there will be two returns of capital, one in March and one in June, of RON 0.05 per share each.

This proposal is subject to shareholders approval during the Annual Shareholders Meeting to be held on 25 April 2017.

Six Year Anniversary of Listing on the Bucharest Stock Exchange

Six years after the listing on the BVB on 25 January 2011, the Fund continues to be one of the most actively traded companies:

- 2.2 billion shares were traded on the BVB last year, equivalent to 21.0% of the Fund's paid share capital as at 31 December 2016;
- The value of trading in Fondul Proprietatea shares exceeded RON 1.7 billion (EUR 374.7 million) in 2016. The total trading value since the listing exceeds RON 19.9 billion (EUR 4.5 billion);
- In the sixth year since its listing, the Fund continued to be among the most liquid stocks on the BVB, with an average daily trading volume of 8.6 million shares, i.e. 18.4% of the total daily equities turnover on the BVB.

Listing on the London Stock Exchange

On 29 April 2015 the Fund was listed on the Specialist Fund Market of the LSE, through Global Depositary Receipts. During the second year of trading on LSE:

- The GDR facility limit of 1/3 of the issued share capital of the Fund was reached in January 2016, less than one year since the Fund started trading on LSE;
- 24.3 million GDRs were traded during the year, representing 12.4% of the Fund's paid-in share capital as at 31 December 2016. The total value of the GDR trading was USD 235.3 million/ RON 1,012.5 million.
- As at 31 December 2016, Fondul Proprietatea was the fifth largest closed-end fund listed on LSE, based on its NAV.

Performance Objectives

Second reporting period

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

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

NAV Objective

As at 30 June 2016, the adjusted NAV per share was 0.93% higher than the 30 June 2015 NAV per share of RON 1.1851.

NAV Objective	Amount RON	Details
Total NAV as at 30 June 2016	11,804,505,872	
Costs related to the 2015 and 2016 returns of capital after 30 June 2015 , until 30 June 2016	18,718	Fees charged by Central Depositary and Paying Agent for the payments performed after 30 June 2015 (for the 2015 and 2016 returns of capital)
Costs related to buy-backs after 30 June 2015 , until 30 June 2016	316,965	Fees related to fifth buy-back programme after 30 June 2015 and sixth buy-back programme up to 30 June 2016
Distribution fees after 30 June 2015, until 30 June 2016	14,800,023	Distribution fees for distributions to shareholders (including buy-backs and 2016 return of capital) after 30 June 2015, until 30 June 2016
2016 Return of capital to shareholders	516,886,344	2016 Return of capital
Total Adjusted NAV as at 30 June 2016	12,336,527,922	
Number of Fund's paid shares, less treasury shares and GDRs held as at 30 June 2016	10,313,668,344	
Adjusted NAV per share as at 30 June 2016	1.1961	
NAV per share as at 30 June 2015	1.1851	
Difference	0.0110	
%	0.93%	

Source: FTIML

Discount Objective

In the reporting period between 1 July 2015 and 30 June 2016, the discount to NAV was greater than 15%, for both shares and GDRs.

Discount Evolution¹

Discount at 30 June 2016	Minimum discount in the reporting period	Maximum discount in the reporting period	Average discount for the reporting period
33.1%	25.9%	40.1%	31.8%

Source: FTIML

The main obstacles in our efforts to further reduce the Fund's discount to NAV were:

- The significant depreciation of oil prices, which led to a significant decrease in the share price of OMV Petrom SA and Romgaz SA;
- Increased volatility in the emerging and frontier market;
- The delays in the IPOs of the state owned companies in the Fund's portfolio;
- Prolonged insolvency of Hidroelectrica SA;
- Failed negotiations with Electrica SA until 31 March 2016, the deadline set by Electrica's shareholders.

A detailed report of the AIFM regarding the performance in the second reporting period is available on the Fund's website, on the GSM Documentation page, 31 October 2016 General Shareholders Meeting ("GSM") materials, in the section *Investor Relations – GSM Information*.

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

Third reporting period

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

NAV Objective – interim monitoring

As at 30 December 2016, the adjusted NAV per share was 4.94% higher than the 30 June 2015 NAV per share of RON 1.1851.

NAV Objective	Amount RON	Details
Total NAV as at 30 December 2016	11,427,351,380	
Costs related to the 2015 and 2016 returns of capital after 30 June 2015 , until 30 December 2016	23,628	Fees charged by the Central Depositary and Paying Agent for the payments performed after 30 June 2015 (for the 2015 and 2016 returns of capital)
Costs related to buy-backs after 30 June 2015 , until 30 December 2016	7,358,969	Fees related to fifth buy-back programme after 30 June 2015 and sixth and seventh buy-back programmes, including the FSA fees of 1% of the tender offer value
Distribution fees after 30 June 2015, until 30 December 2016	26,194,086	Distribution fees for distributions to shareholders (including 2016 return of capital) after 30 June 2015
2016 Return of capital to shareholders	516,886,344	2016 Return of capital
Total Adjusted NAV as at 30 December 2016	11,977,814,407	
Number of Fund's paid shares, less treasury shares and GDRs held as at 30 December 2016	9,630,931,675	
Adjusted NAV per share as at 30 December 2016	1.2436	
NAV per share as at 30 June 2015	1.1851	
Difference	0.0585	
%	4.94%	

Source: FTIML

Discount Objective – interim monitoring

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

Discount Evolution²

Discount at 30 December 2016	Minimum discount in the interim monitoring period	Maximum discount in the interim monitoring period	Average discount for the interim monitoring period
30.5%	29.9%	34.1%	31.5%

Source: FTIML

Note: the NAV for year ended at 31 December 2016 was calculated for the last working day of the month, 30 December 2016

The AIFM and the Investment Manager will continue its efforts to reduce the discount to NAV as we firmly believe that the Fund's shares should be trading at a significantly lower discount than the current levels, given the quality of the underlying portfolio assets, our track record in working with the portfolio companies to improve efficiency and profitability, the attractive cash distribution yield of over 12% for 2017 considering also the proposed special cash distribution of RON 0.05 per share to be paid in March 2017, the ongoing buy-back programmes and our transparency, disclosure, and proactive investor relations efforts.

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

² 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 2016, 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 19 regional emerging and frontier market conferences in Vienna, London, New York, Singapore, Warsaw, Paris, Budapest, Zurs, Zagreb, Stegersbach, and Prague and met with over 205 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 its main portfolio holdings, as well as on the Romanian macro-economic environment.

During this period, we also organised 15 road-shows in the most important financial centres in Europe (London, Copenhagen, Stockholm, Tallinn, and Frankfurt), the United States (New York, Boston, Miami and Chicago), Asia (Singapore), and South Africa (Cape Town). During the road-shows, the Investment Manager participated in individual and group meetings with representatives of over 75 international institutional investment firms, both current shareholders and potential investors.

Between 29 February and 1 March we organised, in collaboration with WOOD & Company, the third edition of the "Romania Investor Days in London" event. 113 representatives from 64 international investments firm, with assets under management of over EUR 4,500 billion, and 40 representatives from 22 Romanian companies (listed or candidates for IPOs) participated in the event. The first part of the first day of the event featured presentations and speeches from the Romanian Chargé d'Affaires to the United Kingdom, the Presidential Adviser and Head of the Presidential Chancellery, the State Secretary and Chief of Staff of the Romanian Government, the Minister of Finance, the State Secretary of the Ministry of Economy, the Secretary of State of the Ministry of Energy, a board member of the National Bank of Romanian, the Director of the Strategy and Financial Stability Division of the Romanian FSA, the Co-President of Franklin Templeton Investments, the Head of UK Large Caps – Primary Markets of the London Stock Exchange, and the management of Fondul Proprietatea. During the second part of the day, and the second day, over 360 meetings were held between the investors and the management teams of the corporations present at the event.

On 18 April, we organised the third edition of the "Romania Investor Day in New York" conference, in partnership with BVB, Swiss Capital and Auerbach Grayson. 41 investment professionals representing 29 international institutional investment firms with assets under management of over USD 3,500 billion, participated in the event. 36 representatives from 15 Romanian companies listed on the BVB or candidates for IPOs, participated in the conference and in the 127 group and 1on1 meetings organised during the event.

In addition to the individual and group meetings between investors and issuers, the conference featured a plenary session with presentations and speeches from the State Secretary and Chief of Staff of the Romanian Government, the Minister of Finance, and the State Secretary in the Ministry of Energy, as well as a message from the Ambassador of Romania to the United States of America.

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

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

As part of our communication strategy to update the institutional investors and analysts covering Fondul Proprietatea on the Fund's results, the latest events involving the Fund and its portfolio companies, and the planned corporate actions, we organised the 2015 preliminary results, 2016 first quarter, 2016 first half, and 2016 third quarter results conference calls, where, on average, 50 investors and analysts participated.

Furthermore, during the year, we organised 64 individual meetings with analysts, brokers, current and prospective investors, as well as 60 conference calls with institutional investors interested in the latest developments regarding the Fund's corporate actions, and its portfolio companies.

Finally, we have also been invited to speak at 7 other events, where we presented to over 180 participating professionals, journalists, and other stakeholders, the Fund, its equity story and the main actions we took during our tenure, in order to protect and increase the value of the portfolio companies.

During the period, in our efforts to update the retail investors on the latest developments regarding the Fund, we have sent three letters to the Fund's shareholders, in February, June, and October.

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.

Corporate Governance

Following the self-assessment conducted, the AIFM informs the shareholders and investors that the Fund is fully compliant with the provisions of the new Corporate Governance Code of BVB, applicable starting 4 January 2016 and with the FSA Regulation no. 2/2016 on the application of the principles of corporate governance by the entities authorised, regulated and supervised by the FSA.

GDR Facility Update

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations or 73,105,672 GDRs until 26 October 2016 and 71,908,346 GDRs after that date, each GDR representing 50 shares. As at 31 December 2016, 33.89% of the Fund's issued shares were converted into GDRs, accounting for 37.95% of the voting rights.

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

For further updates regarding the limit of the GDR facility, please see the section *Subsequent Events*.

Buy-back Programmes

Overview of share buy-backs during the year ended 31 December 2016

During 2016 the Fund has finalised the cancellation process for the shares acquired during the fifth buy-back programme, completed the sixth buy-back programme and initiated the cancellation process for the respective shares, and started the implementation of the seven buy-back programme. Also, during 11 October 2016 General Shareholders Meeting ("GSM") the shareholders approved the eighth buy-back programme.

All the buy-back programmes carried out by the Fund are aimed at share capital decrease, in accordance with the shareholders' approvals. During 2016, the Fund bought back a total number of 821,457,152 own shares within the sixth and seventh buy-back programmes (out of which 625,092,902 ordinary shares and 196,364,250 ordinary shares corresponding to GDRs), representing 7.3% of the total issued shares as at 31 December 2016, for a total acquisition value, excluding transaction costs, of RON 673,903,006.

The shares acquired within the fifth buy-back programme were cancelled in March 2016.

In 2016 the Fund converted into ordinary shares a total number of 4,698,779 GDRs acquired within the sixth buy-back programme, during 2015 and 2016 (equivalent of 234,938,950 ordinary shares).

The total number of own shares held by the Fund as at 31 December 2016 is 791,507,877, having a total nominal value of RON 672,781,695.45 (RON 0.85 per share), which will be cancelled.

The share capital decrease through the return of capital to shareholders

The return of capital to shareholders in June 2016

During the 27 January 2016 GSM, the Fund's shareholders approved the return to shareholders of RON 0.05 per share, following the share capital decrease through the reduction of the nominal value of the shares of the Fund from RON 0.90 to RON 0.85.

The shareholders registered with Central Depository on 6 June 2016 have the right to receive RON 0.05 per share, proportionally with their participation in the paid in share capital of the Fund. The payment of the capital return started on 27 June 2016 (the Payment Date).

As an important notice to shareholders, the payment of the amounts due to the Fund's shareholders related to the return of capital approved in 2016 is subject to the general statute of limitation. As such, the shareholders may request these payments only within a three year term with effect from the Payment Date, namely until 27 June 2019.

By 31 December 2016, shareholders had collected almost 99% of the total distribution of RON 516.9 million.

The extraordinary share capital decrease involving the return of capital to shareholders and accounting loss coverage, approved during 31 October 2016 GSM

During the 31 October 2016 GSM, the Fund's shareholders approved the share capital decrease for covering the accounting loss and for the return to shareholders of RON 0.05 per share, following the reduction of the nominal value of the Fund shares from RON 0.85 to RON 0.57. The shareholders resolution was published in the Official Gazette of Romania on 16 November 2016.

The share capital decrease process is ongoing as at the date of this report, next steps being: the FSA endorsement of the new Constitutive Act reflecting the share capital decrease and the registration with Trade Registry of the subscribed share capital decrease. The Fund will publish a current report to announce when the share capital decrease is effective.

The shareholders registered with Central Depository on 7 March 2017 have the right to receive RON 0.05 per share, proportionally with their participation in the paid in share capital of the Fund. The payment of the capital return would start on 27 March 2017 (the Payment Date).

With effect from 2015, for the distribution to shareholders, the payments are performed through Central Depository. The approval process is still ongoing and details regarding the payments will be announced by the Investment Manager during February 2017.

Outlook for 2017

Romania has been one of the best performing economies in the European Union in 2016. The estimate for GDP growth is an overall increase of 4.7% driven primarily by domestic consumption. For 2017, GDP is expected to grow by 3.5% and from a regional perspective, this growth pace is robust. Further fiscal stimuli such as reducing the VAT from 20% to 19%, elimination of a number of taxes, and increases of the minimum wage and public sector salaries should maintain domestic demand as one of the most important drivers of GDP growth.

The macroeconomic fundamentals continue to be positive – in 2016 the public debt was less than 40% of the GDP, and although higher than in 2015, the budget deficit has been kept under control, below the 3% threshold. Unemployment continued to shrink to 6.8% as of the end of 2016. The high GDP growth rate, along with the strong fundamentals and the positive perspectives should result in further improvement of the foreign direct investment flows.

It is also important for the fight against corruption to continue, as it should lead to governance improvement and increased efficiency of state institutions, which are the backbone to economic activity.

Sectors where we see growth potential are energy, transport, IT, banking, constructions, agriculture and healthcare. The IT and agriculture, for example, have an increasing share in the GDP: the IT industry accounts for around 6%, but, in our view, it has the potential to reach at least 10% of GDP in the coming years due to the strong networking infrastructure, low costs and skilled workforce. Also, the agriculture sector's huge potential is still waiting to be unlocked, with the most important opportunity for large players in this sector remaining the absorption of EU funds.

IPOs represent the key driver in developing the local capital market. New companies on the stock exchange would not only boost the liquidity and attract new investors, but would also ensure a higher exposure of the pension funds to the local capital markets (their maximum exposure limit in equities is up to 35% vs. current equity exposure of around 20%), as well as continued growth of mutual funds sector. The new IPOs will contribute decisively to the upgrade of the local capital market to emerging market status from the current frontier one.

Maximising Shareholder Value in 2016

As we look to generate further value for the Fund's shareholders and not only meet, but exceed the performance objectives included in the Investment Policy Statement (discount of 15% or less for at least two thirds of the trading days between 1 July 2016 – 30 June 2017 and a higher adjusted NAV per share than the NAV per share reported as at 30 June 2015 of RON 1.1851), we will continue to actively manage the Fund, work closely with the new Government to ensure the successful implementation of the corporate governance code, and progress in the listing of the largest companies in the Fund's portfolio which are prepared for an Initial Public Offering: Hidroelectrica SA, Bucharest Airports, Salrom, and Constanta Ports.

Economic growth and further efficiency gains should continue to enhance the profitability of these assets and contribute to a higher dividend income for the Fund. Furthermore, value-enhancing corporate actions, such as share buy-backs and cash distributions to shareholders, and continued promotion of the Fund and of the Romanian capital market, should allow the Fund's NAV to be better reflected in the share price.

We are confident that our active, bottom-up investment process will allow us to continue delivering the best long-term results for our shareholders and we look forward to the opportunities ahead for Fondul Proprietatea.

General Shareholders Meeting

Last but not least, we would like to take this opportunity to invite shareholders to attend the Annual General Shareholders Meeting to be held in Bucharest on 25 April 2017, starting with 09.00 a.m., at "JW Marriott" Hotel, "Salon CD" Room, 90 Calea 13 Septembrie Street, 5th District, Postal Code 050726, Bucharest, Romania, where you will have the opportunity to receive the latest updates about the Fund.



Grzegorz Maciej Konieczny

Permanent Representative of FTIS in relation to Fondul Proprietatea SA

Co-CEO of FTIML

Director of Specialty Strategies for the Templeton Emerging Markets Group



Dr. Mark Mobius

Executive Chairman

Templeton Emerging Markets Group

Presentation and Activity of the Fund

General Information

Main activities of Fondul Proprietatea

Fondul Proprietatea is a Romanian legal entity, incorporated as a joint stock closed-end investment company. The Fund is registered with the FSA in the category “Other Organisations for Collective Investments – AOPC” and has been listed on the regulated market of BVB since 25 January 2011 and on the Specialist Fund Market of the LSE since 29 April 2015.

The main activities of the Fund according to the National Statistics Classification of Economic Activities in Romania (“CAEN”) and the Fund’s own Constitutive Act are the business of operating mutual funds and other similar financial entities (CAEN reference 643) and the main activity is financial investments (CAEN reference 6430).

Considering the legal requirements to implement the AIFM Directive the shareholders of the Fund approved, on 29 October 2015, the change of the management structure and the termination of FTIML mandate as Fund Manager and Sole Director, with the mutual consent of both parties, starting with 1 April 2016. Subsequent to the termination, the Fund appointed Franklin Templeton International Services S.à r.l as its Sole Director and AIFM under AIFM Directive and local implementation regulations, and executed a new Management Agreement in order to reach AIFM Directive compliance (FTIS mandate commenced on 1 April 2016). As part of the new management structure, FTIS delegated the role of Investment Manager and certain administrative functions to FTIML.

Incorporation of the Fund

The Fund was incorporated by the Romanian state in 2005 as a joint stock company with the initial purpose of providing compensation to individuals whose real property assets were illegally confiscated by the Romanian State during the Communist regime, and which could no longer be returned in kind to those individuals.

The Fund’s original Constitutive Act was enacted by Government Decision no. 1481/2005 regarding the incorporation of Fondul Proprietatea SA, which established that the Fund would be an undertaking for collective investments organised as a closed-end investment company. However, the Fund was officially registered by CNVM (currently FSA) as a closed-end investment company only in 2010 (by CNVM Decision no. 34/18 August 2010).

The initial sole shareholder of the Fund was the Romanian state. Since the Fund’s launch, the shares have been awarded by the National Authority for Property Restitution to individuals legally entitled to receive compensation from the Romanian state and who chose to convert their compensation entitlements into shares issued by the Fund.

As a result of the compensation and conversion process, the Romanian state’s participation in the share capital of the Fund has decreased to 369,470,398 shares as at 31 December 2016, out of which 5,658,048 paid shares. However, the Romanian state’s participation in the share capital of the Fund increased during 2016 with 969,581 paid shares as a result of a correction made by Depozitarul Central SA (the correction refers to a double registration in shareholders’ register of one compensation title issued by National Authority for Restitution Property in December 2010).

Starting 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 entered into force confirming that the Romanian state will no longer use the compensation scheme for Fondul Proprietatea shares in future.

Investment policy and investment restrictions

The Fund’s investment objective as set out in the IPS is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.

The Fund’s IPS is drafted by the AIFM with the observance of the investment limits set forth in the applicable laws and regulations and in the Constitutive Act. According to the current IPS, the AIFM shall, in the absence of investment opportunities offering better returns for shareholders, use all or a significant part of the proceeds from dividends and disposal of portfolio companies to implement measures aimed at maximising cash returns to the Fund’s shareholders and fulfilling the Fund’s performance objectives.

According to the current Romanian legislation, the Fund may only invest in the following assets:

- (i) EU listed transferable securities and money market instruments;
- (ii) Non-EU listed transferable securities and money market instruments, subject to supervisory endorsement;
- (iii) Newly issued securities, in certain conditions;
- (iv) Units in undertakings for collective investment in transferable securities and/ or in other undertakings for collective investment, under certain conditions;
- (v) Deposits with credit institutions, reimbursable upon request, with a maturity of maximum 12 months, in certain conditions;
- (vi) Financial derivatives, in certain conditions; and
- (vii) Other non-listed money market instruments, under certain conditions.

The investments made by the Fund are subject to the following limits:

- a) the Fund may hold maximum 20% of its assets in unlisted transferable securities and money market instruments (except for government securities and bonds issued by the Romanian Ministry of Public Finance and for unlisted securities received by the Fund from the Romanian State at incorporation);
- b) the Fund cannot invest more than 10% of its assets in securities or money market instruments issued by the same issuer (except for government bonds and for securities received by the Fund at incorporation);
- c) the Fund cannot invest more than 10% of its assets in financial instruments issued by entities part of the same group;
- d) the Fund generally cannot invest more than 10% of its assets in units issued by collective investment undertakings;
- e) the current accounts and cash held by the Fund cannot exceed 20% of its assets (the threshold can be exceeded in certain circumstances);
- f) the amount of bank deposits with the same credit institution cannot represent more than 10% of the Fund's assets;
- g) exposure to the counterparty risk in one over-the-counter derivative transaction cannot exceed 10% of the Fund's assets, while the global exposure through derivatives cannot exceed 15% of the total allocation of net assets.

The Fund will inform investors of breaches to the investment policy by publishing current reports.

The investment policy of the Fund is established by the AIFM, with the observance of the investment limits provided by the legal provisions in force and of the Constitutive Act.

The AIFM provides for analysis to the Fund's Board of Nominees the strategy in accordance with the investment policy before it is submitted for GSM approval. The Board of Nominees' opinion on the proposed strategy is presented to the AIFM and to the GSM.

The Investment Policy Statement sets the prudential rules concerning the investment policy of the Fund and presents the investment goals, objectives and the decision-making process for selecting investments in accordance with the investment objectives.

Employees of the Fund

As at 31 December 2016 the Fund had no employees. Given that the Fund is administrated by the AIFM, it is not expected that the Fund will have any employees in the future.

Branches

During 2016 the Fund had no branches.

Subsidiaries

During 2016, the Fund controlled the following companies, which under Romanian applicable laws qualify as subsidiaries of the Fund, all of which are incorporated and operate in Romania. In the Sole Director's opinion, none of these subsidiaries qualifies as a significant subsidiary.

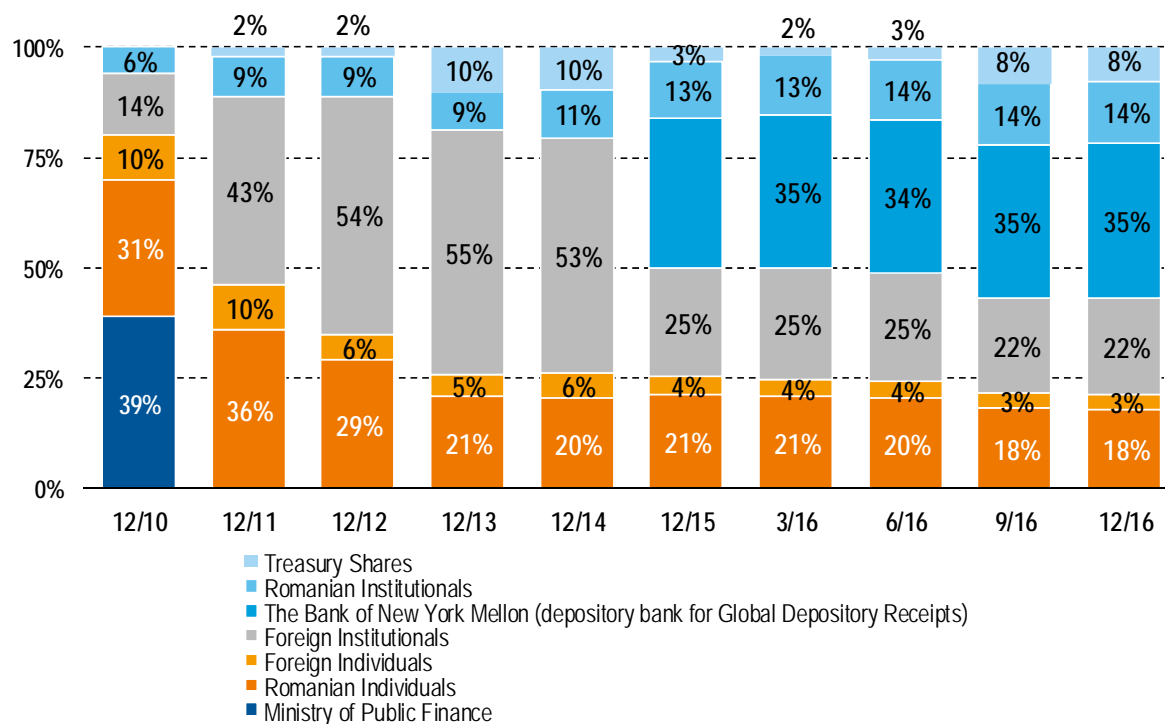
<u>Name</u>	<u>Ownership interest</u>
Alcom SA	72%
Comsig SA	70%
Primcom SA	75%
Zirom SA	100%

Corporate Reorganisation of the Fund and its Subsidiaries

There was no corporate reorganisation of the Fund or its subsidiaries in 2016.

Changes affecting the share capital of the Fund

The evolution of the shareholder structure during the last six years is illustrated by the following chart:



Share cancellation

During 2016, two cancellations of shares have been registered, following the implementation of the fifth and sixth buy-back programmes and another cancellation has been approved by shareholders:

- *Share cancellation after the fifth buy-back programme*

The FSA endorsed through Endorsement no. 74/ 25 February 2016, the decrease of the subscribed share capital, following the cancellation of 227,572,250 shares repurchased by the Fund during the fifth buy-back programme in 2015. Therefore, with effect from 14 March 2016, the Trade Registry registered Resolution no. 8/ 29 October 2015 of the Fund's EGM and the new value of the Fund's subscribed share capital was RON 9,869,265,720.90, being divided into 10,965,850,801 shares. The value of the paid in share capital was RON 9,541,834,605.90, being divided into 10,602,038,451 shares.

- *Share cancellation after the sixth buy-back programme:*

On 26 October 2016 the Trade Registry registered Resolution no. 4/ 27 April 2016 of the Fund's EGM for approving the decrease of the subscribed share capital from RON 9,320,973,180.85 to RON 9,168,314,116.70, pursuant to the cancellation of 179,598,899 own shares acquired by the Fund during the six buy-back programme, endorsed by the FSA Endorsement no. 264/ 12 October 2016. Therefore, starting with 26 October 2016, the new value of the Fund's subscribed share capital was RON 9,168,314,116.70, being divided into 10,786,251,902 shares with a nominal value of RON 0.85 per share. The value of the paid in share capital was RON 8,859,073,619.20, being divided into 10,422,439,552 shares.

On 11 October 2016 the shareholders approved the cancellation of the remaining 712,171,156 shares repurchased by the Fund during the sixth buy-back programme. The shareholders resolution was published in the Official Gazette of Romania on 21 October 2016. The share capital decrease will be effective after the FSA endorsement of the changes to the Constitutive Act of the Fund and after its registration with the Trade Register.

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

Distribution to shareholders

The return of capital to shareholders in June 2016

During the 27 January 2016 GSM, the Fund's shareholders approved the return to shareholders of RON 0.05 per share, following the share capital decrease through the reduction of the nominal value of the shares of the Fund from RON 0.90 to RON 0.85. The decrease was motivated by the optimisation of the share capital of Fondul Proprietatea, involving the return to the shareholders of a part of their contributions, proportionally with their participation in the paid in share capital of the Fund. The shareholders resolution was published in the Official Gazette of Romania on 22 February 2016.

The FSA Endorsement no. 141/ 25 May 2016 of the new Constitutive Act reflecting the share capital decrease was received on 26 May 2016. On 9 June 2016, the Trade Registry registered Resolution no. 1/ 27 January 2016 of the Fund's EGM for approving the subscribed share capital decrease through the reduction of the nominal value of the Fund's shares from RON 0.90 to RON 0.85.

Therefore, with effect from 9 June 2016, the new value of the Fund's subscribed share capital was RON 9,320,973,180.85, being divided into 10,965,850,801 shares with a nominal value of RON 0.85 per share. The value of the paid in share capital of the Fund was RON 9,011,732,683.35 RON, being divided into 10,602,038,451 shares with a nominal value of RON 0.85 per share.

The shareholders registered with Central Depository on 6 June 2016 have the right to receive RON 0.05 per share, proportionally with their participation in the paid in share capital of the Fund. The payment of the capital return started on 27 June 2016 (the Payment Date).

Starting 2015, for the distribution to shareholders, the payments are performed through Central Depository, as follows:

- a) for shareholders having a custodian/ brokerage account, directly by the respective custodian bank or broker;
- b) for all other shareholders:
 - (i) by the Central Depository, through the Paying Agent, for bank transfers, when the supporting documentation required by the Central Depository, along with a payment request, have been submitted. The Paying Agent appointed by the Fund 2016 distribution is BRD Groupe Société Générale.
 - (ii) by the Paying Agent at any of its agencies for the cash payments or by bank transfer (when the supporting documentation required by the Paying Agent, along with a payment request, have been submitted to the Paying Agent).

Based on our current understanding of the Romanian tax law, no Romanian withholding tax applies on the return of capital distribution approved and paid in 2016. Due to the uncertainty of the Romanian tax law, we cannot guarantee that the tax treatment will not change in the future.

As an important notice to shareholders, the payment of the amounts due to the Fund's shareholders related to the return of capital approved in 2016 is subject to the general statute of limitation. As such, the shareholders may request these payments only within a three year term with effect from the Payment Date, namely until 27 June 2019.

By 31 December 2016, shareholders had collected almost 99% of the total distribution of RON 516.9 million.

The extraordinary share capital decrease involving the return of capital to shareholders and accounting loss coverage, approved during 31 October 2016 GSM

During the 31 October 2016 GSM, the Fund's shareholders approved the share capital decrease for covering the accounting loss and for the return to shareholders of RON 0.05 per share, following the reduction of the nominal value of the Fund shares from RON 0.85 to RON 0.57. The shareholders resolution was published in the Official Gazette of Romania on 16 November 2016.

The share capital decrease process is ongoing as at the date of this report, next steps being: the FSA endorsement of the new Constitutive Act reflecting the share capital decrease and the registration with Trade Registry of the subscribed share capital decrease. The Fund will publish a current report to announce when the share capital decrease is effective.

The shareholders registered with Central Depository on 7 March 2017 have the right to receive RON 0.05 per share, proportionally with their participation in the paid in share capital of the Fund. The payment of the capital return would start on 27 March 2017 (the Payment Date).

With effect from 2015, for the distribution to shareholders, the payments are performed through Central Depository. The approval process is still ongoing and details regarding the payments will be announced by the Investment Manager during February 2017.

Governing Legislation

The Fund operates in accordance with the provisions of the following main laws and regulations:

- Law no. 31/1990 regarding companies, with subsequent amendments (“Companies’ Law”);
- Law no. 82/1991 Accounting Law (“Law 82/1991”);
- Law no. 297/2004 regarding the capital market, with subsequent amendments (“Law 297/2004”);
- CNVM Regulation no. 15/2004 regarding the authorisation and operation of the investment management companies, of the undertakings for collective investments and of the depositaries;
- Government Decision no. 1481/2005 regarding the incorporation of Fondul Proprietatea SA;
- Law no. 247/2005 regarding the reforms in the sectors of justice and property as well as certain related measures, with subsequent amendments (“Law no. 247/2005”);
- CNVM Regulation no. 1/2006 regarding issuers and securities trading;
- Government Emergency Ordinance no. 81/2007 for the acceleration of the compensation procedure related to the real estate abusively confiscated, with subsequent amendments;
- CNVM Regulation no. 6/2009 on the exercise of certain rights of the shareholders in the general shareholders meetings of companies;
- CNVM Regulation no. 4/2010 regarding the registration with the CNVM and operation of Fondul Proprietatea SA, as well as trading of shares issued, with subsequent amendments (“Regulation 4/2010”);
- Commission Delegated Regulation (EU) no. 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (“Regulation (EU) 231/2013”);
- 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”);
- Law no. 74/2015 on alternative investment fund managers (“Law 74/2015”);
- FSA Regulation no. 10/ 2015 regarding the alternative investment funds management (“Regulation 10/2015”);
- FSA Norm no. 39/ 2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by FSA – Financial Investments and Instruments Sector (“FSA Norm 39/2015”);
- FSA Regulation no. 2/2016 on the application of the principles of corporate governance by the entities authorised, regulated and supervised by the FSA (“Regulation 2/2016”).

Changes in Accounting Regulations in 2016

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

Changes of the Management Agreements

During 2016 there were two management agreements in force:

- The Investment Management Agreement concluded in 2014 between the Fund and FTIML as Sole Director and Fund Manager (“2014 IMA”) - in force between 1 January and 31 March 2016, that has been amended several times, including in 2016, as follows:
 - Addendum no. 1/ 2014 reflecting the changes proposed by FSA. Addendum no. 1 entered into force on 30 September 2014, in the same time with 2014 IMA;
 - Addendum no. 2/ 2014 referring to the distribution fees payable by the Fund to FTIML in relation to the non-dividend distributions to shareholders. Addendum no. 2 entered into force on 20 March 2015;
 - Addendum no. 3/ 2014 implementing FSA’s recommendations issued on 20 March 2015 for the 2014 IMA. Addendum no. 3 entered into force on 29 October 2015;
 - Addendum no. 4/ 2014 related to the calculation of the distribution fee. Addendum no. 4 was applicable for period between 7 January and 31 March 2016;
 - Addendum no. 5/ 2014 for termination of the 2014 IMA; and
 - Addendum no. 6/ 2014 implementing FSA’s recommendations issued on 6 January 2016 for the 2014 IMA. Addendum no. 6 was applicable for the period between 7 January and 31 March 2016.
- The Management Agreement concluded between the Fund and FTIS as AIFM on 2 November 2015, entering into force on 1 April 2016.

Change of the Management of Fondul Proprietatea with Effect from 1 April 2016

The implementation process of AIFM Directive for the management of Fondul Proprietatea was completed by 1 April 2016. All the necessary actions (shareholders’ and Board of Nominees approvals, regulatory approvals and notifications, registrations with Romanian Trade Register) were implemented and with effect from 1 April 2016 FTIS is the Sole Director and AIFM of Fondul Proprietatea.

FTIS decided to delegate certain portfolio management and administrative activities to FTIML. The delegation expressly excludes the delegation of the risk management activities of the Fund, which shall remain the sole prerogative of FTIS.

There have not been any material changes in the Fund’s management team following the implementation of the AIFM Directive.

The Implementation of AIFM Directive

The Law 74/2015 implementing AIFM Directive was published in the Official Gazette of Romania on 23 April 2015. Following the entry into force of the Law 74/2015 on 24 May 2015, the FSA approved Regulation 10/ 2015 regarding the alternative investment funds management (“Regulation 10/ 2015”) on 22 July 2015, which was published in the Official Gazette of Romania on 28 July 2015. According to the FSA Regulation 10/2015, the Fund is qualified as an Alternative Investment Fund under the Romanian law implementing the AIFM Directive and had to comply with the provisions of the law implementing AIFM Directive and Regulation 10/2015 before 24 May 2016.

During the 29 October 2015 GSM, the Fund’s shareholders approved the AIFM Directive implementation plan for the Fund as follows:

- Termination by mutual consent of the parties of FTIML’s mandate beginning with 1 April 2016 (last day of mandate was 31 March 2016);
- The appointment of FTIS as Sole Director and Alternative Investment Fund Manager under AIFM Directive and local implementation regulations, and the execution of 2015 MA, in order to comply with the AIFM Directive requirements (FTIS’ mandate commenced on 1 April 2016); considering that the replacement of the AIFM with another entity from the group was proposed in order to comply with the AIFM Directive and the related national implementation laws and regulations, the shareholders approved the waiver of any selection procedure;
- Delegation of activities: the Board of Nominees approved the delegation of certain portfolio management and administrative activities from FTIS to FTIML.

On 28 January 2016 the FSA issued the Endorsements no. 25 and no. 26, whereby it endorsed the following amendments brought to the Fund's registration documents, which were approved by the Fund's shareholders during the 29 October 2015 GSM:

- The amendments to the Fund's Constitutive Act, effective starting 1 April 2016, referring to the AIFM Directive implementation.
- Addendum no. 5/ 2 November 2015 to the 2014 IMA, referring to the termination of the 2014 IMA starting with 1 April 2016.

According to the FSA Board Resolution from 27 January 2016, the 2015 MA as approved by the Ordinary General Shareholders Meeting through Resolution no. 8/ 29 October 2015, with effect as of 1 April 2016, does not require the FSA's endorsement prior to entering into force. Furthermore, the FSA considers that Commission de Surveillance du Sector Financier of Luxemburg, as the competent authority of the AIFM home state member, has oversight obligations in respect of the management performed by FTIS, based on the notification sent regarding 2015 MA.

Changes to the Constitutive Act

During 2016 there were several changes in the Constitutive Act of the Fund, as follows:

- Several changes related to the AIFM Directive implementation;
- Changes related to the articles referring to the share capital and the nominal value, as a result of the share capital decrease processes;
- Changes related to the Board of Nominees meetings; and
- Changes for aligning the Constitutive Act to the Romanian Capital Markets Law no. 297/2004.

According to legislation in force, all the changes to the Constitutive Act enter into force after FSA endorsement.

GSM Resolutions during 2016

The main shareholders resolutions during the **27 January 2016 GSM** were:

- the approval of the decrease of the subscribed share capital of the Fund from RON 9,869,265,720.90 to RON 9,320,973,180.85 through the reduction of the nominal value of the Fund's shares from RON 0.90 to RON 0.85, and the approval of the payment to shareholders registered as such with the Central Depository on 6 June 2016, of RON 0.05 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment date approved by shareholders was 27 June 2016;
- the ratification and the approval of all EGM resolutions and of all legal acts (including resolutions, decisions, notices for convening all EGM and contracts) concluded, adopted and issued in the name of Fondul Proprietatea through FTIML, between 6 September 2010 and 26 January 2016, and the approval and ratification of any implementation acts, facts and operations based on such, including the management of the Fund under an unitary system, as well as the approval of all the changes to the Constitutive Act approved by all EGM between 6 September 2010 and 26 January 2016, as endorsed by FSA.

The main shareholders resolutions during the **26 April 2016 GSM** were:

- the approval of certain changes of the Constitutive Act, as recommended by the FSA in January 2016, and as recommended by a shareholder of the Fund;
- the approval of the decrease of the subscribed share capital of the Fund as a result of the partial cancellation of 179,598,899 shares acquired within the sixth buy-back programme;
- the ratification of Addendum no. 6/ 2 March 2016 to the 2014 IMA, giving full force and effect for the payment by the Fund to FTIML of the distribution fee for the period between 7 January 2016 and 31 March 2016;
- the appointment of two members in the Board of Nominees of the Fund, following the expiration of two mandates on 30 September 2016;
- the approval of the Annual Activity Report of the Sole Director of Fondul Proprietatea for the financial year 2015, including the IFRS financial statements for the year ended 31 December 2015. As the mandate of FTIML expired on 31 March 2016, the shareholders also decided to discharge the latter of any liability for its administration of Fondul Proprietatea during the period 1 January 2016 to 31 March 2016;
- the approval of covering of the accounting loss, in accordance with the supporting materials;

- the approval of Addendum no. 1 to the audit contract executed with the financial auditor, Deloitte Audit;
- the ratification and approval of all GSM resolutions and of all legal acts concluded, adopted or issued on behalf of the Fund through its Sole Director and/ or its AIFM, as well as of any management/ administration measures adopted and/ or implemented by its Sole Director and/ or its AIFM, between 6 September 2010 and 25 April 2016.

The main shareholders resolutions during the **11 October 2016 GSM** were:

- the approval of the decrease of the subscribed share capital as a result of the partial cancelation of 712,171,156 own shares repurchased during the sixth buy-back programme;
- the approval of the eighth buy-back programme;
- the ratification and the approval of all GSM resolutions and of all legal acts concluded, adopted and issued in the name of Fondul Proprietatea through its Sole Director/ its AIFM between 6 September 2010 and 10 October 2016.

The main shareholders resolutions during the **31 October 2016 GSM** were:

- the approval of the decrease of the Fund's subscribed share capital through the reduction of the par value of the Fund's shares from RON 0.85 to RON 0.57, for covering the accounting losses, and for an extraordinary distribution to shareholders of RON 0.05 per share;
- the approval of the amendments to the Fund's Constitutive Act;
- the approval of a special authorisation for the Sole Director to execute certain acts over any holdings in the Fund's portfolio companies during the financial year 2017;
- the approval of the continuation of the mandate of FTIS as the Fund's AIFM and Sole Director;
- the approval of the Fund's 2017 Budget;
- the appointment of Deloitte Audit SRL as the Fund's financial auditor for the financial year ending 31 December 2016, and of the financial audit agreement;
- the ratification and the approval of all GSM resolutions and of all legal acts concluded, adopted and issued in the name of Fondul Proprietatea through its Sole Director/ its AIFM between 6 September 2010 and 30 October 2016.

Credit Facility Agreement

On 17 December 2015 the Fund and Citibank Europe Plc Dublin - Romania Branch agreed to extend the existing revolving credit facility of RON 500 million, with a potential increase of additional RON 500 million, subject to future mutual agreement of the parties. The availability period of the facility was from 4 January 2016 until 31 August 2016, with the final reimbursement taking place on 30 September 2016, at the latest.

On 7 March 2016 the parties signed the Addendum no. 2 to the credit facility agreement, amending certain provisions, among which splitting the committed facility into a committed facility of maximum RON 375 million and an uncommitted facility of maximum RON 125 million.

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

The purpose of the credit facility is for general corporate use, including share buy-backs, but excluding investments, and is meant to replace the previous financing arrangement concluded by the Fund with Citibank Europe Plc. Dublin - Romania Branch that was terminated on 8 July 2016.

The Fund did not use the credit facility during the financial year ended 31 December 2016.

Buy-back Programmes

The sixth buy-back programme

During the 27 April 2015 GSM the shareholders approved the sixth buy-back programme for a maximum number of 891,770,055 shares or the equivalent number of GDRs corresponding to the shares of Fondul Proprietatea, valid until 15 November 2016. The buy-backs could be performed at a price between RON 0.2 per share and RON 2 per share. The buy-back transactions could only be applied to fully paid shares and the repurchased shares will be cancelled. The execution of the buy-back programme started on 9 September 2015.

Tender Offer within the sixth buy-back programme

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

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

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

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

The daily execution of the sixth buy-back programme restarted on 15 September. On 27 September 2016 the sixth buy-back programme was completed: all 891,770,055 shares were repurchased, at a total acquisition value of RON 731,959,565 (excluding transaction costs). Thus, the weighted average price was approximately RON 0.8156 per share, and USD 10.5221 per GDR.

The seventh buy-back programme

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

The seventh buy-back programme started on 29 September 2016 and, until 31 December 2016, the total number of shares repurchased was 79,336,721, at a total acquisition value of RON 63,317,685 (excluding transaction costs). There were no acquisitions of GDRs corresponding to the Fund shares within the seventh buy-back programme until 31 December 2016.

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

The eighth buy-back programme

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

Analysis of the Portfolio of the Fund

Net Asset Valuation

The key performance indicator of the Fund is its Net Asset Value. The Fund is required to publish a monthly net asset value per share in accordance with local rules issued by the capital market regulator, no later than 15 calendar days after the reporting month end.

All NAV reports are published on the Fund's website at www.fondulproprietatea.ro, together with the share price and discount information.

NAV methodology

CNVM Regulation no. 4/2010, as subsequently amended, allows the NAV calculation based on best international practice suitable for a listed closed-end fund.

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

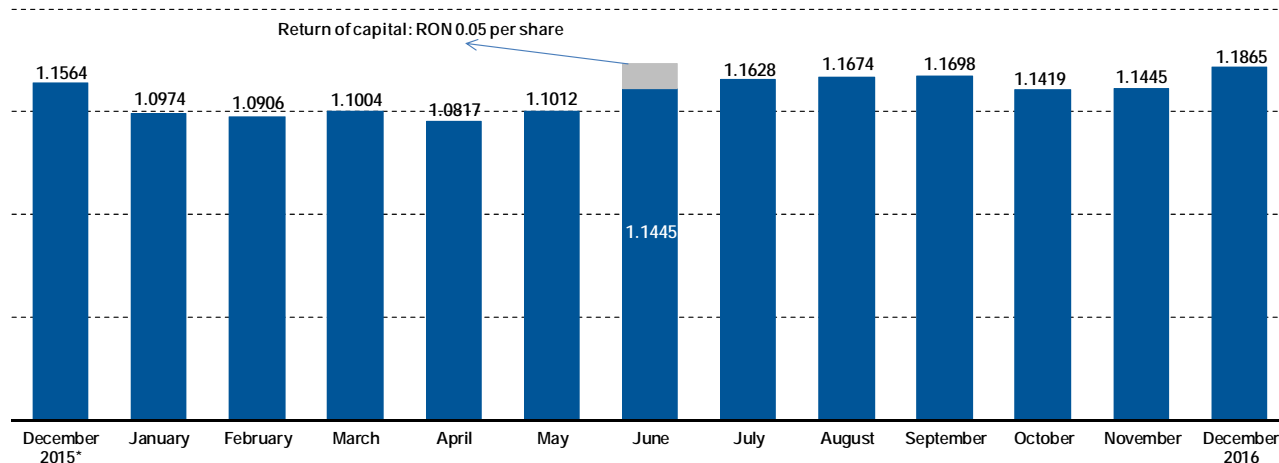
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards which permit fair valuation.

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

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

NAV per share (RON per share)

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



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

*Based on Romanian Accounting Regulation for non-portfolio items

The **grey section** from June 2016, represents the impact of the 2016 return of capital per share, approved by shareholders in January 2016 and recorded in June 2016, following the FSA Endorsement no. 141/ 25 May 2016 of

the share capital decrease, and following the registration with the Trade Register on 9 June 2016, which resulted in a reduction of the NAV per share.

During the **first quarter of 2016** the NAV per share decreased by 4.8%, mainly due to the negative impact of the decrease of the share prices of certain listed holdings, principally OMV Petrom SA (impact on the Fund's NAV of RON 537.9 million or RON 0.0517 per share).

During the **second quarter of 2016** the NAV per share increased by 4.0% mainly due to the update of the independent valuation for three unlisted portfolio holdings (Hidroelectrica SA, CN Aeroporturi Bucuresti SA, CN Administratia Porturilor Maritime SA) and due to the sixth buy-back programme carried out by the Fund during this period. The three unlisted holdings, representing 55.8% of the total unlisted portfolio, were valued with the assistance of KPMG Advisory, in accordance with International Valuation Standards. The overall impact was an increase of RON 785.7 million or RON 0.0762 per share, as compared to the 31 March 2016 NAV.

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

During the **last quarter of 2016**, the NAV per share increased by 1.4%, mainly due to the update of the independent valuation of unlisted portfolio companies (the main positive impact being related to the holdings in Hidroelectrica SA and CN Aeroporturi Bucuresti SA) and due to the positive impact of the seventh buy-back programme carried out by the Fund during this quarter.

In December, valuation updates were prepared for 20 unlisted holdings, representing 99.7% of the total unlisted portfolio, with the assistance of KPMG Advisory and Ernst & Young Service, in accordance with International Valuation Standards. The overall impact was an increase of RON 174.3 million or RON 0.0181 per share, compared to the 29 November 2016 NAV, as detailed in the table below:

No.	Portfolio company name	Value in 30 Dec 2016 NAV (RON million)	Value in 29 Nov 2016 NAV (RON million)	Impact on Total NAV (RON million)	% 30 Dec 2016 NAV vs. 29 Nov 2016 NAV	Impact on NAV per share ¹ (RON)
1	Hidroelectrica SA	3,384.0	3,269.0	115.0	3.5%	0.0119
2	CN Aeroporturi Bucuresti SA	761.0	632.5	128.5	20.3%	0.0133
3	E-Distributie Banat SA*	599.9	624.0	(24.1)	-3.9%	(0.0025)
4	Engie Romania SA**	453.4	446.1	7.3	1.6%	0.0008
5	E-Distributie Muntenia SA*	449.4	455.4	(6.0)	-1.3%	(0.0006)
6	E-Distributie Dobrogea SA*	380.2	401.2	(21.0)	-5.2%	(0.0022)
7	SDEE Muntenia Nord SA***	255.2	253.9	1.3	0.5%	0.0001
8	SDEE Transilvania Sud SA***	246.2	222.3	23.9	10.8%	0.0025
9	CN Administratia Porturilor Maritime SA	216.0	211.3	4.7	2.2%	0.0005
10	SDEE Transilvania Nord SA***	208.3	215.6	(7.3)	-3.4%	(0.0008)
11	Societatea Nationala a Sariei SA	181.0	177.4	3.6	2.0%	0.0004
12	Electrica Furnizare SA	167.7	149.6	18.1	12.1%	0.0019
13	Enel Energie SA	75.5	76.6	(1.1)	-1.4%	(0.0001)
14	Enel Energie Muntenia SA	70.3	64.0	6.3	9.8%	0.0007
15	Posta Romana SA	43.0	58.7	(15.7)	-26.7%	(0.0016)
16	Zirom SA	25.5	23.3	2.2	9.4%	0.0002
17	Aeroportul International Timisoara - Traian Vuia SA	3.6	2.6	1.0	38.5%	0.0001
18	Plafar SA	2.2	1.9	0.3	15.8%	0.0000
19	Aeroportul International Mihail Kogalniceanu - Constanta SA	1.7	1.6	0.1	6.3%	0.0000
20	Complexul Energetic Oltenia SA	-	62.8	(62.8)	-100.0%	(0.0065)
TOTAL		7,524.1	7,349.8	174.3	2.4%	0.0181

*Starting with November 2016 Enel Distributie companies changed their names into E-Distributie Banat SA, E-Distributie Muntenia SA and E-Distributie Dobrogea SA

**Starting with February 2016 GDF Suez Energy Romania SA changed its name into Engie Romania SA

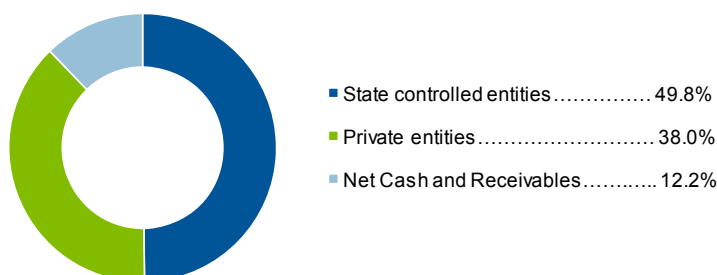
***Starting with 2016 year end Electrica Distributie companies changed their names into SDEE Muntenia Nord, SDEE Transilvania Sud, SDEE Transilvania Nord

¹ Computed based on the number of shares used in NAV per share computation as at 29 November 2016

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 87.8% of the Fund's NAV as at 30 December 2016. As at that date, the portfolio was composed of holdings in 45 companies (13 listed and 32 unlisted), a combination of privately held and state-controlled entities.

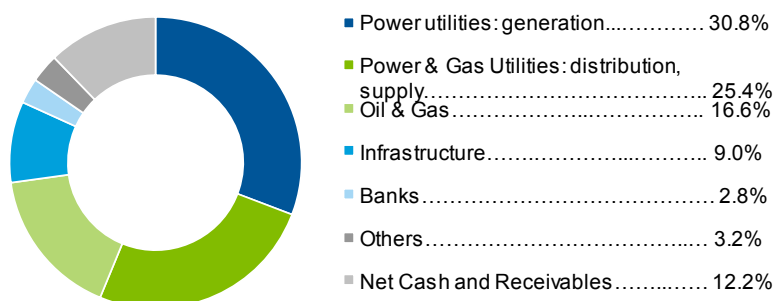
Portfolio Structure – by Controlling Ownership



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

Source: FTIML, data as at 30 December 2016

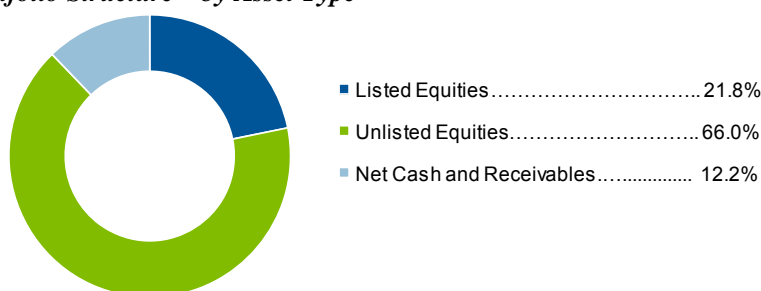
Portfolio Structure - by Sector



- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 72.8% of the NAV), through a number of listed and unlisted Romanian companies

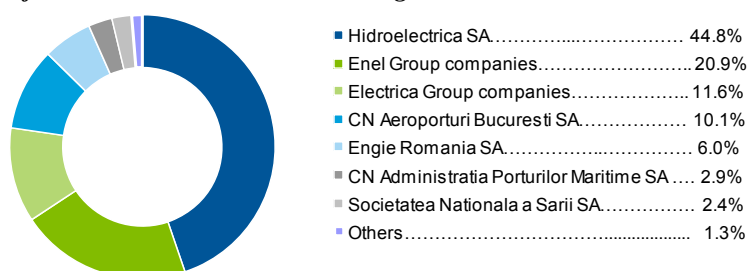
Source: FTIML, data as at 30 December 2016

Portfolio Structure – by Asset Type



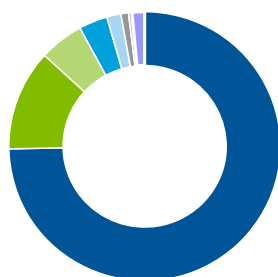
Source: FTIML, data as at 30 December 2016

Portfolio Structure – Unlisted holdings



- The largest unlisted holding is Hidroelectrica SA (44.8% of the total value of unlisted holdings in the portfolio)

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

Portfolio Structure – Listed holdings

■ OMV Petrom SA.....	74.7%
■ BRD Groupe Societe Generale SA.....	12.1%
■ Nuclearelectrica SA.....	5.3%
■ Alro SA.....	3.4%
■ Conpet SA.....	1.7%
■ Romaero SA.....	0.9%
■ Primcom SA.....	0.4%
■ Others.....	1.5%

- The largest listed holding is OMV Petrom SA (74.7% of the total value of listed holdings in the portfolio)

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

Top 20 equity investments

No	Name	Fund's stake (%)	Value as at 31 December 2016 ¹ (RON million)	% of NAV as at 31 December 2016 ¹
1	Hidroelectrica SA	19.94%	3,384.0	29.6%
2	OMV Petrom SA	12.56%	1,857.7	16.3%
3	CN Aeroporturi Bucuresti SA	20.00%	761.0	6.7%
4	E-Distributie Banat SA*	24.12%	599.9	5.2%
5	Engie Romania SA**	11.99%	453.4	4.0%
6	E-Distributie Muntenia SA*	12.00%	449.4	3.9%
7	E-Distributie Dobrogea SA*	24.09%	380.2	3.3%
8	BRD Groupe Société Générale SA	3.63%	301.3	2.6%
9	SDEE Muntenia Nord SA***	21.99%	255.2	2.2%
10	SDEE Transilvania Sud SA***	21.99%	246.2	2.2%
11	CN Administratia Porturilor Maritime SA	19.99%	216.0	1.9%
12	SDEE Transilvania Nord SA***	22.00%	208.3	1.8%
13	Societatea Nationala a Sarii SA	48.99%	181.0	1.6%
14	Electrica Furnizare SA	22.00%	167.7	1.5%
15	Nuclearelectrica SA	9.09%	131.7	1.2%
16	Alro SA	10.21%	85.3	0.7%
17	Enel Energie SA	12.00%	75.5	0.7%
18	Enel Energie Muntenia SA	12.00%	70.3	0.6%
19	Posta Romana SA	25.00%	43.0	0.4%
20	Conpet SA****	6.05%	41.3	0.4%
Top 20 equity holdings			9,908.4	86.8%
Total equity holdings			10,033.5	87.8%
Net cash and receivables			1,393.9	12.2%
Total NAV			11,427.4	100.0%

Source: FTIML, data as at 31 December 2016, based on NAV reports submitted to FSA (30 December 2016 NAV report)

¹Rounded to one decimal

*Starting with November 2016 Enel Distributie companies changed their names into E-Distributie Banat SA, E-Distributie Muntenia SA and E-Distributie Dobrogea SA

**Starting with February 2016 GDF Suez Energy Romania SA changed its name into Engie Romania SA

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

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

Key Portfolio Developments in the Period

Acquisitions and disposals

Share capital increases and bonus shares

During the year, the Fund contributed in cash to the share capital increases of Zirom SA, Administratia Porturilor Maritime SA, and Hidroelectrica SA (for which the registration with the Trade Register has not been finalised until 31 December 2016).

In July 2016, Banca Transilvania SA completed the registration with the Central Depository of the share capital increase from incorporation of reserves. As a consequence, a number of 8,622,073 bonus shares received by the Fund were reflected as part of its portfolio.

Disposals

In April the Fund sold its entire holding of 22,542,960 shares in Romgaz SA (20,286,910 in the form of ordinary shares and 2,256,050 in the form of GDRs) in an accelerated bookbuilding offering. The shares were priced at RON 24/ USD 6.09 (in relation to disposals via dollar-denominated global depositary receipts, based on the National Bank of Romania's exchange rate of RON 3.9434 per USD as at 20 April 2016).

In June the Fund sold its entire participations in E.ON Distributie Romania SA (56,749,014 shares representing 18.3% of the company's share capital), and E.ON Energie Romania SA (9,903,524 shares representing 13.4% of the company's share capital). During the year, the Fund has also sold part of its holdings in Banca Transilvania SA, and BRD Groupe Société Générale SA, as well as a part of its holding in OMV Petrom SA, as detailed below.

Secondary public offering regarding the partial sale of shares in OMV Petrom SA

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

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

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

In respect of its residual ownership interest in OMV Petrom SA following this transaction, the Fund has committed to a 360-day lock-up period following closing of the offering, subject to certain exceptions.

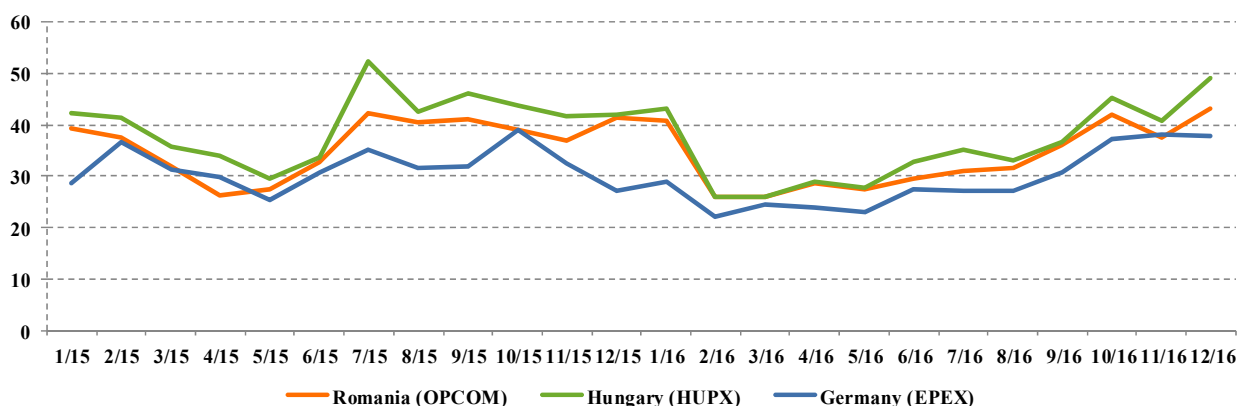
Energy sector updates

Energy tariff changes

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

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

Source: ANRE webpage

Electricity prices (EUR/ MWh)

Source: Bloomberg, Hidroelectrica SA

Note: Day Ahead Market – monthly average for base load

Energy resources (thousand tons barrels of oil equivalent)

	2016			2015			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Coal	4,738.5	4,217.3	521.2	5,247.4	4,693.0	554.4	(0.10)	(0.10)	(0.06)
Oil	11,045.8	3,577.5	7,468.3	10,333.6	3,738.1	6,595.5	0.07	(0.04)	0.13
Natural gas	8,672.6	7,487.2	1,185.4	8,723.0	8,560.4	162.6	(0.01)	(0.13)	6.29
Hidro, nuclear, and import energy	5,504.7	5,197.7	307.0	5,395.3	5,070.6	324.7	0.02	0.03	(0.05)
Import oil products	2,691.8	—	2,691.8	2,706.7	—	2,706.7	(0.01)	—	(0.01)
Others	508.6	—	508.6	502.5	—	502.5	0.01	—	0.01
Total resources	33,162.0	20,479.7	12,682.3	32,908.5	22,062.1	10,846.4	0.01	(0.07)	0.17

Source: National Institute of Statistics webpage

Gas tariff changes

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

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

RON million	2014	2015	2016**	Budget 2015*	Budget 2016*
Turnover	2,108.4	2,422.8	2,127.1	2,665.6	2,191.9
Operating profit	51.0	185.9	169.6	318.1	133.7
Net profit/ (loss)	(63.6)	(0.02)	67.0	255.5	55.9
Dividends	—	—	—	—	—

Source: Consolidated IFRS financial statements

*Budgeted figures do not include any change in the fair value of the derivative embedded in the electricity purchase contract concluded with Hidroelectrica SA. Budget refers to Alro SA individual financial statements. The amounts were converted from USD to RON using the RON/ USD National Bank of Romania exchange rate at budget publishing date (i.e. 27 March 2015/ 28 March 2016)

** Preliminary individual IFRS financial results

January: The company informed the market that following an investigation regarding the electricity contracts signed with Hidroelectrica SA, the Competition Council imposed a fine of RON 21.2 million, or 1.1% of the company's 2014 turnover. Subsequently, in May, the company informed the market that it appealed the Competition Council's decision.

May: Based on the individual IFRS financial statements for the first quarter of 2016, the company registered a turnover of RON 564.1 million, down 5.7% y.o.y., an operating profit of RON 22.5 million, compared to RON 96.1 million during the similar period of the previous year, and a net profit of RON 27.3 million, compared to RON 5.7 million during the first quarter of 2015. While sales volumes, both on the primary and processed aluminium, advanced during the period by 23% y.o.y., and 4% y.o.y. respectively, according to the management the operating result of the period was negatively affected by the lower levels of aluminium prices on the London Metal Exchange.

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

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

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

November: Based on the individual IFRS financial statements for the first nine months of 2016, the company recorded a turnover of RON 1,577.6 million, down 10.8% y.o.y., an operating profit of RON 111.1 million, compared to RON 218.1 million during the similar period of the previous year, and a net profit of RON 63.8 million, compared to RON 72.7 million during the similar period of 2015. Overall, sales volumes during the first nine months of the year increased by 4.0% y.o.y.. During the period, the average reference aluminium prices on the London Metal Exchange were down 8.6% y.o.y. to USD 1,570 per tonne.

BRD – Groupe Société Générale SA

RON million	2014	2015*	2016**	Budget 2015***	Budget 2016***
Net banking income	2,623.0	2,595.2	2,777.6	Around 3% increase	Around 5% increase
Net operating profit	1,295.3	1,209.9	1,390.1		Around 5% increase
Net cost of risk	1,215.4	658.2	483.5	Significant decrease	Further normalisation trajectory
Net profit	63.1	467.2	763.5	Significant improvement	n.a.
Dividends	-	223.0	n.a.	-	-

Source: Consolidated IFRS financial statements

*Restated values

**Based on preliminary consolidated IFRS financial statements

*** Budgeted figures based on individual IFRS financial statements

April: For 2015 the bank reported a net profit of RON 465.8 million compared to a net profit of RON 63.1 million in 2014. The net banking income decreased by 4.4% y.o.y to RON 2,507.2 million, while general operating expenses decreased by 2.3% y.o.y to RON 1,297.2 million, leading to a net operating profit of RON 1,209.9 million, representing a decrease of 6.6% y.o.y. Net cost of risk decreased by 45.8% compared to 2015, to RON 658.2 million.

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

The Board of Directors of BRD appointed Mr Francois Bloch to replace Philippe Lhotte as CEO with effective date 1 November 2016, subject to the approval of the National Bank of Romania.

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

December: The bank announced that the appointment of Mr Francois Bloch as CEO was approved by the National Bank of Romania.

February 2017: The bank reported a preliminary net profit for the full year 2016 of RON 763.5 million compared to a net profit of RON 467.2 million in 2015. The net banking income increased by 7.0% y.o.y to RON 2,777.6 million driven by the improvement in the net interest income (+4.6% vs. 2015), higher net fee and commission income (+3.1% vs. 2015) and Visa Europe transaction gain recorded in the second quarter. According to the bank, excluding non-recurring elements, the net banking income advanced by 3.0% y.o.y. During the period, the general operating expenses marginally increased by 0.2% y.o.y to RON 1,387.5 million, leading to a net operating profit of RON 1,390.1 million, representing an increase of 14.9% y.o.y. Net cost of risk decreased by 26.5% y.o.y. to RON 483.5 million. The Board also informed shareholders that it has decided to propose a dividend corresponding to a payout ratio of 70% of the 2016 bank net profit.

CN Administratia Porturilor Maritime SA

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

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

May: Total traffic for the first 5 months of 2016 reached 17.4 million tons, which represents an increase of 0.5% compared to the same period of 2015. Cereals continue to be the main source of weakness, registering a decline of 20.3% y.o.y, which was offset by increases in oil (+11.9%), general merchandise (+10.5%), and oil products (+21.8%).

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

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

December: Total cargo traffic in the first 10 months of 2016 increased by 5.9% to 46.2 million tons, mainly due to strong performance across most types of goods such as grains (+8.9%), crude oil (+13.6%), refined oil products (+5.7%), and fertilizers (+48%).

CN Aeroporturi Bucuresti SA

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

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

February: Total traffic reached 1.4 million passengers in the first 2 months of 2016, which represents an 18.1% increase compared to the same period of 2015.

June: Total passenger traffic reached 4.9 million passengers in the first 6 months of 2016, which represents an increase of 16.5% compared to the same period of 2015. Total cargo traffic reached 16.6 thousand tones, which represents an increase of 11% compared to the first half of 2015.

The General Manager, who had been appointed on an interim basis in May 2014, was dismissed by the Board and replaced by Cosmin Pestesan, who was previously a non-executive member of the Board. Mr Pestesan was also appointed on an interim basis, which is now limited to a maximum of 6 months by Law 111/2016 (which approved Government Emergency Ordinance 109/2011 regarding Corporate Governance in state owned entities – “GEO 109/2011”).

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

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

November: The General Manager who was previously appointed based on the provisions of corporate governance legislation, but suspended in 2014 irrevocably won the case started by the company against him, and was reconfirmed as General Manager by the Board of Directors.

December: Total traffic for the first 11 months of 2016 increased by 17.7% compared to the same period of 2015, to 10.1 million passengers.

The members of the Board of Directors who were previously appointed based on the provisions of corporate governance legislation but dismissed in 2014 irrevocably won the case started by the company against them, and were reappointed by the general meeting of shareholders.

Conpet SA

RON million	2014	2015	2016*	Budget 2015	Budget 2016
Operating revenues	403.1	413.8	412.5	410.4	409.1
Operating profit/ (loss)	54.8	69.5	75.1	59.0	71.3
Net profit/ (loss)	51.4	63.2	64.4	52.7	62.6

Source: Financial statements prepared in accordance with IFRS

* Based on Preliminary IFRS financial statements

February: The National Agency for Mineral Resources approved the increase of the transport tariffs related to the Domestic and Import subsystems pursuant to Order no. 32/ 2 February 2016.

January 2017: According to preliminary results for the financial year 2016, the company reported total operating revenues of RON 412.5 million down 0.3% y.o.y., an operating profit of RON 75.1 million, up 8.1% y.o.y. and net profit of RON 64.4 million up 1.9% y.o.y.. Total transported volumes increased in 2016 by 1.3% y.o.y. to around 7.1 million tones, driven by the 10.0% y.o.y. increase to nearly 3.4 million tones in the volumes of crude transported through the import sub-system while the volume of crude transported through the domestic sub-system decreased by 5.6% y.o.y. to nearly 3.7 million tones.

SDEE Muntenia Nord SA

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

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

March: Ms Iuliana Andronache (interim CEO Electrica) and Ms Gabriela Marin (Head of HR Electrica) have been appointed Board members, replacing Mr Ioan Rosca and Mr Aurel Gubandru.

December: The majority shareholder, Electrica SA, has decided in a general shareholders meeting to change the bylaws of the company. Since we disagree with some of the new provisions, the Fund decided to contest in Courts the EGM resolution through which the new bylaws of the company were approved. The number of Board members has also been decreased from 5 to 3, and the current Board members are: Catalin Stancu (Electrica's

CEO), Alexandra Borislavschi (Electrica's Head of Strategy Corporate Governance Department) and Oana Truta (Investment Manager's employee).

SDEE Transilvania Nord SA

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

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

March: Ms Iuliana Andronache (interim CEO Electrica) and Ms Gabriela Marin (Head of HR Electrica) have been appointed Board members, replacing Mr Ioan Rosca and Mr Costica Vlad.

December: The majority shareholder, Electrica SA, has decided in a general shareholders meeting to change the bylaws of the company. Since we disagree with some of the new provisions, the Fund decided to contest in Courts the EGM resolution through which the new bylaws of the company were approved. The number of Board members has also been decreased from 5 to 3, and the current Board members are: Catalin Stancu (Electrica's CEO), Alexandra Borislavschi (Electrica's Head of Strategy Corporate Governance Department) and Oana Truta (Investment Manager's employee).

SDEE Transilvania Sud SA

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

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

March: Ms Iuliana Andronache (interim CEO Electrica) and Ms Gabriela Marin (Head of HR Electrica) have been appointed Board members, replacing Mr Geanta Marian and Ms Carmen Mihaela Pirnea.

December: The majority shareholder, Electrica SA, has decided in a general shareholders meeting to change the bylaws of the company. Since we disagree with some of the new provisions, the Fund decided to contest in Courts the EGM resolution through which the new bylaws of the company were approved. The number of Board members have also been decreased from 5 to 3, and the current Board members are: Catalin Stancu (Electrica's CEO), Alexandra Borislavschi (Electrica's Head of Strategy Corporate Governance Department) and Simona Fatu (Fund's recommendation to the Board).

Electrica Furnizare SA

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

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

March: Ms Mariana Alina Calugareanu (Electrica) has been appointed Board member, replacing Mr Ioan Rosca.

June: Ms Raluca Bulumacu (Electrica) and Mr Vlad Gheorghe (Electrica) have been appointed Board members, replacing Mr Ramiro Angelescu and Ms Alina Calugareanu.

December: The majority shareholder, Electrica SA, has decided in a general shareholders meeting to change the bylaws of the company. Since we disagree with some of the new provisions, the Fund decided to contest in Courts the EGM resolution through which the new bylaws of the company were approved.

E-Distributie Banat SA

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

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

February: Following the resignation of Toni Volpe as CEO and Country Manager, Georgios Stassis was appointed as head of Enel operations in Romania.

March: Following the resignations of Toni Volpe, Giuseppe Fanizi, Alessandra Proietti and Ludovica Parodi, Enel recommended and shareholders approved the appointment of Georgios Stassis, Mina Kolarova, Federico Panone and Alexandra Burcea as board members.

November: Due to regulatory requirements, the company changed its name from Enel Distributie Banat into E-Distributie Banat.

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

E-Distributie Dobrogea SA

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

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

February: Following the resignation of Toni Volpe as CEO and Country Manager, Georgios Stassis was appointed as head of Enel operations in Romania.

March: Following the resignations of Toni Volpe, Giuseppe Fanizi, Alessandra Proietti and Ludovica Parodi, Enel recommended and shareholders approved the appointment of Georgios Stassis, Mina Kolarova, Federico Panone and Alexandra Burcea as board members.

November: Due to regulatory requirements, the company changed its name from Enel Distributie Dobrogea into E-Distributie Dobrogea.

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

E-Distributie Muntenia SA

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

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

February: Following the resignation of Toni Volpe as CEO and Country Manager, Georgios Stassis was appointed as head of Enel operations in Romania.

March: Following the resignations of Toni Volpe, Giuseppe Fanizi and Alessandra Proietti, Enel recommended and shareholders approved the appointment of Georgios Stassis, Federico Panone and Alexandra Burcea as board members.

November: Due to regulatory requirements, company changed its name from Enel Distributie Muntenia into E-Distributie Muntenia.

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

Enel Energie SA

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

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

February: Following the resignation of Toni Volpe as CEO and Country Manager, Georgios Stassis was appointed as head of Enel operations in Romania.

March: Following the resignations of Toni Volpe and Maurizio Rossetto, Enel recommended and shareholders approved the appointment of Georgios Stassis and Giorgio Mengali as board members.

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

Enel Energie Muntenia SA

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

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

February: Following the resignation of Toni Volpe as CEO and Country Manager, Georgios Stassis was appointed as head of Enel operations in Romania.

March: Following the resignations of Toni Volpe, Maurizio Rossetto and Emil Vasiliu, Enel recommended and shareholders approved the appointment of Georgios Stassis, Giorgio Mengali and Alexandra Burcea as board members.

Engie Romania SA

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

Source: Consolidated IFRS financial statements

*Budgeted figures based on separate IFRS financial statements

**Dividends are based on the separate IFRS financial statements

*** Restated values

February: Shareholders approved the change of the company name from GDF Suez Energy Romania SA to Engie Romania SA, following the rebranding strategy of GDF Suez Group at global level.

April: The Romanian State revoked Gelu Diaconu and Ghimpau Aurelian as board members, while Engie revoked Pierre Chatain, Bart Boesmans and Valerie Limpens. The new board members are Vlad Vasiliu and Catalin Deaconescu recommended by the Romanian State and Etienne Jacolin, Olivier Bloeyaert and Marleene Delvaux recommended by Engie. According to ANRE Order no. 20/2016, with effect from 1 May 2016 the regulated supply tariffs for households were increased by approximately 11%.

September: The local district heating company operating in the Bucharest area announced its insolvency. According to press reports¹, the gas distribution company owned by Engie Romania has RON 155 million outstanding receivables with the company which entered the insolvency process.

¹ <http://m.adevarul.ro> from 26 September 2016

October: The company appointed two new board members, Mr. Ivan Stefan Valeriu and Mrs. Aurelia Carmen Slate, following the request coming from the Ministry of Energy.

Hidroelectrica SA

RON million	2014	2015	9 months 2015	9 months 2016	Budget 2015
Turnover	3,406.0	3,183.2	1,948.5	1,996.8	2,851.3*
Operating profit	1,207.9	1,127.4	883.4	1,118.4	489.7
Net profit	941.5	899.4	709.2	890.9	371.9
Dividends	646.4	675.1	n.a.	n.a.	174.5

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

*Operating revenue

May: The company agreed with the intermediary syndicate comprising Morgan Stanley and Raiffeisen Bank to resume the obligations under the Engagement Letter regarding Hidroelectrica's IPO.

June: The company exited insolvency by the decision of the syndic judge. An interim Board composed of 7 members and an interim Directorate composed of 3 members have been appointed to run the company.

November: The pre-tax profits of the company reached RON 1.4 billion.

Nuclearelectrica SA

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

Source: Consolidated IFRS financial statements

*Dividends are based on the individual IFRS financial statements

**Based on individual IFRS financial statements

March: The budget for 2016 was approved by the GSM with sales at RON 1,700.3 million (a decrease of 2.8% compared to 2015), operating profit of RON 59.7 million (a decrease of 62.7% compared to 2015) and a net profit of RON 41.1 million (a decrease of 72.4% compared to 2015).

May: The company released Q1 2016 financial results with an electricity quantity sold of 2.81 TWh which represents a 0.2% increase y.o.y., sales of electricity of RON 446.4 million (+1.4% y.o.y.), EBIT of RON 76.0 million (+71.9% y.o.y.), and net profit of RON 66.9 million (+89.0% y.o.y.). The improvement in profitability came from the cut by 36% of taxes on buildings, land and special constructions, and also from the reduction of the operating expenses which decreased by 21% y.o.y.

August: The company reported results for Q2 2016/ H1 2016 with a net loss of RON 104.7 million in Q2 2016, 3.2 times higher y.o.y due to 21% lower y.o.y revenues from electricity sales, affected by the extended planned outage of Cernavoda NPP Unit 1, which reduced Q2 2016 production to 2.00 TWh (-15% y.o.y). Moreover, the gradual decrease in electricity prices also negatively impacted revenues. Despite lower operating expenses (-4% y.o.y), the company posted a negative operating result of RON 102.7 million in Q2 2016, 3.2 times wider y.o.y which, cumulated with a higher negative result from foreign exchange losses, deepened quarterly losses.

November: The company published the results for the first 9 months of 2016 with a 4.4% decrease y.o.y. in the electricity quantity sold, down to 7.76 TWh, operating revenues of RON 1,157.7 million (-5.1% y.o.y.), EBIT of RON 64.2 million (a decrease of 40.2% y.o.y.), net profit of RON 64.5 million (a decrease of 50.8% y.o.y.). The main reasons for the poor results were the extended outage (51 days instead of 30 days as it was initially planned) which led to a significant drop in the quantity sold (a decrease of 7% in quantity and RON 52 million in forgone profits), and also the increase in the quantities sold on the Day Ahead Market at a lower price (increase to 33.6% vs. 12.3% in the same period of 2015). The price decreased by 4.3% in H1 2016 compared with H1 2015, and by 17% in Q3 2016 compared with Q3 2015.

OMV Petrom SA

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

Source: Consolidated IFRS financial statements

*Based on separate IFRS financial statements

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

January: Peter Rudolf Zeilinger was appointed on the Executive Board of OMV Petrom SA, in charge of the Upstream activity starting 1 April 2016. The appointment follows the resignation of Gabriel Selinschi, who will continue his career in OMV Group as Senior Vice President responsible for the Group's activities in Australasia area.

March: The company published the audited consolidated financial statements for 2015 with a decline in sales of 15.8% to RON 18,145.0 million, losses at EBIT level of RON 529.8 million from RON 3,338.3 million profit in 2014, and a net loss of RON 689.7 million from a net profit of RON 2,099.7 million in 2014. The results include extraordinary items with a total impact of RON 2.48 billion on the net result.

The Supervisory Board approved the recommendation of the Executive Board not to pay dividends in 2016. This proposal was approved by shareholders during the Annual GSM held on 26 April 2016.

May: The company reported results for the first quarter of 2016. The highlights include: sales decline of 16.7% compared to the same period of 2015 to RON 3,558.5 million, EBIT decline of 30.7% compared to the same period of 2015 to RON 342.6 million, and net profit decline of 16.5% compared to the same period of 2015 to RON 288.2 million. The declines were mainly as a result of a 41% decrease of the average realised oil price to USD 26.7 per barrel. Total hydrocarbons production declined 3% to 15.9 million barrels of oil equivalent while sales of refined products increased 4% to 1.1 million tons.

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

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

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

October: The secondary public offering carried out by Fondul Proprietatea of approximately 6.4% of its stake in the company was successfully completed in October. The transaction included a secondary listing of OMV Petrom shares on the London Stock Exchange through global depository receipts.

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

Posta Romana SA

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

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

May: According to the Minister of Communications, Posta Romana is in discussions with the European Bank for Reconstruction and Development for an EUR 47 million loan to be used for investments in the IT, transportation and automation infrastructure.

The National Bank of Romania approved the setting up of a partnership between Posta Romana and Patria Bank for offering a range of financial and banking services through the branch network operated by Posta Romana. The first stage of implementation will be a pilot program in a selected number of locations, followed by national deployment in 2017.

June: The company received a fine of RON 33.1 million from the Competition Council for alleged anticompetitive practices during 2009-2011. Management has stated publically that they view the fine as unjustified and they will take all legal actions necessary in order to cancel it in courts.

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

December: The proposed capital increase of around RON 220 million with the purpose of paying amounts due to the State budget which are currently scheduled for monthly instalments was not completed due to ongoing discussions between shareholders regarding the structuring of the transaction.

Societatea Nationala a Sarri SA (Salrom)

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

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

February: Alexandra Pana, the Chairman of the Board of Directors, resigned for personal reasons.

According with the latest shareholders resolution, the initial public offering approval was postponed until the selection of a new board based on the GEO 109/2011 is completed.

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

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

November: The Board of Directors finalised the selection process according with Law 111/2016 and appointed Mr. Dumitru Matei as General Manager for a four-year mandate. The new General Manager has a very strong background in restructuring and turnaround of former SOEs, as well as in M&A and IPO processes. He has an MBA in Marketing and Finance from ASE Bucharest, HEC Montreal and University of Ottawa and he is also a CFA Chart holder.

Bankruptcies, insolvencies and reorganisations

The following companies from the Fund's portfolio are under bankruptcy, or insolvency or reorganisation procedure:

- BAT Service SA (sole registration code 16086637) is a company in bankruptcy according to Buzau Court decision related to the file 4339/114/2009;
- Forsev SA (sole registration code 1605710) is a company under insolvency procedure starting with 23 December 2015, according to the decision issued by the Mehedinti Court related to the file 7883/101/2015;
- Gerovital Cosmetics SA (sole registration code 334493) is a company under bankruptcy procedure starting with 6 January 2010, according to the decision issued by the Bucharest Court related to the file 22491/3/2007;
- Romplumb SA (sole registration code 2206334) is a company under reorganisation procedure starting with 7 January 2014, according to the decision issued by the Maramures Court related to the file 729/100/2012;
- Simtex SA (sole registration code 324490) is a company under judicial reorganisation procedure starting with 10 December 2008, according to the decision issued by the Bucharest Court related to the file 5768/3/2008;
- Salubriserv SA (sole registration code 7774360) is a company in reorganisation procedure according to the decision issued by the Mures Court related to the file 108/1371/2015 on 22 December 2016;
- World Trade Center Bucharest SA (sole registration code 364354) is a company under insolvency procedure starting with 8 June 2010, according to the decision issued by the Bucharest Court related to the file 45619/3/2011.

The holdings in these companies are reflected at zero in the NAV. Forsev SA is not reflected as a portfolio company: the Fund has recorded a receivable for the uncollected value of the shares in Forsev SA for which an impairment adjustment was recorded according to the provisions of the legislation in force, following the delisting of the company after RASDAQ market was closed.

Hidroelectrica SA (sole registration code 13267213) is a company that was under judicial reorganisation procedure starting 20 June 2013, according to the decision issued by the Bucharest Court related to the file 22456/3/2012. Between 26 June 2013 and 24 February 2014 Hidroelectrica SA was considered to be out of the reorganisation plan. On 21 June 2016 Hidroelectrica SA exited the insolvency procedure. The decision was appealed and the Bucharest Court of Appeal set the next hearing on 16 March 2017.

Financial Risk Management

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and with the markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk. The management monitors the potential adverse effects associated with these risk factors on the financial performance of the Fund. Starting 29 September 2010 the Fund management implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

i) Market risk

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to the issuer or factors affecting all instruments traded in the market. Equity price risk arises from changes in the value of equity investments and is the primary risk impacting the Fund. Diversification across securities and industries, is the primary technique for mitigating equity price risk. The companies in which the Fund holds equity instruments operate in different industries. The Fund has concentrated exposures to the "Oil and gas", "Power and gas utilities: transport, distribution and supply" and "Power utilities: generation" sectors.

Interest rate risk

Most of the assets are non-interest bearing. The interest bearing financial assets (deposits and government securities) generally have short-term maturities: deposits generally up to 3 months, treasury bills and government bonds up to 12 months. As a result, the Fund has a limited exposure to variations in interest rates.

Foreign currency risk

Fund's exposure to currency risk is insignificant. The Fund held current accounts, receivables and payables denominated in foreign currencies (EUR, USD or GBP), but the balances were immaterial during the reporting period. During 2016 the Fund did not hold any equity investment denominated in other currency than RON.

ii) Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills, government bonds and other receivables.

For government securities held, the credit risk is assessed as low to moderate, given that the issuer is the Romanian State through the Ministry of Public Finance.

Cash held by the Fund that is not invested in portfolio companies or government securities may be placed in short-term bank deposits. The Sole Director implemented a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent has a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings. The Fund has no significant credit risk from dividend receivables as at 31 December 2016 and 31 December 2015.

iii) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. As a closed ended investment fund, liquidity risks attributable to the Fund are less significant than for an open ended fund.

The Fund's equity investments include unlisted instruments issued by companies domiciled in Romania, which are not traded in a regulated market and generally may be considered be illiquid. Liquidity can vary during time and from market to market and some investments may take longer to sell. As a result, the Fund may not be able to sell in short time certain investments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer.

Also, not all shares listed on BVB are considered liquid due to insufficient volumes of transactions. The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to finance current liabilities. FTIML reviews liquidity at the time of making each investment decision and monitors the evolving liquidity profile of the portfolio regularly.

iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, service providers, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations. The Fund's objective in managing operational risk is to maintain a proper balance between limitation of financial losses and damage to the Fund's reputation with the overall cost effectiveness, avoiding control procedures that restrict initiative and creativity.

v) Operating environment

While uncertainty still exists within the European political environment regarding the direction of fiscal politics, responding central bank action and the possibility of a future breakup of the European Union, equity markets will be exposed to continued volatility especially with regards to countries with strong ties to Europe. Commodity markets have stabilised to an extent and even recovered in some areas, but given uncertainty regarding global trade relationships and increasing protectionism further volatility can be expected.

Both political uncertainty and fluctuation in commodity prices, particularly in the energy sector, can have an impact on the Romanian economy and consequently also the Fund's portfolio companies. Management cannot predict all developments which could have an impact on the Romanian economy and consequently what effect, if any, they could have on the performance of the Fund and its financial statements. Management cannot reliably estimate the effects on the Fund's financial position of any further deterioration in the liquidity of the financial markets and devaluation of financial assets influenced by the increased volatility in the equity and currency markets.

vi) Risks arising from potential changes in the legislation governing the Fund

The existence, operation and the initial structure of the Fund's portfolio are regulated by primary legislation, as well as by secondary legislation such as government decisions and FSA/ CNVM regulations. Hence, it may not be ruled out that the current legal framework might change so as to directly affect the Fund and its shareholders.

This risk is sustained by the legislative history of the past few years that reveals a series of laws which have changed also the Fund's portfolio composition. Such legal changes would have to be carried out in compliance with the constitutional principles regulating the guarantee of the private property.

Notwithstanding the general principle described above, the numerous instances where the relevant institutional structures have ruled on the unconstitutionality of certain laws, prove that the risk of legislative changes which may adversely affect the Fund and which may be passed in breach of the Constitution may not be ruled out.

Key Financial Highlights of the Fund**Summary of net cash position % in NAV**

RON million	31 Dec 2015	31 Mar 2016	30 Jun 2016	30 Sep 2016	31 Dec 2016
Current accounts	0.6	0.5	34.8	8.0	5.8
Bank deposits	197.8	89.6	572.7	155.3	305.3
Treasury bills and short-term government bonds	79.0	125.0	80.9	321.1	1,110.0
Total liabilities*	(43.1)	(40.9)	(80.0)	(54.3)	(47.2)
Net cash position	234.3	174.2	608.4	430.1	1,373.9
Net Assets Value	12,087.8	11,440.1	11,804.5	11,356.8	11,427.4
% Net cash position in NAV	1.9%	1.5%	5.2%	3.8%	12.0%

*Total liabilities exclude provisions

The table above shows the change in the net cash position of the Fund as a percentage of the NAV.

The increase of **the net cash position** during 2016 was due to the increase of **current accounts**, **bank deposits** and **government securities**, mainly as a result of the cash inflows from the disposal of portfolio companies (entire holdings in Romgaz SA, E.ON Distributie Romania SA and E.ON Energie Romania SA and partial disposal of the holdings in OMV Petrom SA, Banca Transilvania SA and BRD Groupe Société Générale SA) and the dividends collected from portfolio companies, net off by the cash outflows for funding the 2016 return of capital (payment started on 27 June) and the sixth and seventh buy-back programmes.

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

Total Expense Ratio

The total expense ratio of the Fund as at 31 December 2016 was 1.17%, and excluding transaction related expenses this was 0.87% (2015: 1.00%, and excluding transaction related expenses this was 0.92%). The ratio is calculated by dividing the relevant expenses by the average month-end NAV of the year. For the purpose of this calculation, expenses do not include foreign exchange losses, cost of equity investments disposed of, impairment adjustments, interest expenses, fair value adjustments, expenses with amortisation and provisions and income tax expenses.

The increase in the total expense ratio in 2016 is mainly due to the higher Fund's transaction related expenses and to the lower average NAV for 2016 (please see *Financial Statements Analysis* section for more details on the Fund expenses). The higher total expense ratio excluding transaction costs in 2015 compared to 2016 is mainly as a result of the secondary listing expenses incurred in 2015.

Income from operating activity

The income from operating activity mainly comprises the gross dividend income, the changes in fair value of financial instruments at fair value through profit or loss, interest income and the net realised gains/ losses from transactions with financial instruments. The changes in fair value of the equity investments in the Fund portfolio are recognised either in profit or loss (in case of subsidiaries and associates) or in equity (in case of all the other equity instruments).

The income from operating activity is significantly influenced by the changes in the share price of listed portfolio companies, the performance of the portfolio companies and their decisions on dividend distributions, as well as by money market performance.

As at 31 December 2016 the Fund's exposure to Romanian equities accounted for 87.8%% of the NAV, the difference of 12.2% being represented by the net cash and receivables.

The BET-XT index, which reflects the performance of the top 25 most liquid stocks listed on the Tier 1 of the BVB, increased by 0.5% during 2016.

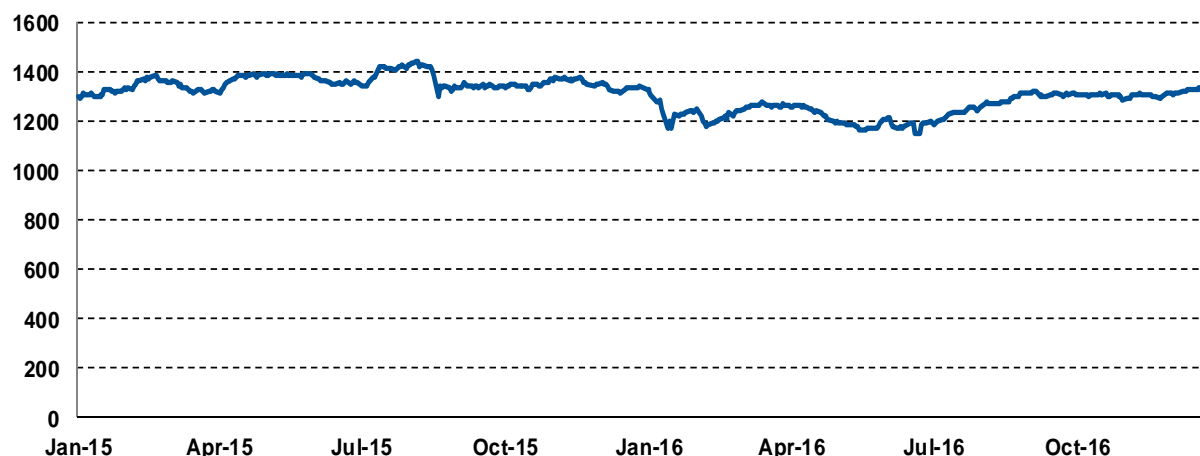
BET-BK index reflects the price evolution of the Romanian and foreign companies traded on BVB's regulated market. Its methodology takes into consideration the transactions on the main market segment ("Regular"). BET-BK index is a free float market capitalization weighted index of the most liquid companies listed at BVB's regulated market. BET-BK was designed to be used as a benchmark by asset managers and other institutional investors. The calculation methodology reflects the legal requirements and investment limits applying to investment funds.

BET-XT Index evolution



Source: Bloomberg

BET-BK Index evolution



Source: Bloomberg

Further information on the Fund's financial results can be found in the *Financial Statements Analysis* section.

Capital Expenditure

Capital expenditure comprises the costs for the acquisition or upgrade of the intangible assets of the Fund. The intangible assets include the value of the licences, the implementation costs and the updates of the Fund's accounting and reporting software, net of the accumulated amortisation.

Litigations and Other Contingencies

1. Litigations

As at 31 December 2016 the Fund was involved in certain litigations, either as defendant or claimant. The Fund has disclosed in this report those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

- One former minority shareholder of the Fund has filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the GSM. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by management through the Bucharest Stock Exchange news system and also on the Fund's website.
- In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the Sole Administrator of the Fund.

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

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new changes and versions of the Constitutive Act were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, the 3 February 2014 GSM, the 28 April 2014 GSM, the 23 September 2014 GSM, the 19 November 2014 GSM, the 21 January 2015 GSM, the 27 April 2015 GSM, the 29 October 2015 GSM, the 27 January 2016 GSM, 26 April 2016 GSM and 31 October 2016 GSM;
- new resolutions passed during the 25 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, the 3 February 2014 GSM, the 28 April 2014 GSM, the 23 September 2014 GSM, the 19 November 2014 GSM, the 21 January 2015 GSM, the 27 April 2015 GSM, the 29 October 2015 GSM, the 27 January 2016 GSM, 26 April 2016 GSM and 31 October 2016 GSM specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (part of these resolutions were proposed by a shareholder and approved with a significant majority);
- FTIML was appointed for a new 2-year mandate as Sole Director and Fund Manager of Fondul Proprietatea with effect from 30 September 2014. Considering the legal requirements to implement the AIFM Directive the shareholders of the Fund approved, on 29 October 2015, the change of the management structure and the termination of the mandate of FTIML as Fund Manager and Sole Director, with the mutual consent of both parties, with effect from 1 April 2016. Subsequent to the termination, the Fund appointed FTIS as its Sole Director and Alternative Investment Fund Manager under AIFM Directive. The mandate of the new Sole Director (FTIS) has not been challenged.

As at 31 December 2016 the litigant was no longer a shareholder of Fondul Proprietatea.

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

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

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

2. Other contingencies

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

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

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

Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted for as a receivable over this shareholder of the Fund, for which an impairment adjustment was recorded), while the legal interest was recorded as an expense with provisions for litigations.

On 7 July 2016, Bucharest Court admitted the claim filed by World Trade Center București SA and obliged Fondul Proprietatea to pay back the amounts recovered from the enforcement procedure (EUR 148,701, USD 10,131 and RON 8,829,663) and the related legal interest calculated for these amounts. During the period July – August 2016, the Fund performed the payment of these amounts and of the related legal interest to World Trade Center București SA. The decision can be appealed.

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

Market for Securities Issued by the Fund

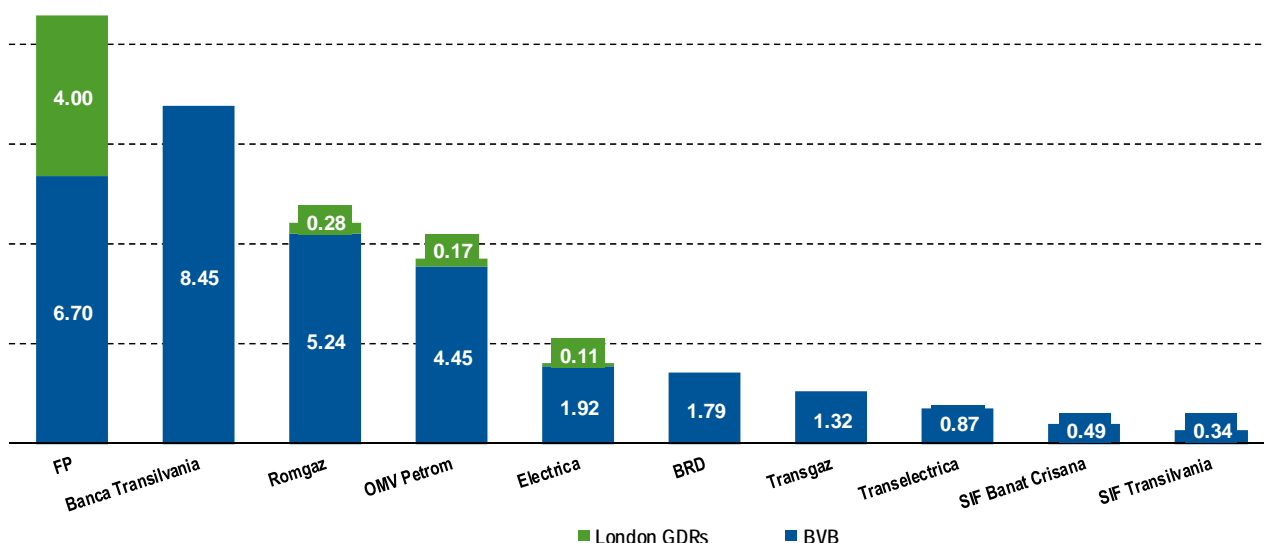
Trading of the Fund's Shares

Since 25 January 2011, the Fund's shares have been listed in the Tier I category of the regulated market of the BVB under ISIN number ROFPTAACNOR5, and market symbol FP.

The shareholders' register of the Fund is maintained, in accordance with the provisions of the regulations in force, by an independent registrar, Depozitarul Central SA ("Central Depository"), with the registered office in Bucuresti, 34-36 Carol I Avenue, 3rd, 8th and 9th Floors, 2nd District.

Starting 29 April 2015, the Fund's GDRs are listed on the Specialist Fund Market of the LSE under the market symbol "FP.". The Bank of New York Mellon was appointed by the Fund to act as depositary bank in relation to the GDR facility.

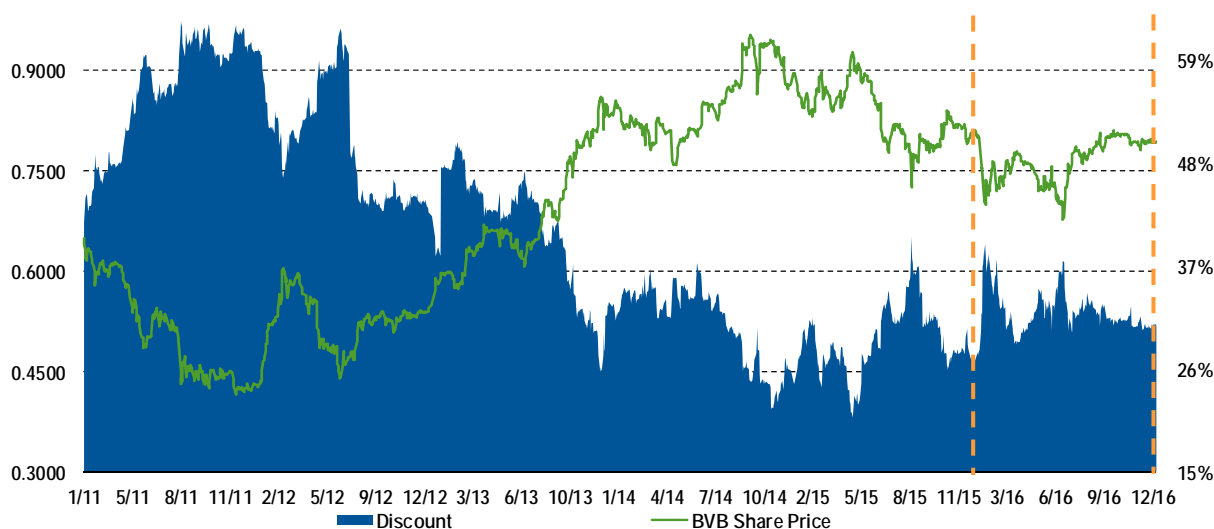
Average Daily Turnover in 2016 (RON million)



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

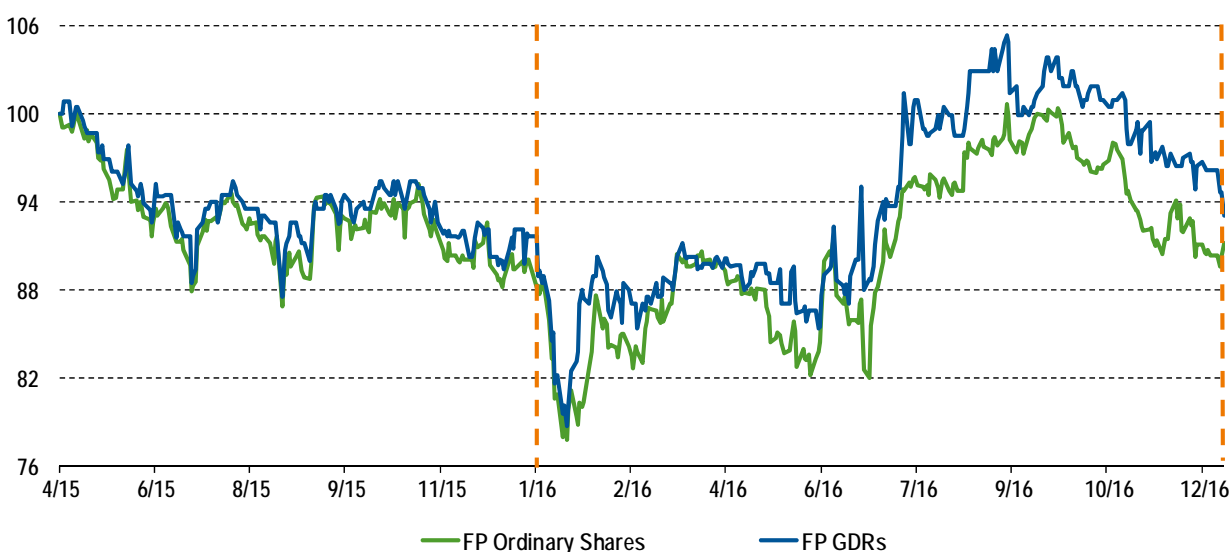
Source: BVB, Bloomberg

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



Source: BVB

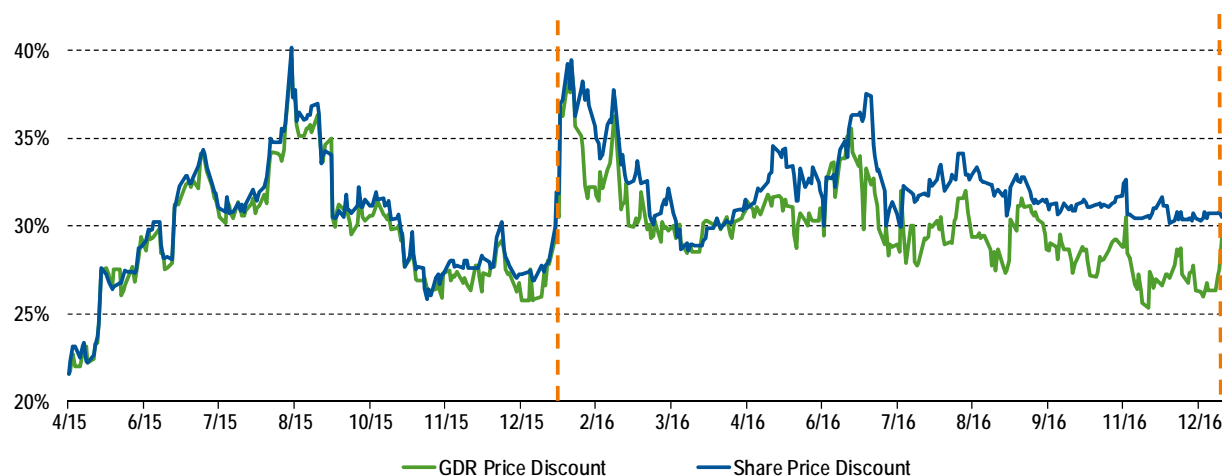
FP Share Price vs. FP GDR price



Note: As at 31 December 2016, FP GDRs were trading on LSE at a 1.76% premium to the FP share price on BVB.

Source: BVB, LSE

FP Share Price Discount vs. FP GDR Price Discount



Source: BVB, Bloomberg, for the period 29 April 2015 – 31 December 2016

Distribution to Shareholders

Annual Cash Distribution Policy

FTIS and FTIML remain committed to returning cash to shareholders on an annual basis (subject to applicable law and necessary approvals), and has amended the Fund's Annual Cash Distribution Policy as follows:

*“In the absence of exceptional market conditions or circumstances, and subject to any restrictions under Romanian legal or tax regulations and subject to available funding, FTIML, in its capacity of Investment Manager of Fondul Proprietatea SA, intends to recommend a cash distribution related to each financial year equivalent to 100% of the sum of (i) the Fund dividend income from portfolio companies, (ii) plus interest on cash balances, (iii) less expenses and taxation and (iv) less compulsory allocations to reserves according to the regulations in force, in each case for that year, **but not less than RON 0.05 per share.***

The cash distributions would be paid to shareholders in the form of a return of capital (by decreasing the nominal value per share) and/ or in the form of dividends, in each case subject to any restrictions under Romanian legal or tax regulations. In the case of dividend distributions (where permitted by applicable law), the distributable amount

will be assessed based on audited financial information. In the case of a return of capital, the distributable amount will be based on a best estimate according to the latest management accounts at the time of proposing the resolution. Unpaid and treasury shares will not be entitled to receive cash distributions.”

The Annual Cash Distribution Policy does not limit additional cash returns and share buy-backs that can be recommended by the Sole Director and by Investment Manager separately, subject to available funding and depending on the discount level, in accordance with the IPS.

The Annual Cash Distribution Policy is published on the Fund’s webpage.

Profit appropriation proposal

As per statutory financial statements prepared in accordance with the IFRS, the Fund recorded a net profit for the financial year ended 31 December 2016 of RON 446,969,856. The proposal for the appropriation of the net accounting profit for 2016 financial year in amount of RON 446,969,856 is as follows:

- RON 22,348,493 to legal reserve
- RON 424,621,363 will remain available to the Fund, the proposal being subject for GSM approval in accordance with the legislation in force.

The proposal is motivated by the fact that during 2017 there will be two returns of capital, one in March and one in June, of RON 0.05 per share each.

This proposal is subject to shareholders approval during the Annual Shareholders Meeting to be held on 25 April 2017.

Distributions History

Key information on the Fund’s distributions history is included in the table below:

Description	Paid in	Gross distribution declared (RON)	Gross distribution per share (RON)	Total number of shares*	Status of distribution payment (%)	Deadline for distribution collection by shareholders
2006 Dividend	2007	36,076,046	0.00250	14,240,540,675		30 June 2012 (Status of limitation occurred)
2007 Dividend	2008	89,997,678	0.00660	13,644,179,910		30 June 2012 (Status of limitation occurred)
2008-2009 Dividend (aggregate)	2010	1,124,316,804	0.08160	13,778,392,208		11 October 2013 (Status of limitation occurred)
2010 Dividend	2011	432,729,046	0.03141	13,776,792,208		30 June 2014 (Status of limitation occurred)
2011 Dividend	2012	507,658,517	0.03854	13,172,250,055		30 June 2015 (Status of limitation occurred)
2012 Dividend	2013	536,437,206	0.04089	13,119,031,695		28 June 2016 (Status of limitation occurred)
Distribution - Return of capital	2014	601,325,852	0.05000	12,026,517,031	> 99%	25 July 2017
Distribution - Return of capital	2015	534,322,868	0.05000	10,686,457,366	> 97%	29 June 2018
Distribution - Return of capital	2016	516,886,344	0.05000	10,337,726,877	> 98%	27 June 2019

* Number of shares defined as (1) the number of shares in issue, less (2) any unpaid shares and less (3) any treasury shares acquired via buy-backs (in the form of ordinary shares or GDRs corresponding to ordinary shares) at the registration date decided upon by the GSM approving the dividend distribution or return of capital.

Subsidiaries Owning Fund’s Shares

None of the subsidiaries of the Fund holds shares in the Fund as at 31 December 2016, based on the information made available to the Fund.

Issued Debt

The Fund had no bonds or other debt securities in issue during 2016.

Corporate Governance of the Fund

Overview

The Fund has a clear and transparent corporate governance framework concluded in 2011 that was updated and enhanced in the subsequent periods in order to meet new demands and opportunities. The framework is published on the Fund's website and presents clearly, for public reference, the main characteristics of the Fund's corporate governance structure, the functions of the Board of Nominees and of the Fund's Sole Director, as well as their powers and responsibilities.

In order to enhance shareholder confidence, the Fund has implemented a transparent decision making process, based on clear rules. This contributes to the protection of shareholders' rights, improving the overall performance of the Fund, offering better access to capital and risk mitigation.

Compliance with the provisions of the Corporate Governance Code issued by the BVB

The Fund lends great importance to the principles of good corporate governance and, coinciding with its listing at the start of 2011, has adhered to the BVB Code of Corporate Governance.

In September 2015 BVB issued the new Corporate Governance Code applicable starting 4 January 2016. Following the self-assessment conducted by the Fund, the AIFM informs the shareholders and investors that the Fund is fully compliant with the provisions of the new Corporate Governance Code of BVB.

For more details regarding the compliance with the provisions of the new Corporate Governance Code of BVB please see *Annex 8 Compliance with the corporate governance requirements*.

Compliance with the provisions of the principles of corporate governance by the entities authorised, regulated and supervised by the FSA

In March 2016 the FSA issued Regulation no. 2/2016 on the application of the principles of corporate governance by the entities authorised, regulated and supervised by the FSA. Following the self-assessment conducted by the Fund, the AIFM informs the shareholders and investors that the Fund is fully compliant with the provisions of the principles of corporate governance applicable to the entities authorised, regulated and supervised by the FSA.

For more details regarding the compliance with the requirements provisions of the principles of corporate governance by the entities authorised, regulated and supervised by the Financial Supervisory Authority, please see *Annex 8 Compliance with the corporate governance requirements*.

Corporate Governance of the Fund

Corporate bodies

In September 2010, a one-tier system of governance was implemented in the Fund, as a result of the implementation of the rules established by Government Ordinance no. 81/2007. Although the Fund is currently administrated under a one-tier system, the role of the Board of Nominees is similar to the role of a Supervisory Board, with a few exceptions.

Since adopting the one-tier system, the Fund is administrated by the Sole Director.

The powers and duties of the above mentioned bodies are described in a number of official documents:

- The Constitutive Act of the Fund which is included in Annex 6 to this report and is also available on the Fund's website, together with all the shareholders resolutions that modified the Constitutive Act;
- The Management Agreement, signed between the Fund and FTIS, available on the Fund's website;
- The IPS approved by shareholders in April 2014 and the new IPS approved by shareholders in October 2015, both also available on the Fund's website; and
- Other internal regulations.

Commitment to Follow the Principles of Corporate Governance

In accordance with best corporate governance practice, the Fund is managed in a climate of transparency, based on open discussions between FTIS, FTIML and the Board of Nominees.

FTIS, FTIML, their employees and the members of the Board of Nominees have a duty of care and loyalty towards the Fund. Hence, FTIS, FTIML and the Board of Nominees pass their resolutions as required for the welfare of the Fund, primarily in consideration of the interests of shareholders and investors.

The Fund implemented all recommendations of the new Corporate Governance Code of BVB and it has in place the following policies:

- The Annual Cash Distribution Policy;
- The Nomination and Remuneration Policy;
- The Forecast Policy; and
- The Policy regarding Related Parties Transactions.

General Shareholders Meeting

Any GSM shall be convened by the Sole Director whenever necessary, with the prior approval of the Board of Nominees, in accordance with the provisions of the law. The date of the meeting may not be less than 30 (thirty) calendar days after publishing the convening notice in the Official Gazette of Romania Part IV. The convening notice shall be published in the Official Gazette of Romania, Part IV, and in one of the widely distributed newspapers in Romania.

In exceptional cases, when the Fund's interest requires it, the Board of Nominees may convene the GSM. Any convening notice will be sent to the BVB and to the FSA in accordance with the capital markets regulations. Any convening notice will also be published on the Fund's website in the GSM section, together with any explanatory document related to items included on the meeting agenda.

The annual financial statements are made available starting with the date of the convening notice of the Annual OGM, convened to resolve upon them.

General Shareholders Meeting Organisation

The GSM is usually chaired by one of the legal representatives of the Sole Director, who may designate another person to chair the assembly. The chairman of the Meeting designates two or more technical secretaries to verify the fulfilment of the formalities required by law for the carrying out of the Meeting and for drafting the minutes thereof.

The minutes, signed by the Chairman and by the technical secretaries, shall ascertain the fulfilment of the formalities relating to the convening notice, the date and place of the Meeting, the agenda, the shareholders present, the number of shares, a summary of the issues discussed, the resolutions passed and, upon the request of the shareholders, the statements made by such shareholders during the meeting.

The resolutions of the GSM shall be drafted pursuant to the minutes and shall be signed by the person empowered by the shareholders to do this. In observance of the capital market regulations, the resolutions of the GSM will be disseminated to the BVB and the FSA within 24 hours after the event. The resolutions will also be made available on the Fund's website under the respective GSM section.

General Shareholders Meeting Main Duties

The main duties of the Ordinary General Shareholders Meeting are the following:

- a) to discuss, approve and amend the annual financial statements after reviewing the reports of the AIFM and financial auditor;
- b) to establish the distribution of the net profit and to establish the dividends;
- c) to appoint the members of the Board of Nominees and to cancel their appointment;
- d) to appoint the AIFM in accordance with the law and to cancel its appointment;
- e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;
- f) to set the level of the remuneration of the members of the Board of Nominees, the AIFM and of the financial auditor for financial audit services for the ongoing fiscal year;
- g) to rule over the management of the AIFM and to evaluate his/ her performances and to discharge him/ her from its management,

- h) to decide on the action in a court of law against the AIFM or, as the case may be, against the financial auditor, for damages caused to Fondul Proprietatea;
- i) to approve the strategy and the development policies of Fondul Proprietatea;
- j) to approve the annual budget for the following financial year;
- k) to decide upon the pledge, lease or creation of movable securities or mortgages on the assets of Fondul Proprietatea;
- l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.

The Extraordinary General Meeting of Shareholders is entitled to decide mainly upon:

- a) set-up or closing of some secondary units: branches, agencies, representative offices or other such units with no legal personality;
- b) share capital increase;
- c) share capital decrease or re-completion thereof by issuing new shares;
- d) conversion of shares from one category to another;
- e) conversion of a category of bonds to another category or to shares;
- f) issue new bonds;
- g) approval of the admission for trading and selection of the regulated market on which Fondul Proprietatea shares will be traded;
- h) execution of any agreement/ legal document which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
- i) change of the management system of Fondul Proprietatea;
- j) limitation or cancellation of the preference right of the shareholders;
- k) approval of the IPS;
- l) any other amendment of the Constitutive Act or any other resolution requiring the approval of the EGM.

During 2016, there were 6 GSMs, and 13 EGM resolutions and 11 OGM resolutions were issued.

Board of Nominees

The Board of Nominees consists of five members appointed by the OGM in accordance with the provisions of the Constitutive Act in force.

The Board of Nominees has sufficient members in order to effectively supervise, scrutinise and evaluate the activity of the Sole Director and the fair treatment of all the shareholders.

The composition of the Board of Nominees is balanced so as to enable it to take well-informed decisions. The decision-making process is a collective responsibility of the Board, which remains fully liable for decisions taken within its field of competence.

An independent member is defined as one who does not maintain, nor has recently maintained, directly or indirectly, any business relationship with the Fund or persons linked to the Fund, or shareholders of the Fund, of such significance as to potentially influence them.

The Board of Nominees ensures that consultative committees (Nomination and Remuneration Committee and Audit and Valuation Committee) are constituted to examine specific topics chosen by the Board and to report to the Board. One independent Board of Nominees member sits on each such committee. The mandate of each member of the Board of Nominees imposes the same type of restrictions around confidentiality of information and the same type of reporting and consent requirements on the individual's ability to personally trade in the Fund's shares as the restrictions that are in place for the staff of FTIS and FTIML. Beginning with year 2016 the Fund implemented the annual evaluation of the members of the Board in order to fully comply with the BVB Corporate Governance Code.

The members of the Board of Nominees may be shareholders of the Fund.

The structure of the Board of Nominees as at 31 December 2016 was the following:

Name	Position	Mandate until
Mr Sorin-Mihai Mîndruțescu	Chairman	30 September 2019
Mr Mark Gitenstein	Member	30 September 2019
Mr Julian Rupert Francis Healy	Member	5 April 2018
Mr Steven Cornelis van Groningen	Member	14 April 2018
Mr Piotr Rymaszewski	Member	5 April 2018

During 2016 there were no changes in the structure of Board of Nominees.

There were 13 meetings of the Board of Nominees in 2016, as follows:

- 27 January 2016 – meeting (Members of the Board joining the meeting: Mr Sorin Mîndruțescu – Chairman, Mr Julian Healy, Mr Steven van Groningen, Mr Piotr Rymaszewski and Mr Mark Gitenstein)
- 12 February 2016 – conference call (Members of the Board joining the conference call: Mr Sorin Mîndruțescu – Chairman, Mr Julian Healy, and Mr. Mark Gitenstein)
- 2 March 2016 – meeting (Members of the Board joining the meeting: Mr Sorin Mîndruțescu – Chairman, Mr Julian Healy, Mr Steven van Groningen, Mr Piotr Rymaszewski and Mr Mark Gitenstein)
- 26 April 2016 – meeting (Members of the Board joining the meeting: Mr Sorin Mîndruțescu – Chairman, Mr Julian Healy, Mr Steven van Groningen, Mr Piotr Rymaszewski and Mr Mark Gitenstein)
- 7 June 2016 – conference call (Members of the Board joining the conference call: Mr Julian Healy – Chairman, Mr Steven van Groningen, Mr Piotr Rymaszewski and Mr Mark Gitenstein)
- 3 August 2016 – meeting (Members of the Board joining the meeting: Mr Sorin Mîndruțescu – Chairman, Mr Julian Healy, Mr Steven van Groningen, Mr Piotr Rymaszewski and Mr Mark Gitenstein)
- 11 August 2016 – conference call (Members of the Board joining the conference call: Mr Julian Healy – Chairman, Mr Piotr Rymaszewski and Mr Mark Gitenstein)
- 6 September 2016 – meeting (Members of the Board joining the meeting: Mr Sorin Mîndruțescu – Chairman, Mr Julian Healy, Mr Steven van Groningen, Mr Piotr Rymaszewski and Mr Mark Gitenstein)
- 21 September 2016 - conference call (Members of the Board joining the call: Mr Sorin Mîndruțescu – Chairman, Mr Julian Healy, Mr Steven van Groningen, Mr Piotr Rymaszewski and Mr Mark Gitenstein)
- 11 October 2016 – meeting (Members of the Board joining the meeting: Mr Sorin Mîndruțescu – Chairman, Mr Julian Healy, Mr Steven van Groningen, Mr Piotr Rymaszewski and Mr Mark Gitenstein)
- 31 October 2016 – meeting (Members of the Board joining the meeting: Mr Sorin Mîndruțescu – Chairman, Mr Julian Healy, Mr Steven van Groningen, Mr Piotr Rymaszewski and Mr Mark Gitenstein)
- 14 November 2016 - conference call (Members of the Board joining the call: Mr Sorin Mîndruțescu – Chairman, Mr Julian Healy, Mr Steven van Groningen, Mr Piotr Rymaszewski and Mr Mark Gitenstein)
- 14 December 2016 – conference call (Members of the Board joining the call: Mr Sorin Mîndruțescu – Chairman, Mr Julian Healy, Mr Steven van Groningen, Mr Piotr Rymaszewski and Mr Mark Gitenstein)

During 2016, the Board of Nominees issued a total number of 61 resolutions.

Mr Sorin-Mihai Mîndruțescu is the Chairman of the Board of Nominees. Mr Mîndruțescu has extensive experience in corporate finance and in the banking industry. From 1994 until 2001, he held various senior positions in a number of large Romanian credit institutions. From 2009 until 2012, Mr Mîndruțescu was Chairman of the Board of Directors of the American Chamber of Commerce Romania (AmCham). Currently, Mr Mîndruțescu is a managing director with Oracle Romania. Mr Mîndruțescu holds MBA qualifications from both The University of Edinburgh Management School and ENCP School of International Management in Paris.

As at 31 December 2016, Mr Mîndruțescu held no shares issued by the Fund. Mr Mîndruțescu is an independent member.

Mr Mark Gitenstein is a special counsel in the Government & Global Trade practice in Mayer Brown's Washington DC office. He was appointed in 2009 by President Barack Obama to serve as the United States Ambassador to Romania, completing his term of service at the end of 2012. As US Ambassador to Romania, he worked to strengthen relations with Romania on a variety of issues. He actively promoted deeper development of Romania's equity markets, as well as a fair and transparent business environment for all investors. He also encouraged greater private sector involvement in state owned enterprises, including the introduction of a corporate governance code for state owned enterprises. Before undertaking his ambassadorial role, Mr Mark Gitenstein spent two decades as a partner at Mayer Brown. Additionally, he was a non-resident senior fellow in governance studies at the Brookings Institution, where he specialised in issues related to national security and civil liberties. Before

joining Mayer Brown, Mr Mark Gitenstein served for 17 years on the staff of the US Senate Judiciary and Intelligence committees, 13 of those years working for Senator Joe Biden. He is the author of Matters of Principle, an award winning book on his experience managing the Judiciary Committee staff during the confirmation battle over the nomination of Robert Bork to the Supreme Court. As at 31 December 2016, Mr Gitenstein held no shares issued by the Fund. Mr Gitenstein is an independent member.

Mr Julian Healy has long and extensive experience of banking and investment management in emerging markets and particularly in central and Eastern Europe. He is a Member of the Institute of Chartered Accountants in England and Wales. Mr Healy also acts as a non-executive director in a number of companies. Mr Healy chairs the Audit and Valuation Committee. As at 31 December 2016, Mr Healy held no shares issued by the Fund. Mr. Healy is an independent member.

Mr Steven Cornelis van Groningen has extensive experience in banking and is the President and CEO of Raiffeisen Bank SA Romania. Mr van Groningen previously held senior management positions in ABN AMRO Bank (in Romania, Russia and Hungary). Mr van Groningen is a member of Foreign Investors Council in Romania and the Chairman of The Council of Banking Employers in Romania. As at 31 December 2016 Mr van Groningen held 522,708 shares issued by the Fund.

Mr Piotr Rymaszewski has experience in finance, turnaround, real estate and law. He is a CEO of Octava Asset Management Sp. z o.o. and Octava SA, a company listed on the Warsaw Stock Exchange. He also acts as a nonexecutive director of a number of both listed and unlisted companies, representing institutional investors. As at 31 December 2016 Mr Rymaszewski held no shares issued by the Fund.

The main duties of the Board of Nominees include:

- 1) Requesting, if necessary, the insertion of supplementary matters in the text of the GSM calling notice, following the information received from the AIFM with regard to the summoning of the OGM or EGM;
- 2) Receiving from the AIFM the answers to the written requests submitted by shareholders before the GSM date, on topics regarding Fund activity;
- 3) Receiving from the AIFM the annual financial statements, the annual activity report presented by the AIFM and the financial auditors' report, before being made available to shareholders and analysing them, in order to formulate an opinion to be presented to both the AIFM and to the GSM;
- 4) Receiving from the AIFM for analysis the annual report and the management policy of Fondul Proprietatea and presenting an opinion to the AIFM and to the GSM regarding such;
- 5) Receiving from the AIFM for analysis the annual budget, before it is submitted for approval to the GSM and presenting an opinion to the AIFM and to the GSM regarding such;
- 6) Receiving from the AIFM for analysis the strategy and the development policies of Fondul Proprietatea, before these are submitted for approval to the GSM, and presenting an opinion to the AIFM and to the GSM regarding such;
- 7) Receiving from the AIFM for analysis and approval the framework for carrying out Fondul Proprietatea operations, as well as any other Fondul Proprietatea regulations issued by AIFM according to legal provisions in force, capital market rules and regulations;
- 8) Receiving from the AIFM for analysis the proposal to the OGM for concluding the financial audit agreement and presenting an opinion to the AIFM and to the GSM regarding such;
- 9) Reviewing on a regular basis the IPS of Fondul Proprietatea and presenting an opinion to the GSM at any time it deems necessary, but in any case, at least once a year to the Annual OGM;
- 10) Receiving the internal auditor's report and presenting an opinion to the AIFM and to the GSM regarding such;
- 11) Monitoring the following, based on information and reports received from the AIFM:
 - the list of all portfolio investments and percentage breakdown by each investment type;
 - the list of major transactions implemented in the Fund portfolio for the period under review;
 - the total profit of the portfolio and comparison of profit with the appropriate market benchmark;
 - comparison of the obtained profit with the initial objective;
 - the extent of compliance with the investment policy, as well as any variations and actions taken to obtain the correct results;
 - the performance evaluation report.

The Board of Nominee shall draft and present to the GSM an annual report regarding the monitoring activity performed or a monitoring report for another period agreed by the GSM;

- 12) Representing the GSM in relation with the AIFM regarding the communication between the two corporate bodies, except for the cases expressly regulated by the Constitutive Act regarding the direct communication between the GSM and the AIFM;
- 13) Verifying the report of the AIFM and permanently overseeing the management of the Fund, verifying if the operations carried out by the AIFM are in compliance with the applicable law, the Constitutive Act or with any relevant decision of the GSM;
- 14) Calling upon the GSM, under the conditions of art. 13 paragraphs (11) and (14) of the Constitutive Act;
- 15) Participating to the GSM and presenting the reports in all cases provided by the Constitutive Act or with regard to any issue it deems to be relevant for the GSM;
- 16) Proposing to the GSM the prior approval or rejection of any contract/ document which may create binding obligations to Fondul Proprietatea, including without limitation buying, selling, exchanging, pledging of non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
- 17) Recommending to the GSM the termination of the management contract for the case when the Board of Nominees considers this is to the benefit of the shareholders.
- 18) Recommending to the GSM on any other issues the Board of Nominees considers relevant to the shareholders.
- 19) Recommending to the EGM the appointment of the public offer intermediate and his remuneration, following the proposal of the AIFM, when it becomes necessary that such a company is appointed, related to the admission to trading of Fondul Proprietatea
- 20) Approving the delegation by the AIFM of certain activities. The delegation will be in force after the approval of FSA, where required by legislation in force.
- 21) Monitoring the AIFM performance in accordance with the Management Agreement.

For more details regarding the activity of the Board of Nominees during 2016, please see the annual activity report of the Board, available on the Fund's webpage in the *Investor Relations – GSM Information* section.

Committees

Audit and Valuation Committee

A permanent Audit and Valuation Committee composed of four Board of Nominees members was established to provide assistance to the governing bodies of the Fund in the area of internal control and financial reporting. This committee reviews the annual financial statements and the proposal for profit distribution. In addition, the Audit and Valuation Committee analyses the proposal for appointing the independent financial auditor, who is appointed by shareholders at an OGM.

The Committee also supervises the Fund's risk management strategy and its financial performance and assesses any issues brought to its attention by the internal auditor.

The Sole Director reports to the Audit and Valuation Committee at least once a year on the audit plan and on any material relevant matters.

The Audit and Valuation Committee includes members that have the necessary expertise in the area of financial audit and accounting. As at 31 December 2016 the members of the Audit and Valuation Committee were Mr Julian Healy (as Chairman), Mr Steven van Groningen, Mr Sorin Mîndruțescu and Mr Piotr Rymaszewski.

Nomination and Remuneration Committee

A Nomination and Remuneration Committee composed of three Board of Nominees members was established to provide assistance to the governing bodies of the Fund in the area of nomination and changes in remuneration.

As at 31 December 2016 the Nomination and Remuneration Committee members were Mr Sorin Mîndruțescu (as Chairman), Mr Mark Gitenstein, and Mr Piotr Rymaszewski.

The Sole Director

The Sole Director of the Fund is Franklin Templeton International Services S.à r.l., a société à responsabilité limitée qualifying as an Alternative Investment Fund Manager under Article 101-1 of the Luxembourg Act of 17 December 2010 concerning undertakings for collective investment, as amended from time to time, whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 36.979, as its Alternative Investment Fund Manager.

The Sole Director is appointed and/ or revoked by the OGM.

The duration of the mandate as the AIFM and Sole Director of the Fund is of 2 years.

The Sole Director issues decisions regularly and whenever necessary for the daily operations of the Fund.

Currently, the Fund is managed by FTIS as Sole Director. FTIS has delegated the role of Investment Manager as well as certain administrative functions to FTIML. For details regarding the delegated activities please read *Delegated management functions* section.

The Sole Director is responsible for the Fund's executive management. FTIS as Sole Director and AIFM, as well as FTIML as Investment Manager act in the best interests of the Fund and protect the general interests of the shareholders.

In June 2009, the Fund nominated Franklin Templeton Investment Management Limited United Kingdom as winner of the international tender procedure organised by the Fund for the selection of the Fund's Investment Manager and Sole Director.

With effect from 29 September 2010, Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch took over as the Sole Director of the Fund for a period of 4 years.

On 28 April 2014, the shareholders of the Fund approved the renewal of the mandate of the Fund Manager and Sole Director for two years beginning with 30 September 2014. The new mandate was registered with the Trade Register and endorsed by the FSA. The 2014 IMA as amended by Addendum no. 1 entered into force beginning with 30 September 2014.

In order to comply with Law 74/2015 implementing the AIFM Directive, on 29 October 2015, the GSM approved the appointment of Franklin Templeton International Services S.à r.l., as the AIFM and Sole Director of the Fund for a mandate of two years starting 1 April 2016.

Neither FTIS nor FTIML had any agreement, understanding or family relationship with the shareholders responsible for appointing it to the position of Sole Director and Investment Manager. On 31 December 2016 neither FTIS nor FTIML held any shares issued by the Fund.

Franklin Templeton Investment Management Limited United Kingdom is authorised and regulated by the UK Financial Conduct Authority and is registered as a foreign investment adviser with the United States Securities and Exchange Commission.

Treating customers fairly is one of the core values of Franklin Templeton Investments ("FTI"). Preferential treatment among clients is strictly prohibited. Aiming to ensure fair treatment to any client or investor, FTI has developed and implemented a number of policies and procedures. Both FTIS and FTIML apply FTI global best practices to meet its regulatory obligations and comply with laws and regulations.

These include:

- Code of Ethics to which all employees are bound;
- Conflicts of Interest Policy to evidence compliance with the conflicts of interest requirements as set out in the European Markets in Financial Instruments Directive ("MiFID") of 2004;
- Data Protection Policy to ensure that its business operations comply with the Data Protection Regulation;
- Anti-Bribery Policy to ensure that employees of FTIS and FTIML comply with the U.S. Foreign Corrupt Practices Act and applicable anti-bribery and anti-corruption regulations of the local jurisdictions where FTIS and FTIML operate;
- Compliance Manual, which sets the compliance framework, describing the generic compliance and regulatory requirements and the consequences of failure to comply;
- Personal Investments and Insider Trading Policy designed to prevent Franklin Templeton employees from engaging in prohibited insider trading and to fairly disclose non-public information;

- Gifts and Entertainment Compliance Policy, intended to deter providers of gifts or entertainment from seeking or receiving special favours from employees of Franklin Templeton;
- Regular staff training on compliance and related matters;
- Reinforcement of corporate values which focus on acting in the client's best interests, with integrity and confidentiality.

The Main Duties of the Sole Director

As provided by the Constitutive Act, the Management Agreement and the IPS, the main duties of FTIS performed under the control of the GSM and the monitoring of the Board of Nominees, are:

- fulfilling the necessary and useful operations to achieve the Fund's business objective, except for the operations reserved by the law for the GSM, having all the obligations attributed to it by the applicable law;
- establishing a reference date for shareholders entitled to vote within the GSM, under the law, and drafting the text of the announcement on the convocation of the GSM, after obtaining the prior approval of the Board of Nominees and after adding to the agenda the matters requested by the Board of Nominees;
- giving responses on the aspects concerning the business of Fondul Proprietatea, upon the written request submitted by any shareholder before the date of the GSM, after obtaining the prior approval of the Board of Nominees;
- ensuring that a copy of or extract of the GSM minutes is given to any shareholder upon his request; making available to shareholders the financial statements of the Fund and the reports of the AIFM and of the financial auditors, after the announcement of the Annual OGM is published;
- preparing the annual financial statements, drafting the annual activity report, examining the financial auditors' report, presenting them to the Board of Nominees before submitting such documents to the GSM and making proposals on the distribution of the profit to the GSM, after obtaining the prior approval of the Board of Nominees;
- managing the relationship with the Central Depository with regard to its shareholders register functions;
- preparing an annual report on the management and business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the GSM;
- proposing to the Board of Nominees for prior approval and further, to the GSM for final approval, the annual budget and business plan;
- proposing to the Board of Nominees for the prior approval and further, to the GSM for final approval, the general strategy in accordance with the investment policy of Fondul Proprietatea;
- implementing the investment policy and achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio;
- informing the Board of Nominees periodically on any significant changes in the activities and portfolio structure of the Fund;
- approving the outsourcing of certain activities, within the limits of the approved budget; delegating the execution of certain activities, with the prior endorsement of the FSA, where required by applicable legislation;
- submitting to the approval of the EGM of any agreement/ document which may create binding obligations to Fondul Proprietatea, including but not limited to the purchase, sale, conversion or encumbrance of the non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables, based on the proposal of the Board of Nominees;
- entering into any agreement/ document which may create binding obligations to Fondul Proprietatea, including the purchase, sale, conversion or encumbrance of the non-current assets of Fondul Proprietatea whose value does not exceed, either individually or cumulated, during a financial year, 20% of the total value of the non-current assets, less any receivables, without the approval of the GSM;
- proposing to the OGM the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees;
- approving the internal audit procedure and the internal audit plan;

- deciding on the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
- making available to the Board of Nominees the reports and other necessary documents for exercising the monitoring duties, in accordance with the Constitutive Act;
- informing at once the Board of Nominees of any litigation or infringement of legislation regarding the AIFM, any operation which might be an infringement to the investment policy and about the plans/ correction measures for approaching these matters;
- calling the GSM to decide whenever an issue appears on which the Board of Nominees has a disagreement with the AIFM, which cannot be resolved amiably;
- proposing to the Board of Nominees the EGM recommendation for the appointment of the investment firm/ investment bank who shall manage a public offer, as well as its remuneration, when it becomes necessary that such a company is appointed related to the admission to trading of Fondul Proprietatea.

The Sole Director coordinates the strategy of the Fund.

The Sole Director ensures that the provisions of the relevant European and Romanian capital markets legislation are complied with and implemented by the Fund, as presented above within this section. Likewise, the Sole Director ensures the implementation and operation of an accounting, risk management and internal controlling system which meets the requirements of the Fund.

The employees of the Sole Director qualified as insiders and the persons closely related to them and to the Sole Director have the duty to report to the Sole Director and to the FSA any and all trading/ business performed for their own account with (i) shares or other securities issued by the Fund and admitted for trading on regulated markets; and/ or (ii) derivative financial instruments relating to securities issued by the Fund and/ or (iii) any other instruments relating thereto.

The Sole Director has the duty to disclose immediately to the Board of Nominees any material personal interests it may have in the transactions of the Fund as well as all other conflicts of interest.

Sole Director conducts all business according to the principle that it must manage any conflicts of interest fairly between itself and the Fund. The Franklin Templeton group has group-wide policies for managing conflicts of interest and ensuring the ethical conduct of its entire staff which apply to the Sole Director. These policies were designed to evidence compliance with the conflicts of interest requirements as set out in the European Markets in Financial Instruments Directive of 2004 and were also submitted to FSA during the course of the Sole Director's licensing application.

All business transactions between the Fund and the Sole Director as well as persons or companies closely related to them must comply with the normal industry standards and applicable corporate regulations.

During 2016, the Sole Director issued 53 resolutions on all matters requiring its approval in accordance with the Constitutive Act.

Permanent representatives of the Fund

As at 31 December 2016, Craig Blair, Denise Voss, Harry Nash, Grzegorz Maciej Konieczny, Johan Meyer, Adrian Cighi and Oana Valentina Truța are the permanent representatives of the Fund.

Grzegorz Konieczny is CEO of FTIML Romania, Executive Vice President FTIML, and the Director of Specialty Strategies for the Templeton Emerging Markets Group. In this capacity, he focuses on Fondul Proprietatea (the largest closed-end investment fund in Romania and one of the largest London listed closed-end funds), additional specialised country and regional strategies, as well as private equity strategies, providing guidance and thought leadership, coordinating appropriate resources and coverage as well as leveraging the group's expertise to add value across products within the strategies. Prior to joining Franklin Templeton in 1995, Mr. Konieczny was the director of Capital Market Transactions at Bank Gdanski, one of the largest financial institutions in Poland at the time. Mr. Konieczny holds a master's degree in economics and foreign trade from the University of Gdansk (Poland) and an investment advisor license from the Polish Securities and Exchange Commission. Mr. Konieczny speaks Polish, English and Russian. As at 31 December 2016 Mr Konieczny held no shares issued by the Fund.

Adrian Cighi has experience in investment management and portfolio analysis. Mr Cighi has earned a bachelor's degree in Finance from the American International University in London and a master's degree in Accounting and Finance from the London School of Economics and Political Science. He was employed as an analyst by major international investment banking and securities firms, such as Goldman Sachs (London) and Lehman Brothers (London). Locally, Mr Cighi has acted as an investment analyst at BT Asset Management (Cluj) and management

counsellor at Rematinvest (Cluj). He joined the Bucharest office of Franklin Templeton in 2010. As at 31 December 2016 Mr Cighi held no shares issued by the Fund.

Oana Truța has experience in investment management and portfolio analysis. Ms Truța earned a bachelor's degree in Finance and Insurance from the Babes Bolyai University in Cluj-Napoca and a master's degree in Quantitative Economics and Finance from the same university. Prior to joining Franklin Templeton Ms Truța has acted as an investment analyst at Interdealer Capital Invest. She joined the Bucharest office of Franklin Templeton in 2010. As at 31 December 2016 Ms Truța held no shares issued by the Fund.

Johan Meyer, Co-CEO Romania Franklin Templeton Investment Management Limited UK Bucharest Branch, joined Franklin Templeton Investments in 2004. Prior to his role in Romania, he was Managing Director South Africa, and the Director of Africa Strategy for Templeton Emerging Markets Group. In this capacity, he was responsible for setting the overall strategy for his respective area, providing guidance and thought leadership, coordinating appropriate resources and coverage, and leveraging the group's expertise to add value across products within the strategy. Effective on 1 November 2016 he is Co-CEO of Franklin Templeton Investment Management Limited UK Bucharest Branch and Co-Portfolio Manager of Fondul Proprietatea. Mr. Meyer holds a bachelor's degree in commerce and an honors degree with specialization in economics from the University of Pretoria. He speaks English, Afrikaans and is currently learning Romanian. As at 31 December 2016, Mr Meyer held no shares issued by the Fund.

Craig Blair is a Director and Conducting Officer for FTIS in Luxembourg, where he has worked since 2004. During this period, Mr Blair held a number of roles within the organisation in the fund administration department. Mr Blair holds an MBA from Manchester Business School, is a Member of the Chartered Institute of Management Accountants and holds a Law degree from Leicester University. As at 31 December 2016, Mr Blair held no shares issued by the Fund.

Denise Voss is the conducting officer and director of FTIS, Franklin Templeton Investments' Luxembourg based management company, managing both UCITS (undertakings for the collective investment of transferable securities) and AIFs. Ms Voss joined Franklin Templeton Investments in 1995 where she served as a general manager of the Luxembourg subsidiary until December 2005. Between 2006 and 2013, she held the role of conducting officer of Franklin Templeton Investments' Luxembourg-domiciled UCITS. Prior to joining Franklin Templeton Investments, Ms Voss worked in the audit division of Coopers & Lybrand in Boston, USA and Luxembourg, for over nine years. Ms Voss holds a Massachusetts Certified Public Accountant license and obtained an undergraduate degree from Tufts University, as well as a master degree in accountancy from Bentley College. She is Chairman of the Association of the Luxembourg Fund Industry ("ALFI") and has been a member of the ALFI board of directors since 2007. Ms. Voss is also past chairman of the European Fund and Asset Management Association (EFAMA) Investor Education working group. As at 31 December 2016 Ms Voss held no shares issued by the Fund.

Harry Nash is a Senior Vice President - Enterprise Bank Relationship Management Director and Conducting Officer of FTIS. Mr Nash has two primary roles within the business, including leading the Enterprise Bank Relationship Management team globally managing relationships with the company's primary banking partners and also being a Director/ Conducting Officer responsible for the day to day management and business oversight for FTS locally domiciled UCITS and Alternative Fund Management Company. Mr Nash joined Franklin Templeton Investments in 2006 and until August 2011 headed Fund Accounting and Reporting teams in Asia, India and Europe. Subsequently he was appointed general manager for the Luxembourg administration business as well as head of the FTS Quality Assurance and Risk group globally. Prior to joining Franklin Templeton, he was head of fund accounting for JPMorgan Bank Luxembourg SA and also served as head of Fund Accounting and Transfer Agency for Bank of New York in the United Kingdom. He has over 25 years of operational and accounting experience in the financial services industry. Mr. Nash holds a Bachelor degree in Commerce and Accounting from Birmingham University and is a member of the Institute of Chartered Accountants (England & Wales). As at 31 December 2016, Mr Nash held no shares issued by the Fund.

Legal representatives of the Investment Manager

At the date of this report, Grzegorz Maciej Konieczny, Johan Meyer, Adrian Cighi and Oana Valentina Truța are the legal representatives of the Investment Manager, each of them having full management powers in this regard.

Effective on 1 November 2016, Mr Johan Meyer was appointed as Co-Chief Executive Officer ("Co-CEO") of FTIML and Co-Portfolio Manager of Fondul Proprietatea. Mr Meyer's focus is on supporting Mr. Grzegorz Maciej Konieczny, CEO of FTIML and PM of Fondul Proprietatea on portfolio side as a co-CEO and co-PM level.

The Remuneration of the Sole Director

A. For the period 1-6 January 2016, the fee due to FTIML in accordance with the 2014 IMA, including the Base Fee and the Distribution Fee, was calculated and paid in RON by the Fund in compliance with the provisions below.

1. The Base Fee was calculated according to the following formula:

the Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days of payment, divided by 365

where:

Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001; and

Notional amount = the market capitalisation of the Fund which is defined as the number of the Fund's paid shares, minus the weighted average number of the Fund's settled own shares held in treasury over the calculation period, then multiplied by the weighted average market price of the Fund's shares calculated for the corresponding quarter. The weighted average market price was computed based on the daily average market prices of the Fund's shares and corresponding daily volumes, as published by BVB on REGS section. If the number of shares relevant for the computation of the Base Fee was changed over the calculation period, the Base Fee was an aggregation of the computation for each sub-period.

2. The Distribution Fee was calculated as follows:

100 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares and returns of share capital) made available during the period.

Reference is made to distributions being "made available" to clarify that any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of, these distributions do not result in any adjustment of the calculation of the Distribution Fee due to FTIML. The calculation of the Distribution Fee was made when such distributions become available to shareholders (e.g. payment start date). In case of repurchase of own shares, the calculation of the Distribution Fee was made at the date when the own shares repurchase transactions are settled.

3. Payments

The Base Fee was paid by the Fund quarterly, based on the invoices that were issued by FTIML within twenty (20) business days following the end of the quarter for which the payment was made.

The Distribution Fee was paid by the Fund quarterly, based on the invoices which were issued by FTIML within twenty (20) business days following the end of the quarter in which the relevant date for calculating the distribution amount occurred. The calculation of the first payment period covers all non-dividend distributions made available during the period.

The invoices for the Base Fee and the Distribution Fee were submitted to the Depositary Bank of the Fund's assets.

FTIML provided to the Board of Nominees quarterly and on an annual basis and upon reasonable request of the Board of Nominees a detailed report regarding the fees collected under the 2014 IMA, in the form reasonably required by the Board of Nominees.

4. Verification

The payment of fees (Base Fee and Distribution Fee) was made only after the verification and certification by the Depositary Bank of the correctness of the calculation: notional amount, value of distributions, all the other items used in the calculation of the fees as well as the methods for determining the fees.

The payment was made within 30 business days since receipt of the invoice.

B. For the period 7 January - 31 March 2016, the fees due to FTIML in accordance with the 2014 IMA, including the Base Fee and the Distribution Fee, were calculated and paid in RON in compliance with the provisions below.

1. The Base Fee was calculated according to the following formula:

Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days during the calculation period, divided by 365

where:

Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001; and

Notional amount = the market capitalisation of the Fund, which is defined as:

- (a) the number of the Fund's paid shares considered on daily basis, minus
- (b) the weighted average over the calculation period of the number of the Fund's settled own shares together with the number of the Fund's equivalent ordinary shares represented by GDRs in each case where those shares or GDRs are held by the Fund as treasury shares,
- (c) then multiplying the resulting number by the weighted average market price of the Fund's shares calculated for the corresponding calculation period. The weighted average market price was computed based on the daily average market prices of the Fund's shares and corresponding daily volumes, as published by BVB on REGS section. If the number of shares relevant for the computation of the Base Fee (described above in (a) and (b)) changed over the calculation period, the Base Fee was an aggregation of the computation for each sub-period.

2. The Distribution Fee was calculated as follows:

200 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of FP GDRs, and returns of share capital) made available at any time in between 7 January 2016 and 31 March 2016.

Reference is made to distributions being "made available" to clarify that any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of, these distributions does not result in any adjustment of the calculation of the Distribution Fee due to FTIML. The calculation of the Distribution Fee was made when such distributions become available to shareholders (e.g. payment start date). In case of a repurchase of own shares or of GDRs, the calculation of the Distribution Fee was made at the date when the own shares repurchase transactions or GDRs transactions are settled. For GDRs transactions, the Distribution fee are computed taken into account the official exchange rate published by the National Bank of Romania for the date of settlement of GDRs transactions.

3. Payments

- (a) The Base Fee was paid by the Fund quarterly, based on the invoices issued by FTIML within twenty (20) business days following the end of the quarter for which payment was made.
- (b) The Distribution Fee was paid by the Fund quarterly, based on the invoices issued by FTIML within twenty (20) business days following the end of the quarter for which the Distribution Fee was calculated.
- (c) The invoices for the Base Fee and the Distribution Fee were submitted to the Depository Bank.
- (d) FTIML provided to the Board of Nominees quarterly and on an annual basis and upon reasonable request of the Board of Nominees a detailed report regarding the fees collected under the Management Agreement, in the form reasonably required by the Board of Nominees.
- (e) The payment of each fee was made within 30 business days of the receipt of the applicable invoice.

4. Verification

The payment of the Base Fee and the Distribution Fee was made only after the verification and certification by the Depository Bank of the correctness of the following amounts used in the calculation of those fees: the notional amount, the value of distributions, and all the other items used in calculation of the fees, as well as the methods for determining the fees.

C. For period starting with 1 April to the end of the year, the fees due to FTIS in accordance with the 2015 MA, including the Base Fee and the Distribution Fee, are calculated in RON and paid EUR in compliance with the provisions below. The amount calculated in RON is converted into EUR using the official exchange rate for RON to EUR published by National Bank of Romania for the last day of the period invoiced.

1. The Base Fee is calculated according to the following formula:

Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days during the applicable Calculation Period divided by 365

where:

Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001; and

Notional amount = the market capitalisation of the Fund, which is defined as:

- (a) the number of the Fund's paid shares considered on daily basis, minus
- (b) the weighted average over the applicable calculation period of the number of the Fund settled own shares together with the number of the Fund equivalent ordinary shares represented by GDRs, in each case where those shares or GDRs are held by the Fund as treasury shares
- (c) then multiplying the resulting number by the weighted average market price of the Fund's shares calculated for the applicable calculation period. The "weighted average market price" is computed based on the daily average market prices of the Fund's shares and corresponding daily volumes, as published by BVB on REGS section.

If the number of shares relevant for the computation of the Base Fee described above in (a) and (b) changes over the calculation period, the Base Fee is an aggregation of the computation for each sub-period.

For each day in a calculation period for which the Base Fee is to be calculated, when the Discount is below or equal to 20%, but above 15%, an additional Base Fee Rate of 5 basis points per year shall become payable (i.e. the Base Fee Rate referred to in the calculation above shall become 65 basis points per year for the applicable days in the relevant period).

For each day in a calculation period for which the Base Fee is to be calculated, when the Discount is equal or below 15%, a further additional Base Fee Rate of 5 basis points per year shall become payable (i.e. the Base Fee Rate referred to in the calculation above shall become 70 basis points per year for the applicable days in the relevant period).

As the Base Fee (including any additional fee determined under the previous two paragraphs) is computed using the number of days in a calendar year (365 days), the Base Fee Rate used for non-trading days is the rate applied for the prior trading day.

2. The Distribution Fee is calculated as follows:

- (a) 200 basis points of the total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of GDRs and returns of share capital) made available up to and including 31 March 2017;
- (b) 150 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of GDRs and returns of share capital) made available from 1 April 2017 up to and including 30 September 2017; and
- (c) 100 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of GDRs and returns of share capital) made available from 1 October 2017 up to and including 1 April 2018.

Reference is made to distributions being "made available" to clarify that any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of, these distributions does not result in any adjustment of the calculation of the Distribution Fee due to the AIFM. The calculation of the Distribution Fee is made when such distributions become available to shareholders (e.g. payment start date). In case of a repurchase of own shares or of GDRs, the calculation of the Distribution Fee is made at the date when the own shares repurchase transactions or GDRs transactions are settled. For GDRs transactions, the Distribution fee is computed taking into account the official exchange rate published by the National Bank of Romania for the date of settlement of GDRs transactions.

3. Payments

- (a) The Base Fee is paid by the Fund quarterly, based on the invoices to be issued by the AIFM within twenty (20) business days following the end of the quarter for which payment is to be made.
- (b) The Distribution Fee is paid by the Fund quarterly, based on the invoices to be issued by the AIFM within twenty (20) business days following the end of the quarter for which the Distribution Fee was calculated.
- (c) The invoices for the Base Fee and the Distribution Fee are submitted to the Depositary Bank.
- (d) The AIFM provides to the Board of Nominees quarterly and on an annual basis and upon reasonable request of the Board of Nominees a detailed report regarding the fees collected under the 2015 MA, in the form reasonably required by the Board of Nominees.
- (e) The payment of each fee is made within 30 business days of the receipt of the applicable invoice.

4. Verification

The payment of the Base Fee and the Distribution Fee is arranged by the AIFM only after the verification and certification by the Depositary Bank of the correctness of the following amounts used in the calculation of those fees: the notional amount, the value of distributions, and all the other items used in calculation of the fees, as well as the methods for determining the fees.

Remuneration Policy of the AIFM

In order to comply with Articles 21 (2) (e) and (21) (2) (f) of the AIFM Directive (Law 74/2015), details of the Remuneration Policy of the AIFM and amounts attributable to the Fund are available to existing shareholders upon request at the registered office of the AIFM.

Potential professional liability risks for AIFM

The AIFM will maintain at all times the capital requirements and insurance required under AIFM Directive and national legislation.

The AIFM has in place the following insurance:

- (a) Professional liability to provide against any failure to duly perform the 2015 MA;
- (b) Fidelity bond to provide against any failure to account to the Fund for any money or investments.

Delegated management functions

FTIS has delegated the role of Investment Manager as well as certain administrative functions to FTIML.

The delegation of the portfolio management allows FTIML, among others, to:

- manage the investment, realisation and reinvestment of the assets of the Fund with power at its discretion, to purchase, subscribe to, acquire or deal in investments and securities and to sell, redeem, exchange, vary or transpose the same, provided that FTIML observes and complies with the Constitutive Act, the IPS, any guidelines, directives and instructions given by FTIS, and all local laws and regulations the Fund is subject to and, if the case, any applicable FSA decisions;
- exercise all rights of voting conferred by the investments and securities of the Fund;
- enter into contracts in the name of the Fund in order to apply the investments policy and objectives;
- take appropriate arrangements in order to supervise the performance of the portfolio management activities by its staff;
- take reasonable steps to manage the risks associated with portfolio management;
- on receipt, give instructions to pay to and/ or deposit with the depositary bank of the Fund all moneys, investments and securities received by it on behalf of the Fund;
- participate, institute or join, at the Fund's costs, any proceeding or similar action including but not limited to any class action with respect to the assets of the Fund, except the legal actions in front of courts or arbitral courts (in respect of the latter FTIML being also authorised to engage on behalf of the Fund legal counsel to provide legal representation), in accordance with the Constitutive Act, the IPS and the relevant legislation and regulations in force;
- present reports to the Board of Nominees of the Fund;
- cooperate with FTIS in view of distributing dividends and other non-dividend distributions and executing buy-back programmes and tenders, in each case subject to all necessary shareholder approvals and in compliance with applicable laws and regulations;
- evaluate the investments and the securities, price movements in respect of such investments and securities and other factors FTIML considers relevant for its management of the investment, realisation and re-investment of the assets of the Fund;
- analyse the progress of all investments and securities in the portfolio of the Fund and provide the reports requested by FTIS;
- analyse the source of funds required for buy-back of shares or other purposes;
- analyse all actions that FTIML considers advisable or necessary to undertake in order to implement the IPS of the Fund with regard to investments and securities; and
- prepare materials for any reports required by FTIS.

The delegation of the administration services allows FTIML, among others, to:

- manage the relationship with the Central Depository regarding its shareholders register functions;
- keep all the books, records, agreements, forms, papers, files and other corporate documents required by Romanian law;
- calculate and publish the Fund's net asset value and the net asset value per share;
- monitor the compliance with the regulations in force, except for the services of regulatory compliance monitoring of the delegated activities;
- receive notices, correspondence, telegrams, telex messages, telephonic advice or other representations and communications for account of the Fund;
- keep with due diligence the Fund documents and information entrusted to it;
- co-ordinate the preparation and dispatch of statements, reports, notices, announcements, proxies, minutes and other documents to shareholders, investors and to the Board of Nominees;
- co-operate at drafting of the entire documentation for calling the GSM of the Fund;
- draft the annual budget;
- co-operate at drafting the IPS;
- propose the conclusion of the financial audit agreement;
- propose the change of the location of the Fund's registered office;
- co-operate at the organisation of the GSM and of the meeting of the Board of Nominees;
- provide for any legal filings and publications and file any tax returns;
- maintain contact with all supervisory, regulatory, tax or other state authorities or Fund-related professional organisations in Romania, complying with any information request from these authorities (including the current reports);
- co-operate at the preparation of the annual reports, accounts, financial reports, financial statements and of any other documents for investors or for the relevant authorities in accordance with applicable laws, regulations or the Constitutive Act;
- manage investor queries and send responses and other relevant documents to the investors;
- perform public relations activities;
- perform marketing activities (such as investor road-shows, group and one-on-one meetings with institutional investors, participate in various global and regional emerging and frontier market conferences, organise Analyst and Investor Days events).

The Fund's Shareholders Rights

The rights of the Fund's minority shareholders are adequately protected according to the relevant domestic legislation.

The Fund is committed to communicate with its shareholders effectively and actively and ensure that all shareholders have equal access to public information.

According to the provision of the Constitutive Act in force (Annex 6 to this report), each share issued by the Fund which is rightfully owned and paid in by a shareholder carries the following rights: (i) voting right at the GSM, (ii) right to elect and revoke the members of the Board of Nominees as well as to elect and revoke the Sole Director and (iii) right to participate in the distribution of profits.

Currently, the Constitutive Act does not specify any further special conditions on such rights than those specified by the law.

The Romanian legislation imposes various restrictions regarding the unpaid shares and as a result, as long as the Romanian state has unpaid shares, it has no voting rights for those unpaid shares and has no right to receive dividends or return of capital in relation to them.

With respect to the right to receive dividends, the Constitutive Act set out that the Fund's net profit shall be distributed based on the decision of the GSM, each shareholder being entitled to receive dividends proportionally with the number of paid in shares held in the Fund's share capital. Pursuant to the Companies' Law, the payment of dividends shall be carried out no later than 6 months from the approval of the annual financial statements for the previous year, under penalty of default interest payment.

Other than as presented above, no rights, preference or restrictions are attached to the shares. Pursuant to the Companies' Law, as a rule, the shares issued by a company entitle each holder to equal rights. Such rights mainly refer to the shareholders' involvement in the operations of a company and the resulting benefits and are regulated by the applicable laws. Shareholders must exercise their rights in good faith, without breaching the interest of other shareholders or that of the company. The Fund ensures a fair treatment of investors and, there is no preferential treatment for any investor.

The Fund is committed to encourage shareholders to participate in GSMs, to fully exercise their rights, and to raise questions concerning items debated during such meetings. GSMs enable and encourage dialogue between the shareholders and the Fund and its representatives. The Fund encourages its shareholders to take part in meetings, and those who cannot attend are able to vote in absence by sending the votes to the Fund's headquarters, using the voting bulletin for the votes by correspondence made available by the Fund at the headquarters and/ or on the Fund's website.

Furthermore, the Fund ensures that its shareholders have access to relevant material information, so as to allow them to fully exercise their rights. The Fund has a dedicated section on its website ([the GSM Documentation section in the Investor Relations page](#)) that can be easily identified and accessed. This information typically includes: the time and place of meetings; information on how to exercise voting rights, including the proxy process with relevant forms; meeting agendas, as well as detailed documents relating to specific agenda items and draft of shareholders resolutions.

The Investment Manager has established a dedicated investor relations team. This experienced team is responsible for handling relationships with both private and institutional investors locally and abroad.

In conclusion, currently the Fund observes the one paid share, one vote, and one dividend principle. There are no shares conferring the right to more than one vote or preference shares.

Shareholders holding at least 5% of the paid in share capital may ask for calling of a GSM. Such shareholders have also the right to add new items on the agenda of a GSM, provided such proposals are accompanied by a justification or a draft resolution proposed for approval and copies of the identification documents of the shareholders who make the proposals.

Proposals with respect to adding new items on the agenda of such GSM can be submitted at the Fund's headquarters, or by e-mail having attached an extended electronic signature, in compliance with Law no. 455/2001 on digital signature.

Likewise, the shareholders holding at least 5% of the paid in share capital are entitled to propose revised versions of resolutions for the items listed on the agenda or proposed by other shareholders to be added on the agenda of such GSM.

The shareholders may attend in person or may be represented in the GSMs either by their legal representatives or by representatives having a special proxy, based on the special proxy template made available by the Fund. Such proxy template may be obtained from the Fund's headquarters and/ or can be found on the Fund's website, under the respective GSM section item.

The shareholders of the Fund, regardless of the stake of the share capital held, may submit written questions with respect to the items on the agenda of the GSMs. The shareholders may also send such questions by e-mail. The answers will be provided during the GSM based on public information or non-public and non-material information.

Should the questions require elaborate answers, a Q&A (questions and answers) form will be made available on the Fund's website. The disclosure of commercially sensitive information that could result in a loss or competitive disadvantage for the Fund will be avoided when providing the answers, in order to protect the interest of our shareholders.

A shareholder who was absent at a GSM or has voted against a certain resolution and has requested that its vote against the decision is registered in the minutes of that GSM is entitled to challenge such decision within 15 days as of its publication in the Official Gazette of Romania, Part IV. Also, claims regarding an absolute nullity of a shareholders decision may be filed at any time.

Fees, charges and expenses which are directly or indirectly borne by investors

Please see section "*Key Financial Highlights of the Fund*" for more details regarding the total expense ratio of the Fund and section "*Financial Statements Analysis*" more information regarding the Sole Director remuneration.

The brokerage fees and other costs incurred by investors in acquiring the Fund's shares vary depending on the specific contractual agreements concluded between the investors and the intermediaries.

Potential increase of the share capital of the Fund

The share capital of the Fund can be increase with the approval of the EGM, in accordance with the provisions of the Romanian law:

- a) by issuing new shares in exchange for cash contributions, based on the offering documentation approved according to legislation in force;
- b) by incorporation of reserves, except for the legal reserves and the reserves set-up out of the revaluation of the patrimony, as well as out of the benefits and issuing premiums.

The share capital increase shall be registered at the Trade Register Office, on the basis of the decision made by the Fund's GSM.

The share capital cannot be increased by increasing the nominal value of existing shares or by issuing new shares as long as there are unpaid existing shares in the share capital of the Fund.

The depositary of the Fund

The Fund has appointed BRD-Groupe Société Générale SA (the "Depositary Bank"/ the "Depositary") as its depositary and custodian, to hold and transfer the Fund's assets, and to certify the Fund NAV, and the computation of the AIFM fees through a depositary and custody agreement which entered into force on 20 May 2016 for a three-year term.

The Depositary has the following obligations under the agreement in place:

- Physically safeguards all the Fund's financial instruments which can be physically delivered or registered or held in an account directly or indirectly in the name of the Depositary and are transferable securities including those which embed derivatives, money market instruments or units of collective investment undertakings (the "Custody Assets");
- Verifies the ownership of, and maintain records on, all assets which do not qualify as Custody Assets and which, in accordance with applicable national law, are only directly registered in the name of the Fund with the issuer itself or its agent, such as a registrar or a transfer agent, based on the documents supplied by the Fund, as well as on external evidence (the "Non-Custody Assets");
- Keeps in custody the Custody Assets belonging to the Fund, separately from the Depositary's assets or other Funds' assets, and registers them separately, thus as to be identifiable as the Fund's property;
- Settles the transactions with Custody Assets and Non-Custody Assets of the Fund in and from the Fund's accounts, according to the instructions received from the Fund and in accordance with the applicable Central Depositary's regulations;
- Collects the interests and other income related to the Custody Assets and exercises the rights conferred by such Custody Assets, in accordance with the proper instructions received from the Fund. The Depositary assists the Fund in recovering the difference of tax on dividends withheld by the issuers (in case of investments abroad or in Romania), according to the tax treaties in force;
- Certifies the existence and the value of the net assets, and the unit value of the net assets, and transmits it to the Fund and to the FSA, within the terms, form, conditions and regular intervals established by the regulations;
- Makes the payment of the equivalent value of the financial instruments or participation interests purchased by the Fund, makes the payment of all the financial duties, including the payment of interests, taxes, fees and other operational costs of the Fund, makes payments for any other purposes, according to the proper instructions received from the Fund;
- Validates and certifies the calculation of the AIFM for the fees owed by the Fund to it;
- Provides proxy voting services upon the request and according to the instructions received;
- Carries out any other activities provided by the laws and regulations as part of its responsibility.

Liability in case of safe-keeping of Custody Assets:

- In case of loss of a Custody Asset by the Depositary or by a third party to whom the custody was delegated by the Depositary, the Depositary shall be liable to the Fund in the conditions set forth by Article 21 (12) and (13) of AIFM Directive as such were transposed by Article 20 (13) and (14) of Law 74/2015, as well as by Articles 100 and 101 of EU Regulation no. 231/2013. In such conditions, unless the Depositary proves the existence of an exoneration cause set forth by the EU Regulation no. 231/2013, the Depositary shall return to the Fund

identical Custody Asset or a custody asset with a corresponding value within maximum five business days upon the Fund's or the AIFM's request;

- In case of other damages produced by the Depositary in connection with safe-keeping of Custody Assets other than losses of such Custody Assets, the Depositary shall not be liable towards the Fund for its actions or inactions in relation to these obligations as long as they respect the legal provisions and the damages are not due to the Depositary's negligence, fraud, breach of agreement, bad faith or wilful default.

Liability in case of safe-keeping of Non-Custody Assets and other duties of the Depositary:

- With respect to all duties other than the safe-keeping of Custody Assets, the Depositary shall not be liable towards the Fund for its actions or inactions in relation to these obligations, as long as they respect the legal provisions, and, in addition, the Depositary shall not bear any prejudice or expense resulting from such action or inaction, except in the case where these are due to the Depositary's negligence, fraud, breach of agreement, bad faith or wilful default.
- The Depositary shall not be liable for the incompleteness or illegality of any investment made by third parties on behalf of the Fund's Account and received by the Depositary from them or in case the investment is no longer valid or is fraudulent, either by reason of invalidity, forgery, falsity, incompleteness or otherwise except in so far as such situation results from the negligence, wilful default, bad faith, breach of agreement or fraud on the part of the Depositary.
- The Depositary shall not be liable to the Fund or any third party for any indirect consequential or special damages, including loss of profits or business opportunity, arising in connection with the agreement.
- Except as set out in the agreement concluded with the Fund and applicable law, the Depositary expressly disclaims all obligations to the Fund.

The auditor of the Fund

The auditor of the Fund for the year ended 31 December 2016 is Deloitte Audit SRL, registered with the Trade Registry under no. J40/6775/1995, having Sole Registration Code 7756924, member of the Chamber of Financial Auditors of Romania and registered in the Public Registry of Financial Auditors.

The Foreign Account Tax Compliance Act ("FATCA")

FATCA is a United States federal law that requires United States persons, including individuals who live outside the United States, to report their financial accounts held outside of the US, and requires foreign financial institutions to report to the Internal Revenue Service about their US clients.

Romania, like most of the European countries, concluded an intergovernmental agreement to facilitate the implementation of FATCA requirements.

Gender balance

The Fund, FTIS and FTIML supports gender diversity and promotion of women in management positions.

While there are currently no female members of the Board of Nominees, the FTIS and FTIML have women in its management.

More than 20% of the members with key positions in FTIS and FTIML are women and the overall proportion of women in the structure of FTIML is approximately 55%.

Internal Control and Risk Management

FTIS and FTIML have implemented internal policies and procedures to ensure that timely and accurate disclosure regarding the Fund is made on all material matters, including the financial position, performance, ownership and governance of the Fund. In addition, strict internal rules, designed to protect the Fund's interests, have been established in the areas of financial reporting, internal control and risk management.

Pursuant to article 62 of Law 297/2004, FTIS and FTIML have established a Compliance department responsible for managing the compliance risk of the AIFM and of the Fund with the applicable legislation as well as with the internal policies and procedures. The registered Compliance Officer is part of Global Compliance team and member of Franklin Templeton International Compliance Department and reports directly to the Luxembourg Compliance Manager – Global Compliance.

The Compliance department is responsible for providing regulatory guidance, advice and compliance training to operational departments, assisting them in managing the reputational risk in relation to legal and regulatory requirements and codes of conduct and performing second level compliance controls.

The Fund, FTIS and FTIML are covered by relevant policies, procedures and global good standing practices already implemented within the Franklin Templeton Investment group as required by regulatory requirements.

FTIS has implemented a specific Risk Management Policy applicable to the Fund. The purpose of this policy document is to outline the main business processes in place and how they are applied for the Fund and to establish an effective risk framework which observes regulatory requirements, and thereby enhances the governance structure throughout the business.

The Sole Director oversees risk based on the Compliance Monitoring Plan. The risk assessment is a critical element of compliance oversight and monitoring program. The compliance monitoring programme is updated annually with the issues reported monthly by the executive management. The high risk areas are monitored at least annually to reflect the results of the final risk assessment for each year.

In respect of the portfolio monitoring activity, Franklin Templeton Investment Management Limited United Kingdom has implemented procedures and controls which are designed to ensure that all assets are managed prudently and in accordance with client mandates. In addition Franklin Templeton has a dedicated Investment Compliance team of specialists who are responsible for the rigorous day-to-day monitoring of all client accounts, including Fondul Proprietatea, against the agreed investment guidelines and constraints.

The front office trade management system has embedded compliance functionality which enables investment restrictions, regulatory and internal requirements to be included within the system. All trade orders (with the exception of foreign exchange trades and certain debt and derivative security trades) are automatically checked against the relevant investment restrictions in the system prior to trading.

Post trade compliance checks are automatically run overnight for all portfolios against the investment restrictions included within the trade management system. Any exceptions are investigated and cleared by Franklin Templeton Investment Compliance team. Investment restrictions that cannot be automated are reviewed periodically.

All active and passive breaches are reported to the relevant investment managers and operating departments. Corrective action is taken as necessary to address and resolve any issues. Trading errors are monitored by the Global Compliance department of Franklin Templeton.

The Global Compliance department of Franklin Templeton produces monthly reports which provide details on significant compliance matters and initiatives, updates on monitoring activities and current complaints and breaches. These reports are circulated to the relevant senior management.

The European and Middle East Risk Committee of Franklin Templeton provides the oversight framework for risk management processes and is made up of senior management from the business areas and key risk and control functions. Meeting quarterly, it reviews risk reports and input from business management and maintains a detailed register of risk items and resolutions.

The Board of Directors of FTIML United Kingdom and the Board of FTIS Lux provide oversight, being aware of the risk management practices and their deployment within the firm, staying apprised of significant risks and management responses.

Franklin Templeton's approach is to use a dedicated team of risk management specialists who are independent of the portfolio managers and provide robust risk and performance analytics and unbiased perspective on the risks and exposure in the portfolios.

Risk profile and risk management systems

The current risk profile of the Fund, including the risks the Fund is or may be exposed to, is described within the risk and risk management related content of this Annual Report, including its concerned appendices, for the year ended 31 December 2016. The Annual Report including its concerned appendices also includes detailed information about the sensitivity of the Fund to certain risks. The purpose of this section is to provide supplemental information to shareholders in the context of the AIFM Directive and has to be considered in conjunction with the risk management information already provided in the Annual Report.

The AIFM of the Company has established an independent permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor the risks and compliance with risk limits. The AIFM has a risk management process document filed with the regulator of the AIFM and risk management policies which cover the risks associated with the Fund and the adequacy and effectiveness of this framework is reviewed and approved at least annually. Regular reporting is prepared and reviewed by the AIFM Senior Management.

For each relevant risk area, risk limits are set by the AIFM which take into account the objectives, strategy and risk profile of the Fund. These limits are monitored regularly as required by the nature of the risk area, and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables to the Fund.

An important part of the Fund's assets consist of unlisted securities. The portfolio also has a large exposure to the Energy sector. The principal risks in relation to the Fund are therefore market risk (including security price risk, interest risk and sector concentration risk) credit risk, and liquidity risk. Further details in relation to the nature and extent of these risks are already described in more detail in the Financial Risk Management section of the IFRS Financial Statements, Annex 1 to this report.

Diversification and concentration limits are set for market risk and are monitored daily.

Amongst other measures considered regularly by the Investment Manager, the AIFM is assessing and monitoring market risk through relative Value at Risk (VaR) calculated using the Monte Carlo approach. Value at Risk (VaR) is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR can be defined as the predicted loss a portfolio can experience at a specified confidence level (e.g. 99%) over a given period of time (e.g. 20 days).

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than 1 month (20 days) and a historical observation period of not less than 1 year (250 days). A 99% 1 month VaR means that the expectation is that 99% of the time over a 1 month period the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk.

The AIFM uses the relative VaR methodology and calculates this figure for the portion of the portfolio that has observable prices in a regulated market (securities listed on the stock exchange). Relative VaR is simply the absolute VaR of the portfolio divided by the absolute VaR of the benchmark. The benchmark that is used is the one that is deemed by the AIFM to be the most appropriate for the Fund strategy and risk exposures for the listed part of the portfolio.

It is noted that the use of this VaR methodology, as any other statistical risk measure, has limitations. There is some probability that the loss could be greater than the VaR amounts and therefore the AIFM can neither guarantee that losses will not exceed the VaR indicated, nor that losses in excess of the VaR amounts will not occur more frequently. Risk statistics are subject to fluctuations and historical figures may not reflect current or future portfolio characteristics.

The AIFM assesses on a regular basis the sensitivity of the listed holdings within the Fund portfolio in relation to a general market drop of the certain relevant indices and a decline of the Oil price.

Fund's equity trading activity is conducted on a Delivery versus Payment basis ("DVP") with approved counterparties only, minimising counterparty exposure. Any counterparty is subject to a review and approval process prior to any trading activity. The risk function of the AIFM prepares and assesses counterparty exposure reports regularly and reviews reporting provided by FTIs Counterparty Credit Committee. As of 31 December 2016 Fondul Proprietatea is subject to counterparty risk arising from cash balances held with banks.

No risk limits set by the AIFM have been exceeded or were likely to be exceeded in the period since 1 April 2016.

Liquidity Risk

As at 31 December 2016, no assets held by the Fund were subject to special arrangements arising from their illiquid nature.

There are no new arrangements for managing the liquidity/liquidity risk of the Fund.

The Fund's closed end structure has relatively low liquidity requirements, reducing the impact of potential illiquidity in the portfolio. The risk function of the AIFM performs a regular assessment of the liquidity status to ensure that the Fund can meet its payment obligations.

Shares in the Fund are not redeemable and shareholders do not have the right to require their shares to be purchased by the Fund. Accordingly, the liquidity management policy ensures that the Fund's investment portfolio is sufficiently liquid to meet the following principal obligations:

- the Fund's operating and financing expenses: in practice, these expenses are typically covered by dividends received from the Fund's investments; and

- the possible need to repay borrowings at short notice, which would require to be met by the sale of assets.

If required, the Fund has access to a borrowing facility which is an additional mitigation factor for liquidity risk.

Leverage under AIFMD considerations

The leverage definition under AIFM Directive is wider than the traditional gearing definition applied. In accordance with the Regulation (EU) 231/2013 leverage is any method which increases the Fund's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of Fund's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Fund's positions (including all holdings like ordinary shares) after deduction of cash balances and cash equivalents, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and cash equivalents and after certain hedging and netting positions are offset against each other if applicable.

The Fund may not utilize its short term borrowing facility for investment purposes nor is the Investment Manager using derivatives to hedge any risks as of 31 December 2016. The use of Financial Derivative Instruments is permitted.

The maximum incremental level of leverage is 50% which, considering 100% of long assets held in the portfolio, relates to a ratio of 1.5 (or 150%) for both the gross method and the commitment method. In accordance with the AIFM agreement, any changes to these limits will be agreed in advance between the AIFM and the Fund. The leverage limits are set by the AIFM and are in line with the maximum leverage levels permitted in the Fund's Constitutive Act.

There was no change to the level of leverage applied for AIFM Directive monitoring and reporting purposes since 1 April 2016.

Therefore the actual level of leverage recorded under the requirements of AIFM Directive for 31 December 2016 is 1.00 (or 100.00%) using the "commitment" method and 0.98 (or 98.42%) of the "gross" method. The ratio for the gross method is below 1 given that cash and cash equivalents are deducted as required by the relevant regulation.

Conflicts of Interests

FTIS and FTIML adopted operating solutions suitable to facilitate the identification and adequate handling of any situations in which a member of the Board of Nominees or an employee of the FTIS/ FTIML has an actual or potential conflict of interest between the interest of the Fund and his/ her own or on behalf of third parties. FTIS/ FTIML adopt operating solutions suitable for the adequate handling of any issues arising from related parties transactions.

Treatment of Corporate Information

The members of the Board of Nominees and all employees of FTIS/ FTIML shall keep confidential any documents and information acquired in the performance of their duties.

Financial Statements Analysis

The audited financial statements for the year ended 31 December 2016, prepared in compliance with IFRS, are included in full in Annex 1 to this report.

According to the FSA Norm 39/2015, starting with the financial year ended 31 December 2015, IFRS is the basis of accounting for preparation of the financial statements of the Fund.

This section provides an overview on the main elements of the Fund's financial position and performance for the period ended 31 December 2016.

Statement of Financial Position

RON million	31 December 2016	31 December 2015	31 December 2014	31 December 2016 vs. 31 December 2015 (%)
	Audited	Audited	Audited	
Cash and current accounts	5.8	0.6	6.9	
Deposits with banks	305.3	197.8	109.4	
Treasury bills	781.4	20.0	162.8	
Government bonds	328.6	59.0	31.7	
Equity investments	9,992.2	11,800.7	12,927.7	
Deferred tax assets	-	-	152.7	
Other assets	20.8	29.6	9.5	
Total assets	11,434.1	12,107.7	13,400.7	-5.6%
Payables	27.1	18.7	21.4	
Other liabilities	21.0	35.9	31.4	
Total liabilities	48.1	54.6	52.8	-11.9%
Total equity	11,386.0	12,053.1	13,347.9	-5.5%
Total liabilities and equity	11,434.1	12,107.7	13,400.7	-5.6%

Deposits with banks as at 31 December 2016, 31 December 2015 and 31 December 2014 included bank deposits denominated in RON with maturities of up to one year, held with banks in Romania.

As at 31 December 2016, 31 December 2015 and 31 December 2014, **treasury bills** caption included treasury bills with discount, while **government bonds** caption comprised short-term government bonds with coupon, both denominated in RON, with residual maturities up to one year, issued by the Ministry of Public Finance of Romania.

The overall increase in liquid assets in 2016, of RON 1,143.7 million is mainly due to the cash inflows from the disposal of portfolio companies (entire holdings in Romgaz SA, E.ON Distributie Romania SA, E.ON Energie Romania SA and partial disposal of the holdings in OMV Petrom SA, Banca Transilvania SA and BRD Groupe Société Générale SA) in amount of RON 2,116.1 million and the dividends collected from portfolio companies during the period in amount of RON 351.3 million, net of tax. These were netted off mainly by the cash outflows for the payments in respect of the return of capital to shareholders (RON 512.4 million) and for funding the payment of the own shares acquired within the sixth and seven buy-back programmes (RON 674.2 million).

The overall decrease in liquid assets in 2015 was mainly generated by the funding of the buy-back programmes carried out by the Fund during this year (fourth, fifth and sixth buy-back programmes, RON 392.3 million in total) and to the payment of the return of capital to shareholders started in June 2015 (RON 522.8 million), net of the dividends collected from portfolio companies (RON 567.5 million) and of the proceeds on disposal of portfolio holdings (RON 465.8 million, mainly related to the holding in Romgaz SA).

Equity investments

Classification and measurement of equity investments

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

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

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

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

Valuation

As at 31 December 2016, 31 December 2015, 31 December 2014, substantially all the equity investments of the Fund were carried at fair value.

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

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

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

The decrease in **equity investments** of RON 1,808.5 million for the year ended 31 December 2016 is mainly due to the disposal of certain portfolio companies (entire holdings in Romgaz SA, E.ON Distributie Romania SA and E.ON Energie Romania SA and partial disposal of the holdings in OMV Petrom SA, Banca Transilvania SA and BRD Groupe Société Générale SA - total impact RON 2,250.1 million) and to a 10.0% decrease in value of the OMV Petrom SA share price (negative impact of RON 373.9 million), which were compensated by the net increase in the fair value of certain equity investments, following the revaluation process for unlisted portfolio companies, in total amount of approx. RON 960.0 million (mainly triggered by the increase in fair value for Hidroelectrica SA and CN Aeroporturi Bucuresti SA).

The decrease of equity investments by RON 1,127.0 million in 2015 was mainly due to a 28.9% decrease in value of the OMV Petrom SA share price (negative impact of RON 1,269.5 million) and to the disposal of part of the holding in Romgaz SA (negative impact of RON 565.8 million), which were partially offset by the net increase in the value of unlisted equity investments following the update of valuations (total net positive impact of RON 756.2 million), the most significant contributor being the holding in Hidroelectrica SA (RON 476.0 million).

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

The **deferred tax asset** recognised by the Fund as at 31 December 2014 was reversed in 2015 due to the change of the Romanian fiscal legislation provisions regarding the tax treatment of the unrealised changes in fair value recognised through profit or loss for holdings over 10% of the share capital of the issuer, held for an uninterrupted period of at least 1 year, which, starting 1 January 2016, are no longer considered taxable/ deductible, so would no longer generate deferred tax.

Statement of Comprehensive Income

RON million	2016 Audited	2015 Audited	2014 Audited
Net gain on disposal of equity investments classified as available for sale	926.0	344.8	645.5
Gross dividend income	353.1	569.3	687.4
Reversal of impairment losses on receivables, net	17.9	17.6	19.5
Interest income	7.9	3.9	20.9
Net unrealised loss from equity investments at fair value through profit or loss	(377.8)	(1,244.0)	(606.2)
Net realised gain from equity investments at fair value through profit or loss	-	3.2	2.0
Net realised loss from disposal of non-current assets held for sale	(127.5)	-	-
Impairment losses on equity investments classified as available for sale	(122.4)	(90.5)	(344.1)
Other income/ (expenses), net*	(0.5)	1.8	(6.8)
Net operating income/ (loss)	676.7	(393.9)	418.2
Investment management and administration fees	(70.6)	(68.3)	(56.5)
Other operating expenses	(61.5)	(56.8)	(57.1)
Operating expenses	(132.1)	(125.1)	(113.6)
Finance costs	(0.3)	(2.5)	-
Profit/ (Loss) before income tax	544.3	(521.5)	304.6
Income tax expense	(97.3)	(43.6)	122.6
Profit/ (Loss) for the year	447.0	(565.1)	427.2
Other comprehensive income	100.7	212.4	7.2
Total comprehensive income for the year	547.7	(352.7)	434.4

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

The **net gain on disposal of equity investments classified as available for sale** represents the difference between the proceeds from disposals and the carrying amount of the equity investments as at disposal date, plus the net unrealised gain related to these investments transferred from other comprehensive income to profit or loss upon their derecognition. The increase in this caption is mainly due to the disposal of several portfolio companies during 2016 (entire holdings in Romgaz SA, E.ON Distributie Romania SA and E.ON Energie Romania SA and partial disposal of the holdings in Banca Transilvania SA and BRD Groupe Société Générale SA).

The main disposal in 2015 was part of the holding in Romgaz SA, while in 2014 the entire holdings in Erste Group Bank, Raiffeisen Bank International AG and Transelectrica SA and part of the holdings in Conpet SA and Romgaz SA.

Gross dividend income for the year ended 31 December 2016 included the dividend income earned from the Fund's portfolio companies, mainly from Hidroelectrica SA (RON 134.6 million), SDEE Transilvania Nord SA (RON 28.0 million), CN Aeroporturi Bucuresti SA (RON 27.4 million), SDEE Muntenia Nord SA (RON 26.9 million), SDEE Transilvania Sud SA (RON 26.3 million) and Electrica Furnizare SA (RON 24.5 million). The decrease compared to the previous year was mainly due to the decision of OMV Petrom SA not to distribute dividends in 2016, which was partially offset by the higher dividends received from other portfolio companies.

For the year ended 31 December 2015, the decrease in gross dividend income as compared to 2014 was mainly determined by the lower level of dividends approved for distribution by the Fund's portfolio companies, the most significant decrease being for OMV Petrom SA (a decrease of RON 210.9 million), which was partially offset by the dividends received from Hidroelectrica SA (RON 128.9 million).

Interest income is related to the deposits held with banks and to the short-term government securities.

The **net unrealised loss from equity investments at fair value through profit or loss** represents the unrealised losses from the negative change in fair value of equity investments classified at fair value through profit or loss, mainly OMV Petrom SA, as a result of the negative evolution of the share price for this company in these years.

As at 30 September 2016 the Fund reclassified the part of its holding in OMV Petrom SA subject to the secondary public offering as non-current asset held for sale, in accordance with the requirements of IFRS 5 Non-current assets held for sale and discontinued operations. The offering was completed in October 2016 and the number of shares sold in the offer was 3,641,100,108 (representing approximately 6.4% of OMV Petrom SA share capital).

The **net realised loss from disposal of non-current assets held for sale** for the year ended 31 December 2016 represents the difference between proceeds from disposal and the carrying amount of non-current assets held for sale as at reclassification date.

In performing the impairment test for the available for sale equity investments, the Fund considers all relevant factors, such as: significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the equity investment, financial conditions and near-term prospects of the issuer, any specific adverse events that may influence the issuer's operations and recent losses of the issuer. **Impairment losses on equity investments classified as available for sale** caption for year ended 31 December 2016 mainly relate to the holding in Complexul Energetic Oltenia SA (RON 62.8 million) and Nuclearelectrica SA (RON 44.2 million).

The most significant impairment losses on equity investments available for sale in 2015 were related to the holdings in Complexul Energetic Oltenia SA (RON 45.6 million), Nuclearelectrica SA (RON 36.2 million) and Alro SA (RON 8.0 million), while in 2014 the most significant impairment losses recorded were related to the holdings in Complexul Energetic Oltenia SA (RON 213.4 million), Nuclearelectrica SA (RON 94.8 million) and Alro SA (RON 12.4 million).

The **income tax expense** for year ended 31 December 2016 represents among others the partial reversal of the deferred tax asset recognised as at 31 December 2015, due to the fact that the deferred tax asset for the unused tax losses is recognised at the level of the deferred tax liability arising from the taxable temporary differences from equity investments. The income tax expenses in 2015 represents mainly the reversal of the deferred tax asset recorded as at 31 December 2014, as a result of the change of the Romanian fiscal legislation provisions.

The **investment management and administration fees** for the year ended 31 December 2016 included the base fee of RON 46.8 million (31 December 2015: RON 53.4 million) and the distribution fee of RON 23.8 million (31 December 2015: RON 14.9 million).

These fees increased in 2015 as compared to 2014 mainly as a result of the distribution fees which were payable by the Fund starting 20 March 2015, when the Amendment no. 2 to the Investment Management Agreement in force during 2015 was partially endorsed by the FSA, but were also influenced by the change in the base fee rate starting with September 2014 from 0.479% per year to 0.60% per year.

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

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

Other operating expenses

RON million	2016	2015	2014
	Audited	Audited	Audited
Intermediaries and other fees related to disposal of portfolio holdings	33.2	8.9	13.7
FSA monthly fees	10.7	11.5	14.6
Depositary fees	0.8	1.3	1.8
Secondary listing expenses	-	16.6	5.6
Other expenses	16.8	18.5	21.4
Other operating expenses	61.5	56.8	57.1

Intermediaries and other fees related to disposal of portfolio holdings were higher in 2016 as compared to 2015, as a result of the costs with the sale of portfolio companies during 2016 (costs incurred in 2016 were related mainly to OMV Petrom SA, Banca Transilvania SA, BRD Groupe Société Générale SA and Romgaz SA). These fees were lower in 2015 as compared to 2014, mostly as a result of the lower value of disposal transactions carried out by the Fund during 2015.

The decrease in 2016 of the **FSA monthly fees** is mainly due to the decrease of the Fund's total NAV, the basis on which these fees are calculated.

In 2015, the FSA monthly fees decreased mainly as a result of the decrease in the FSA fee rate from 0.1% per year to 0.0936% per year (i.e. 0.0078% per month) and due to the decrease of the Fund's total NAV on which these fees are based.

In 2016 **other expenses** comprise mainly juridical consulting services, notary fees, services related to the promotional activities for the Fund, valuation services in relation with the Fund's portfolio and the financial auditor's fees. In 2015 and 2014 other expenses included mainly litigation assistance and legal advisory expenses, valuation expenses, internal and external audit expenses, and investor relations expenses.

Statement of Cash Flows

RON million	2016 Audited	2015 Audited	2014 Audited
Cash flows from operating activities			
Proceeds from disposal of equity investments	2,116.1	465.8	1,080.2
Disposals/ maturity of treasury bills and bonds	611.0	529.6	1,375.9
Dividends received (net of withholding tax)	351.3	567.5	682.1
Interest received	4.6	5.5	20.1
Amounts collected from the depository Bank of the Fund's GDRs	3.7	-	-
Maturity/ (Creation) of bank deposits with original maturities of more than three months	-	25.0	(25.0)
Acquisitions of treasury bills and bonds	(1,645.7)	(416.1)	(1,361.2)
Suppliers and other taxes and fees paid	(126.5)	(126.9)	(109.6)
Subscriptions to share capital increase of portfolio companies	(4.3)	(2.6)	-
Income tax paid	-	-	(23.5)
Other receipts/ (payments), net	0.2	(0.4)	(0.8)
Net cash flows from operating activities	1,310.4	1,047.4	1,638.2
Cash flows from financing activities			
Acquisition of treasury shares	(674.2)	(392.3)	(1,188.7)
Payments to shareholders related to the return of capital	(512.5)	(522.8)	(589.9)
Payment in relation with lost litigations	(10.7)	-	-
Payment of interest and fees related to the short term bank loans	(0.3)	(2.5)	-
Dividends paid (including related taxes)	(0.1)	(3.3)	(6.0)
Short term bank loans	-	450.0	-
Repayment of short term bank loans	-	(450.0)	-
Payments to Central Depository in relation with 2015 return of capital to shareholders	-	(19.2)	-
Net cash flows used in financing activities	(1,197.8)	(940.1)	(1,784.6)
Net increase/ (decrease) in cash and cash equivalents	112.6	107.3	(146.4)
Cash and cash equivalents at the beginning of the year	198.5	91.2	237.6
Cash and cash equivalents at the end of the year	311.1	198.5	91.2
	31 December 2016	31 December 2015	31 December 2014
Cash	5.8	0.6	6.9
Bank deposits with original maturities of less than three months	305.3	197.9	84.3
	311.1	198.5	91.2

During 2016, the **proceeds from disposal of equity investments** were related mainly to the disposal of the shares in several portfolio companies, i.e. entire holdings in Romgaz SA, E.ON Distributie Romania SA and E.ON Energie Romania SA and partial disposal of the holdings in OMV Petrom, Banca Transilvania SA and BRD Groupe Société Générale SA.

In 2015, the proceeds from sale of equity investments were related mainly to the disposal of the shares in Romgaz SA, and in 2014 these were related mainly to the disposal of shares in Transelectrica SA, Romgaz SA, Conpet SA, Raiffeisen Bank International AG and Erste Group Bank.

Payments to suppliers and other taxes and fees paid in 2016 represent mainly the management and administration fees, the fees related to disposal of portfolio holdings and other fees.

The payments to suppliers and other taxes and fees in 2015 increased as compared with 2014 as a result of the expenses related to the secondary listing project and of the increase in the investment management and

administration fees, which were netted off by the effect of the decrease of the payments for the fees related to disposal of portfolio holdings and to the FSA for monthly fees.

Acquisition of treasury shares represent the acquisition cost, including brokerage fees and other costs directly related to the acquisition of the own shares bought back by the Fund in the buy-back programmes carried out during each year.

Payments to shareholders related to the return of capital to shareholders in 2016, 2015 and 2014 included the payments related to the return of the RON 0.05 per share to the shareholders following the decrease of the Fund's share capital by reducing the nominal value of shares from RON 1.00 per share to RON 0.95 per share in 2014, from RON 0.95 per share to RON 0.90 per share in 2015 and further from RON 0.90 per share to RON 0.85 per share in 2016.

The **payments in relation to lost litigations** were made by the Fund during 2016 to World Trade Center Bucuresti SA, following Court's decision on 7 July 2016 obliging Fondul Proprietatea to pay back the amounts recovered from the enforcement procedure during 2010 and 2011 together with the related legal interest.

The **proceeds from and the repayment of short-term bank loans** in 2015 represent the amounts drawn, and subsequently repaid from the credit facility from Citibank Europe Plc, Dublin – Romania Branch, for funding the 2015 distributions to shareholders.

In 2015, the **payments to the Central Depository related to the return of capital** to shareholders represented the amounts corresponding to the 2015 return of capital not yet collected by the shareholders as at the end of the period, being held with Central Depository, in an account opened for this purpose.

Related Party Transactions

The transactions with the related parties were performed in the normal course of business of the Fund.

(a) Subsidiaries

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

Ownership interest	2016	2015
Alcom SA	72%	72%
Comsig SA	70%	70%
Primcom SA	75%	68%
Zirom SA	100%	100%

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

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

(b) Associates

The Fund has the following associates, all of them incorporated in Romania:

Ownership interest	2016	2015
OMV Petrom SA	<i>Not associate in 2016</i>	19%
Societatea Nationala a Sariei SA	49%	49%
Plafar SA	49%	49%

During 2016, the Fund sold part of its holding in OMV Petrom SA, respectively 3,641,100,108 shares representing approximately 6.4% of OMV Petrom SA share capital, through a secondary public offering. Following this transaction Fund's holding percentage decreased from 18.99% to 12.56% and the management has reassessed the indicators of significant influence regarding OMV Petrom SA and concluded that, the Fund has no longer

significant influence over the financial and operating policies of this company. In consequence, starting with October 2016 partial disposal of this investment, OMV Petrom SA is no longer considered a Fund's associate.

During 2016, there was no dividend received by the Fund from its associates. During 2015, the Fund recorded and collected from OMV Petrom SA a dividend of RON 120,5 million and from Societatea Nationala a Sarii SA a dividend of RON 10.2 million.

(c) Sole Director

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

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

RON million	2016	2015
Investment management and administration fees SA	58.0	-

During 2016, the Fund recorded the following expenses payable to FTIS: investment management and administration fees RON 58.0 million, out of which base fees in amount of RON 35.0 million and the distribution fees in amount of RON 23.0 million

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

RON million	2016	2015
Investment management and administration fees SA	12.6	68.3
Rental expenses	0.1	0.1
Total	12.7	68.4

During 2016, the Fund also recorded RON 1.5 million representing expenses incurred by the FTIML on its behalf (2015: RON 3.2 million). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the management agreements and was subject to Board of Nominees' approval.

During 2016, the Fund recorded the following expenses payable to FTIML: investment management and administration fees RON 12.6 million, out of which base fees in amount of RON 11.8 million and the distribution fees in amount of RON 0.8 million (2015: RON 68.3 million, out of which base fees in amount of RON 53.4 million and the distribution fees in amount of RON 14.9 million), rent expense RON 66.0 thousand (2015: RON 67.4 thousand) and related operating costs RON 23.8 thousand (2014: RON 24.8 thousand).

The outstanding liabilities owed by the Fund were as follows:

RON million	2016	2015
FTIS	12.9	-
FTIML	0.2	15.1
Total	13.1	15.1

Subsequent Events

Proposed GSM resolutions

On 17 January 2017 the AIFM announced the calling of a new EGM for 28 February 2017, having on the agenda the following main points:

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

Cancellation of the remaining shares acquired within the sixth buy-back programme

The FSA endorsed through Endorsement no. 1/ 12 January 2017, the decrease of the subscribed share capital of the Fund, following the cancellation of 712,171,156 shares repurchased by the Fund during the sixth buy-back programme in 2016. With effect from 18 January 2017 the Trade Registry registered Resolution no. 7/ 11 October 2016 of the Fund's EGM and starting this date the new value of the Fund's subscribed share capital is RON 8,562,968,634.10, being divided into 10,074,080,746 shares.

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

Tender Offer within the seventh buy-back programme

On 27 January 2017 the Fund submitted to the FSA for approval an application for endorsement of a tender offer to accelerate the seventh buy-back programme. Under this tender offer, the Fund intends to repurchase up to 640,000,000 shares from its shareholders, both in the form of shares and GDRs.

As such, the daily execution of the seventh buy-back programme with respect to shares on the BVB and GDRs on the LSE was suspended starting with 23 January 2017.

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

The FSA approved on 8 February 2017 the Fund's application for the public tender offer in relation to the acceleration of the seventh buy-back programme. The main details of the offer are:

- Value of the offer: up to 640,000,000 shares in the form of shares and/ or GDR;
- Purchase price: RON 0.91 per share and the USD equivalent of RON 45.50 per GDR, computed in accordance with the terms and conditions of the tender offer documentation;
- Subscription period: 15 February 2017 – 20 March 2017;
- Allocation method: pro-rata.

The Tender documentation is available free of charge to the public:

a) in electronic form, on the websites of the BVB (www.bvb.ro) and LSE (www.londonstockexchange.com), as well as on the Fund's website (www.fondulproprietatea.ro), and

b) in hard copy, at the Fund's registered office, respectively 78-80 Buzesti Street, 7th floor, 1st District, Bucharest, Romania.

Status of the implementation of the Fund's Extraordinary General Shareholders Meeting resolution dated 31 October 2016

During the Extraordinary General Shareholders Meeting held on 31 October 2016, the Fund's shareholders approved two operations to reduce the share capital. These operations referred to a reduction of share capital to cover accounting losses of RON 2,473,157,472 and a reduction of share capital via distributions to shareholders of RON 0.05 per share.

These share capital decreases will be effective after the following cumulative conditions are met:

- (i) the shareholders' resolution is published in the Official Gazette of Romania, Part IV for at least two months – the shareholders' resolution was published in the Official Gazette no. 4027 / 16 November 2016 and the two months deadline expired on 16 January 2017;
- (ii) the FSA endorses the amendment of article 7 paragraph (1) and article 9 paragraph (2) of the Constitutive Act of Fondul Proprietatea as approved by the shareholders during the 31 October 2016 GSM – the Fund filed the request with the FSA in January 2017, however the FSA endorsement was not yet issued as at the date of the authorisation of these annual financial statements;
- (iii) the share capital decrease approved by the shareholders on 11 October 2016 is effective - the effective date for this share capital decrease is 18 January 2017;
- (iv) the shareholders' resolution for approving the share capital decrease is registered with the Trade Registry -this process will be performed after the FSA issues the endorsement mentioned in point (ii).

As at date of this report, these cumulative conditions were not yet fulfilled, therefore this share capital decrease was still in progress.

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 with FTIML

15 February 2017

Annex 1

FONDUL PROPRIETATEA SA ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") 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 ("Norm 39/2015")

(This is a translation from the official Romanian version)

Contents

Independent Auditor's Report	79
Statement of Comprehensive Income	84
Statement of Financial Position	85
Statement of Changes in Shareholders' Equity	86
Statement of Cash Flows	88
Notes to the Financial Statements	89

To the Shareholders of
Fondul Proprietatea S.A.

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Fondul Proprietatea S.A. (the "Fund"), which comprise the statement of financial position as at 31 December 2016, the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and applying Financial Supervisory Authority 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 (referred to herein as "FSA Norm no.39 / 2015").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
<p><u>Valuation of equity investments</u></p> <p>Refer to note 17 to the financial statements. The Fund's investment in equity investments represents 87% of the total assets of the Fund. This was a key area of focus in our audit due to the complexity involved in valuing some of these investments, the significance of the judgments and estimates included in the valuation, as well as the reflection of the changes in fair value in the financial statements.</p> <p>The determination of fair value for the Level 3 equity investments, representing 76% of the Fund's total equity investments, involves significant judgments and a high degree of estimates made by the independent valuers appointed by the Fund. These investments represent participations held by the Fund in unlisted Romanian companies, with a significant part of them being state owned companies.</p> <p>The valuation of a significant part of the unlisted equity investments has been performed as of 30 September 2016, by independent valuers appointed by the Fund. However this is not regarded as a delegation of responsibility for the valuations, ultimately responsible for the valuation is the Sole Director (referred here as "management") of the Fund.</p> <p>As required by IFRS, in the situation where a decrease in equity investments classified as Available for Sale ("AFS") occurs, management is required to make an assessment regarding whether the valuation decrease is a temporary one or is an impairment in nature. Depending on this assessment, the change in fair value of the equity investments is either reflected in comprehensive income or other comprehensive income.</p> <p>Accordingly, valuation and accounting of equity investments is considered to be a key audit matter.</p>	<p>We have assessed the key controls over the valuation process of the Fund's equity investments. Our testing of the design, implementation and operating effectiveness of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures.</p> <p>For the material listed equity investments, we have assessed the frequency of the trading in order to identify illiquid equity securities and we have assessed the accuracy of the closing share market price.</p> <p>For a sample of unquoted equity investments with significant valuation inputs, we involved our own internal valuation specialists to critically assess the valuation methodology, assumptions and inputs used by the external valuers. The results of our independent analyses are consistent with the ones included in the valuation reports. We have also assessed the Fund management's analyses for the period subsequent to the date of the valuation reports (i.e. from 30 September 2016 to 31 December 2016), in order to identify significant events which may have a significant impact on the fair value of the equity investments. We have also assessed the accuracy of the changes in fair value that have been reflected in the financial statements.</p> <p>For a sample of AFS equity investments, we have analysed where a decrease in fair value occurred and we have assessed whether this has been properly accounted for in accordance with the IFRS requirements and the accounting policies of the Fund. We have also considered whether the financial statements appropriately reflect all material disclosures in relation to equity investments. We assessed the presentation of the fair value hierarchy policy and disclosures regarding significant unobservable inputs against disclosures of IFRS 13 <i>Fair Value Measurement</i>.</p>

Key audit matter	How our audit addressed the matter
<p><u>Share capital presentation</u></p> <p>The Fund has been involved in various changes and reorganisations of its share capital in prior years and during the year ended 31 December 2016, as presented in Note 20 (a) to the financial statements, resulting from the buy-back programs it has carried out and distributions that have been made to its shareholders.</p> <p>These operations involve a rigorous analysis of complex legal aspects and regulatory steps that need to be completed by the Fund, which determines the timing and the manner in which these transactions are accounted for and disclosed in the financial statements.</p> <p>In the Extraordinary General Shareholders Meeting ("EGSM") resolution from 31 October 2016, two operations to reduce the share capital have been approved by the Fund's shareholders. These operations referred to a reduction of share capital to cover accounting losses of RON 2,473,157,472 and a reduction of share capital via distributions to shareholders of RON 0.05 per share. Significant legal steps regarding the implementation of these operations were not completed as of 31 December 2016.</p> <p>As share capital is a significant component of equity, we consider it as Key Audit Matter.</p>	<p>We have analysed all changes to the share capital during the year as a result of distributions made to shareholders, reducing the nominal value of shares and the cancellation of treasury shares acquired by the Fund during the fifth and sixth buy-back programs.</p> <p>We have analysed shareholders' resolutions for all the share capital changes and reviewed the legal assessment prepared by the Fund.</p> <p>For the unpaid share capital presentation, we have also carried out an internal consultation with our IFRS experts.</p> <p>We have assessed that the share capital balance as at 31 December 2016 agrees with the information existing in the Trade Registry as of that date, as required by FSA Norm no. 39 / 2015.</p> <p>We have evaluated the completeness of the disclosures provided in Note 20(e)-(f) to the financial statements in respect of the share capital changes based on the shareholders resolution from 31 October 2016, and we found them to be in agreement with the accounting requirements.</p>

Reporting Requirements Concerning the Annual Sole Director's Report

The Sole Director is responsible for the preparation and presentation of the annual Sole Director's Report in accordance with the requirements of FSA Norm no. 39 / 2015, article no. 8-13, which does not contain material misstatements and for such internal control as management determines is necessary to enable the preparation of annual Sole Director's Report that is free from material misstatement, whether due to fraud or error.

The Sole Director's Report is presented from pages 1 to 76 and is not part of the financial statements.

Our opinion on the financial statements does not cover the annual Sole Director's Report.

In connection with our audit of the financial statements, we have read the Sole Director's Report accompanying the financial statements, presented from pages 1 to 76, and we report as follows:

- a) in the Sole Director's Report, we have not identified information which is not consistent, in all material respects, with the information presented in the financial statements attached;
- b) the Sole Director's Report identified above contains, in all material respects, the required information according to the provisions of FSA Norm no. 39 / 2015, article no. 8-13;
- c) based on our knowledge and understanding concerning the Fund and its environment gained during the audit of the financial statements prepared as at 31 December 2016, we have not identified information included in the annual Sole Director's Report that contains a material misstatement of fact.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and applying FSA Norm no. 39 / 2015 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ahmed Hasan.

Ahmed Hassan, Audit Partner

For signature, please refer to the original Romanian version.

Registered with the Chamber of Financial Auditors in Romania under the certificate no. 1529/25.11.2003

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Chamber of Financial Auditors in Romania under the certificate no. 25/25.06.2001

Bucharest, Romania
15 February 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016
 (all amounts are in RON unless otherwise stated)

		Year ended	Year ended
	<i>Note</i>	31 December 2016	31 December 2015
Gain on disposal of equity investments classified as available for sale, net	8	925,976,144	344,844,397
Gross dividend income	6	353,070,538	569,303,345
Reversal of impairment losses on receivables, net		17,917,700	17,564,622
Interest income		7,941,346	3,901,282
Net foreign exchange gain		871,278	641,280
Net loss from equity investments at fair value through profit or loss	7	(377,839,664)	(1,240,768,384)
Realised loss from disposal of non-current assets held for sale	9	(127,542,995)	-
Impairment losses on equity investments classified as available for sale	17	(122,383,338)	(90,504,867)
Other (expenses) / income, net		(1,344,102)	1,109,227
Net operating income/ (loss)		676,666,907	(393,909,098)
Operating expenses	10	(132,115,263)	(125,100,835)
Finance costs	11	(323,438)	(2,465,292)
Profit/ (Loss) before income tax		544,228,206	(521,475,225)
Income tax expense	12	(97,258,350)	(43,641,076)
Profit/ (Loss) for the year		446,969,856	(565,116,301)
Other comprehensive income			
Net change in fair value of available for sale equity investments	17	987,353,576	774,415,013
Deferred tax on other comprehensive income	18	95,361,591	(110,863,914)
Decrease in fair value reserve following the disposal of available for sale equity investments		(981,988,443)	(451,096,171)
Total other comprehensive income		100,726,724	212,454,928
Total comprehensive income for the year		547,696,580	(352,661,373)
Basic and diluted earnings/ (loss) per share	13	0.0440	(0.0530)

The annual financial statements were authorised for issue on 15 February 2017 by:

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

The notes on pages 89 to 133 are an integral part of these annual financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	31 December 2016	31 December 2015
Assets			
Cash and current accounts	14	5,781,621	648,858
Deposits with banks	15	305,337,134	197,825,552
Treasury bills	16	781,445,213	19,957,311
Government bonds	16	328,638,303	59,004,410
Equity investments	17	9,992,183,244	11,800,704,619
Other assets		20,728,167	29,577,289
Total assets		11,434,113,682	12,107,718,039
Liabilities			
Payable to shareholders	19 (a)	20,208,049	24,322,089
Other liabilities and provisions	19 (b)	27,953,985	30,303,735
Total liabilities		48,162,034	54,625,824
Equity			
Share capital	20 (a)	9,168,314,117	10,074,080,746
Fair value reserve on available for sale financial assets, net of deferred tax	20 (b)	4,333,537,124	4,232,810,400
Other reserves	20 (c)	585,468,652	527,397,886
Treasury shares	20 (d)	(654,145,163)	(308,039,345)
Retained earnings		(2,047,223,082)	(2,473,157,472)
Total equity		11,385,951,648	12,053,092,215
Total liabilities and equity		11,434,113,682	12,107,718,039

The notes on pages 89 to 133 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2016	10,074,080,746	4,232,810,400	527,397,886	(308,039,345)	(2,473,157,472)	12,053,092,215
Comprehensive income for the year						
Profit for the year	-	-	-	-	446,969,856	446,969,856
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	987,353,576	-	-	-	987,353,576
Decrease in fair value reserve following the disposal of available for sale equity investments	-	(981,988,443)	-	-	-	(981,988,443)
Deferred tax on other comprehensive income	-	95,361,591	-	-	-	95,361,591
Total other comprehensive income	-	100,726,724	-	-	-	100,726,724
Total comprehensive income for the year	-	100,726,724	-	-	446,969,856	547,696,580
Transactions with owners, recorded directly in equity (see Note 20)						
Decrease of the nominal value of the shares	(548,292,540)	-	-	13,215,579	-	(535,076,961)
Transfer to other reserves	-	-	22,348,493	-	(22,348,493)	-
Acquisition of treasury shares	-	-	-	(681,073,213)	-	(681,073,213)
Cancellation of treasury shares	(357,474,089)	-	35,722,273	321,751,816	-	-
Dividends for which the statute of limitation occurred	-	-	-	-	1,313,027	1,313,027
Total transactions with owners recorded directly in equity	(905,766,629)	-	58,070,766	(346,105,818)	(21,035,466)	(1,214,837,147)
Balance as at 31 December 2016	9,168,314,117	4,333,537,124	585,468,652	(654,145,163)	(2,047,223,082)	11,385,951,648

The notes on pages 89 to 133 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(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 2015	11,815,279,887	4,020,355,472	610,197,299	(1,189,918,464)	(1,908,041,171)	13,347,873,023
Comprehensive income for the year						
Loss for the year	-	-	-	-	(565,116,301)	(565,116,301)
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	774,415,013	-	-	-	774,415,013
Decrease in fair value reserve following the disposal of available for sale equity investments	-	(451,096,171)	-	-	-	(451,096,171)
Deferred tax on other comprehensive income	-	(110,863,914)	-	-	-	(110,863,914)
Total other comprehensive income	-	212,454,928	-	-	-	212,454,928
Total comprehensive income for the year	-	212,454,928	-	-	(565,116,301)	(352,661,373)
Transactions with owners, recorded directly in equity (see Note 20)						
Decrease of the nominal value of the shares	(609,213,933)	-	-	56,700,448	-	(552,513,485)
Acquisition of treasury shares	-	-	-	(389,605,950)	-	(389,605,950)
Cancellation of treasury shares	(1,131,985,208)	-	(82,799,413)	1,214,784,621	-	-
Total transactions with owners recorded directly in equity	(1,741,199,141)	-	(82,799,413)	881,879,119	-	(942,119,435)
Balance as at 31 December 2015	10,074,080,746	4,232,810,400	527,397,886	(308,039,345)	(2,473,157,472)	12,053,092,215

The notes on pages 89 to 133 are an integral part of these annual financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2016	Year ended 31 December 2015
Cash flows from operating activities		
Proceeds from disposal of equity investments	2,116,134,604	465,811,722
Disposal/ maturity of treasury bills and bonds	610,996,894	529,567,061
Dividends received (net of withholding tax)	351,347,029	567,477,304
Interest received	4,625,646	5,504,456
Amounts collected from the depository Bank of the Fund's GDRs	3,745,192	-
Maturity of bank deposits with original maturities of more than three months	-	25,000,000
Acquisition of treasury bills and bonds	(1,645,703,304)	(416,136,838)
Suppliers and other taxes and fees paid	(126,466,446)	(126,878,729)
Subscriptions to share capital increase of portfolio companies	(4,303,730)	(2,579,970)
Other receipts / (payments), net	87,522	(315,522)
Net cash flows from operating activities	1,310,463,407	1,047,449,484
Cash flows from financing activities		
Acquisition of treasury shares	(674,226,861)	(392,343,790)
Payments to shareholders related to the return of capital	(512,486,449)	(522,788,030)
Payment in relation with lost litigations (see <i>Note 19 (b)</i>)	(10,741,322)	-
Payment of interest and fees related to the short term bank loans	(323,438)	(2,465,292)
Dividends paid (including related taxes)	(47,297)	(3,338,651)
Short term bank loans	-	450,000,000
Repayment of short term bank loans	-	(450,000,000)
Payments to Central Depository in relation with 2015 return of capital to shareholders	-	(19,204,400)
Net cash flows used in financing activities	(1,197,825,367)	(940,140,163)
Net increase in cash and cash equivalents	112,638,040	107,309,321
Cash and cash equivalents at the beginning of the year	198,467,448	91,158,127
Cash and cash equivalents at the end of the year as per Statement of Cash Flows	311,105,488	198,467,448
	31 December 2016	31 December 2015
Cash	5,781,621	648,858
Bank deposits with original maturities of less than three months	305,323,867	197,818,590
	311,105,488	198,467,448
Interest accrued on bank deposits	13,267	6,962
Cash, current accounts and deposits with banks at the end of the year as per Statement of Financial Position	311,118,755	198,474,410

The notes on pages 89 to 133 are an integral part of these annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

1. General information

Fondul Proprietatea SA (referred to as “Fondul Proprietatea” or “the Fund”) was incorporated as a joint stock company and is operating as an undertaking for collective investment, in the form of a closed end investment company, established in accordance with Law 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, Buzzești 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 Sole Director of the Fund was Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML”) until and including 31 March 2016. The first mandate was effective since 29 September 2010 for a period of 4 years, and the mandate was renewed for 2 years with effect from 30 September 2014.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

2. Basis of preparation**(a) Statement of compliance**

These financial statements are the annual statutory financial statements of Fondul Proprietatea for the year ended 31 December 2016 prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and applying the 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.

According to the provisions of Norm 39/ 2015, IFRS became the official accounting standards for its regulated entities, including Fondul Proprietatea, first effective for the annual financial statements for the year ended 31 December 2015.

Following the application of the Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities), with effect from 1 January 2014 the Fund is an investment entity and no longer consolidates its subsidiaries. In consequence, the Fund does not prepare consolidated financial statements, these separate financial statements being the Fund's only financial statements. The Fund has reassessed the criteria for being an investment entity for the year ended 31 December 2016 and continues to meet them.

(b) Basis of measurement

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

(c) Functional and presentation currency

These annual 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) Foreign currency

Transactions in foreign currency are translated into the functional currency of the Fund at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into the functional currency at the exchange rate at the date when the fair value was determined.

The exchange rates of the main foreign currencies, published by the National Bank of Romania at 31 December 2016 were as follows: 4.5411 RON/EUR, 4.3033 RON/USD and 5.2961 RON/GBP (31 December 2015: 4.5245 RON/EUR, 4.1477 RON/USD and 6.1466 RON/GBP).

(e) Use of estimates

The preparation of the annual 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 year in which the estimates are revised and in any future years 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 the annual financial statements are included in the following notes:

- Note 4 – Financial risk management;
- Note 17 – Equity investments;
- Note 18 – Deferred tax;
- Note 21 – Contingencies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies

The accounting policies applied in these annual financial statements have been applied consistently to all years presented in these annual financial statements.

(a) Subsidiaries and associates

Subsidiaries are entities controlled by the Fund. The Fund controls an investee when the Fund is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates are those entities in which the Fund has significant influence over the financial and operating policies, but not control or joint control. The existence of significant influence is assessed, in each reporting year, by analysing the ownership structure of the companies in which the Fund holds 20% or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee.

However, the Fund does not exercise significant influence in a number of companies in which it holds between 20% and 50% of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operate without regard to the views of the Fund.

Also, in situations where the Fund holds less than 20% of the voting power of an investee, but it is a significant shareholder and demonstrates that it has significant influence through Board representation and participates in the policy making decisions, the investee is considered an associate.

As at 31 December 2016, there are four portfolio companies which met the criteria for classification as subsidiaries (31 December 2015: four portfolio companies classified as subsidiaries) and two portfolio companies which met the criteria for classification as associates (31 December 2015: three portfolio companies classified as associates). The lists of subsidiaries and associates as at 31 December 2016 and 31 December 2015 are disclosed in Note 22 (b) and (c).

(b) Financial assets and liabilities*(i) Recognition*

The Fund recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument. The Fund applies trade date accounting.

Financial assets and liabilities are recognised initially at fair value plus, in case of financial assets and financial liabilities not measured at fair value through profit or loss, any directly attributable transaction costs (including brokerage fees).

Mergers of portfolio companies are recognised at the date when the merger is registered with the Trade Register.

(ii) Classification

See accounting policies 3(c), (d), (e) and (g).

(iii) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

For equity investments, realised gains or losses on derecognition are determined using the weighted average cost method and for treasury bills and government bonds using the "first-in-first-out" ("FIFO") method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(b) Financial assets and liabilities (continued)***(iv) Offsetting*

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, in the most advantageous market to which the Fund has access at that date.

When available, the Fund measures the fair value of an equity instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair values of equity instruments that are not traded in an active market are determined with the assistance of independent valuers, using valuation techniques (for the main part of the portfolio).

The Fund uses a variety of methods and makes assumptions that are based on the market conditions existing at each reporting date. Valuation techniques used are recognised as standard within the industry and include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants, making maximum use of observable market inputs and relying as little as possible on entity-specific inputs. Some of the inputs to these models may not be observable in the market and are therefore estimated based on various assumptions.

The valuation techniques selected incorporate all the factors that market participants would take into account in pricing a transaction.

The output of a valuation model is always an estimate/ an approximation of a fair value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Therefore, where appropriate, the valuations are adjusted to reflect additional factors, including model risk, liquidity risk and counterparty risk.

(vii) Identification and measurement of impairment

At each reporting date, the Fund assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset, that can be estimated reliably. The impairment losses recorded by the Fund mainly relates to the equity investments available for sale.

Financial assets carried at amortised cost

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in the impairment loss is reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(b) Financial assets and liabilities (continued)***(vii) Identification and measurement of impairment (continued)**Available for sale financial assets – equity investments*

Impairment losses on available for sale equity investments are recognised by transferring the cumulative loss that has been recognised in equity (other comprehensive income) to profit or loss, which is calculated as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If, in a subsequent year, the fair value of an impaired equity investment increases, the recovery is recognised in equity (other comprehensive income).

For assessing which equity investments are impaired, the Fund considers all relevant factors, such as: significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the investment, financial conditions and near-term prospects of the issuer, any specific adverse events that may influence the issuer's operations, recent losses of the issuer, qualified independent auditor's report on the issuer's most recent financial statements, etc.

(c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are recorded in profit or loss. Subsequent measurement is at fair value and all changes in fair value are accounted for through profit or loss. Financial assets at fair value through profit or loss are not subject to the review for impairment.

The Fund being an investment entity has classified and measured its investments in subsidiaries and associates as financial assets at fair value through profit or loss. If an investment no longer meets the criteria for classification as a subsidiary or associate, the Fund continues to classify and measure it as a financial asset at fair value through profit or loss. The other equity investments are classified as available for sale financial assets.

The Fund's investments in government bonds and in short-term treasury bills may also be classified as financial assets at fair value through profit or loss.

(d) Available for sale financial assets*Debt instruments*

The Fund's investments in treasury bills may be classified as available for sale financial assets.

Equity investments

The Fund's investments in equity instruments, other than subsidiaries and associates and equity investments previously classified as subsidiaries and associates are classified as available for sale financial assets and are measured at fair value through other comprehensive income. Changes therein, other than impairment losses, are recognised in equity (other comprehensive income).

The equity investments of the Fund are valued as follows:

- at fair value, determined by reference to published closing prices on the stock exchange where shares are traded (listed and liquid securities), or assessed, using valuation techniques in accordance with International Valuation Standards (unlisted securities), with the assistance of independent valuers;
- at the values considered to be equivalent to fair value, being the values used in the calculation of the net asset value of the Fund, determined in accordance with the regulations issued by the FSA/CNVM and reported on a monthly basis (equity instruments that do not have a quoted price in an active market and whose fair value is not available). These are estimated as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(d) Available for sale financial assets (continued)**

- fair values internally assessed using assumptions that are based on market conditions existing at each reporting date;
- using the shareholders' equity as per the most recently available annual financial statements of the issuers (adjusted with the dividends declared by that issuer, if the case), proportionally with the stake held by the Fund;
- valued at nil, for holdings in companies in liquidation, dissolution, bankruptcy or with negative shareholders' equity; companies in insolvency or reorganisation are valued either at nil or at the value estimated with the assistance of an independent valuer.

(e) Non-current assets held for sale

An asset is classified as a non-current asset held for sale and presented separately in the statement of financial position when the following criteria are met: the Fund is committed to selling the asset, an active plan of sale has commenced, the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale is expected to be completed within twelve months without significant changes to the plan. According to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* the instruments in the scope of IAS 39 *Financial Instruments: Recognition and Measurement* continue to be measured according to this standard after the reclassification as non-current assets held for sale. The disclosures in the financial statements for non-current assets held for sale are in accordance to IFRS 5.

There were no assets in the Fund's portfolio classified as non-current assets held for sale as at 31 December 2016 and 31 December 2015.

(f) Cash and current accounts and deposits with banks

Cash and current amounts include petty cash and current accounts held with banks. Deposits with banks include deposits with original maturities of less than one year. Cash and current accounts and deposits with banks are carried at amortised cost, which approximate their fair value.

Deposits with banks with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses (of financial assets).

(h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect. The share capital accounting presentation and measurement are following the legal requirements. Due to the complexity of the legal framework and necessary approvals with respect to share capital transactions, only successful completion of the legal steps can trigger the accounting recognition.

(i) Treasury shares

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

The GDRs bought back by the Fund are accounted for exactly as the own ordinary shares repurchased, as a deduction to shareholders' equity. This is the result of the application of substance over form principle, due to the fact that buy-back via GDRs is only a technical/ legal form of the transaction, the substance of the transaction being that the Fund buys back its own shares, giving the same rights to both the holders of the Fund's ordinary shares and to the holders of the Fund's GDRs, to take part in the buy-back programmes carried out by the Fund.

The cancellation of treasury shares is performed in accordance with the shareholder's approval after all legal requirements are fulfilled. At cancellation, the treasury shares balance is netted off against the share capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(j) Provisions**

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are estimated by discounting the expected future cash outflows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Dividend income

Dividend income related to listed equity investments is recognised in profit or loss on the ex-dividend date. Dividend distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared, at the date when the dividend distribution is approved by the General Shareholders Meeting ("GSM") of the respective company.

When the Fund receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative, with the corresponding debit treated as an additional investment.

When bonus shares are received with no cash alternative and if only certain shareholders are granted additional shares, these are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Fund's interest is unaffected by the bonus share issue.

For overdue dividend receivables, the Fund initiates legal recovery measures (conciliation, litigations, etc.). The Fund is entitled to charge penalties for overdue amounts from net dividends, applying the legal penalty interest rate according to the legislation in force. Penalty income on dividends is recognised when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are separately recognised as income tax expense. Dividend withholding taxes are calculated in accordance with the provisions of the Romanian Fiscal Code.

(l) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income relates to current accounts, deposits held with banks, treasury bills and government bonds. In case of financial assets at fair value through profit or loss, the Fund's accounting policy is to record the accrued interest income separately from the changes in fair value.

(m) Gains and losses from disposal of equity investments

Gains and losses from the disposal of equity investments are recognised in profit or loss at the date of derecognising the financial asset and are calculated as the difference between the carrying amount of the financial asset at the disposal date and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been previously recognised in other comprehensive income (in case of available for sale financial assets).

The realised gains and losses from the disposal of equity investments classified as financial assets at fair value through profit or loss are presented in the statement of comprehensive income under the caption "Net loss from equity investments at fair value through profit or loss", together with the unrealised gains and losses from the change in the fair value of these instruments.

The realised gains and losses from the disposal of equity investments classified as non-current assets held for sale are presented in the statement of comprehensive income under the caption "Realised loss from disposal of non-current assets held for sale".

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(n) Foreign currency gains and losses**

Foreign currency gains and losses are recognised in profit or loss on a net basis and include the realised and unrealised foreign exchange differences. Most of the Fund's investments and transactions are denominated in RON.

(o) Expenses

All expenses are recognised in profit or loss on an accrual basis.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax also includes dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in equity (other comprehensive income), in which case it is recognised in equity (other comprehensive income).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the reporting year. Current tax for current and prior years is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior years exceeds the amount due for those years, the excess is recognised as an asset.

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax liabilities are the amounts of income taxes payable in future years in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future years in respect of: (a) deductible temporary differences; and (b) the carry forward of unused tax losses. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, which intend to settle current tax liabilities and assets on a net basis or whose tax assets and liabilities will be realised simultaneously.

Deferred tax is measured at the tax rates that are expected to be applied in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously recognised in equity (other comprehensive income), which are recognised in equity (other comprehensive income).

The applicable standard tax rate is 16%. The applicable dividend withholding tax was nil in case of holdings over 10% of the total share capital of the issuer, held for an uninterrupted period of at least one year (2015: nil), and 5% (2015: 16%) in case of the other holdings.

(q) Distributions to shareholders

According to the Fund's policy, the distributions to shareholders comprise of dividend distributions and returns of capital.

Dividends declared by the Fund are recorded as dividend payable at the date when these are approved by the Fund's GSM, as this is the date when the Fund is legally obliged to pay them.

Returns of capital declared by the Fund are recorded as payable at the date when all legal requirements and substantive conditions stipulated in the Fund's GSM resolution approving the respective distribution are met.

According to the provisions of the legislation in force, the statute of limitation occurs three years after the date when the respective distribution commenced. Starting with the date when the statute of limitation occurred, the shareholders are no longer entitled to collect the respective distribution.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(q) Distributions to shareholders (continued)**

At the date when the statute of limitation for dividend distribution occurs, the Fund records the value of the outstanding uncollected dividends through retained earnings.

(r) Basic and diluted earnings/ (loss) per share

Basic and diluted earnings/ (loss) per share is calculated by dividing the profit or loss for the year by the weighted average number of ordinary paid shares in issue during the year, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares. The weighted average number of ordinary shares outstanding during the year is the number of ordinary paid shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back during the year (based on their settlement date) multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the reporting year.

The Fund has not issued any shares or other instruments that are considered to have dilutive effect as at 31 December 2016 and 31 December 2015, therefore basic and diluted earnings/ (loss) per share are the same.

(s) Board members' benefits

The Fund has no employees, but from the benefits point of view, the members of the Board of Nominees and the special administrator appointed in a portfolio company in insolvency have the same legal treatment as employees, as they have mandate agreements (as opposed to labour agreements). During the normal course of business, the Fund makes payments due to the state health and social security funds related to the remuneration of the members of the Board of Nominees and of the special administrator in accordance with the regulations in force. Such costs are recognised in profit or loss together with the related remunerations.

All members of the Board of Nominees and the special administrator are members of the pension plan of the Romanian State. The Fund does not operate any pension plan or post-retirement benefits plan and therefore has no obligations regarding pensions.

(t) Standards and Interpretations effective in the current year

The following amendments to the existing standards and new interpretations issued by the International Accounting Standards Board ("IASB") and adopted by the European Union ("EU") are effective for the current financial year:

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 "Joint Arrangements" - Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards "Annual Improvements to IFRSs (2012-2014 Cycle)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to remove inconsistencies and clarify wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(t) Standards and Interpretations effective in the current year (continued)**

The Fund considers that the adoption of these standards, revisions and interpretations has not led to any material changes in its annual financial statements.

(u) Standards and Interpretations issued by the IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by the IASB and adopted by the EU were in issue but not yet effective:

- IFRS 9 “Financial Instruments” - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018)
- IFRS 15 “Revenue from Contracts with Customers” and the related *Clarifications* - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

With the exception of IFRS 9, the Fund anticipates that the adoption of these standards, amendments to the existing standards and interpretations, will have no material impact on its annual financial statements in the year of initial application.

IFRS 9 includes requirements for financial instruments regarding recognition, classification and measurement, impairment, derecognition and general hedge accounting:

- *Classification and measurement*: IFRS 9 introduces a new approach for the classification of financial assets; it contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. IFRS 9 classification is generally based on the business model in which a financial asset is managed and on its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.
- *Impairment*: IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, IFRS 9 requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.
- *Hedge accounting*: IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.
- *Own credit risk*: IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognised in profit or loss.

The Fund estimates that the requirements of IFRS 9 with the most significant impact on the IFRS financial statements of the Fund are those related to classification and measurement.

The Fund is still analysing the impact of this standard and will implement the necessary changes until the date it becomes applicable (i.e. 1 January 2018).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(v) Standards and Interpretations issued by the IASB but not yet adopted by the EU**

At the reporting date, IFRSs as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following standards, amendments to the existing standards and interpretations, which were not endorsed as at the date of authorisation of these financial statements:

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019) - endorsement expected in the second half of 2017
- Amendments to IFRS 2 “Share-based Payment” - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018) - endorsement expected in the second half of 2017
- Amendments to IFRS 4 “Insurance Contracts” - Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied for the first time) - endorsement expected in 2017
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely until the research project on the equity method has been concluded)
- Amendments to IFRS 15 “Revenue from Contracts with Customers” - Clarifications to IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018) - endorsement expected in the second quarter of 2017
- Amendments to IAS 7 “Statement of Cash Flows” - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017) - endorsement expected in the second quarter of 2017
- Amendments to IAS 12 “Income Taxes” - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017) - endorsement expected in the second quarter of 2017
- Amendments to IAS 40 “Investment Property” - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018) - endorsement expected in the second half of 2017
- Amendments to various standards “Annual Improvements to IFRSs (2014-2016 Cycle)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to remove inconsistencies and clarify wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018) - endorsement expected in the second half of 2017
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018) - endorsement expected in the second half of 2017.

The Fund estimates that the adoption of these new standards and amendments to the existing standards will have no material impact on its annual financial statements in the year of initial application.

4. Risk management

The Fund’s investment portfolio comprises listed and unlisted equity investments.

The Fund’s investing activities expose it to various types of risks that are associated with the financial instruments and with the markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

The management of the Fund implemented financial risk management procedures consistent with those applied globally by Franklin Templeton Investments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(a) Market risk**

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

Equity price risk arises from changes in the value of equity investments and is the primary risk impacting the Fund. Diversification across securities and industries, to the possible extent, is the primary technique for mitigating equity price risk. The companies in which the Fund holds equity instruments operate in different industries. The Fund has concentrated exposures to the "Oil and gas", "Power and gas utilities: transport, distribution and supply" and "Power utilities: generation" sectors.

The Fund's exposure to industries is detailed below:

	31 December 2016	31 December 2015
Power utilities: generation	3,515,697,271	2,892,934,806
Power and gas utilities: transport, distribution, supply	2,906,123,000	3,545,600,000
Oil and gas	1,861,146,234	3,737,058,467
Infrastructure	1,025,475,601	720,217,481
Banks	321,881,504	518,797,001
Heavy industry	206,512,000	200,694,000
Aluminium	85,275,115	96,207,822
Postal services	43,000,000	58,698,000
Others	27,072,519	30,497,042
	9,992,183,244	11,800,704,619

As at 31 December 2016, the Fund has equity investments of RON 2,311,258,823 listed on the Bucharest Stock Exchange, which are included in the BET-BK index (31 December 2015: RON 4,528,025,097).

For the listed liquid investments, a ten per cent increase in the BET-BK index at 31 December 2016 would have increased equity by RON 248,771,155 (31 December 2015: RON 413,029,700) out of which impact on other comprehensive income would be RON 55,758,198 (31 December 2015: RON 129,108,974) and impact on profit or loss would be RON 193,012,957 (31 December 2015: RON 283,920,726).

An equal change in the opposite direction as at 31 December 2016 would have decreased equity by RON 248,771,155 (31 December 2015: RON 413,029,700) out of which impact on other comprehensive income would be RON 55,758,198 (31 December 2015: RON 129,108,974) and impact on profit or loss would be RON 193,012,957 (31 December 2015: RON 283,920,726).

This analysis assumes that all other variables remain constant.

(ii) Interest rate risk

The Fund places cash into fixed rate bank deposits and short-term government securities with fixed interest rates and original maturities of up to one year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(a) Market risk***(ii) Interest rate risk (continued)*

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

Fixed rate instruments	31 December 2016	31 December 2015
Bank deposits with original maturities of less than three months	305,323,867	197,818,590
Treasury bills	780,835,666	19,901,686
Government bonds	318,145,700	56,394,090
	1,404,305,233	274,114,366

The above balances of fixed rate instruments do not include the related accrued interest.

(iii) Currency risk

The Fund's exposure to currency risk is not significant. The Fund held current accounts with banks and receivables and payables denominated in foreign currencies (EUR, USD and GBP), but the balances were immaterial during the reporting year.

During 2016, the local currency depreciated compared to the EUR (from 4.5245 RON/EUR at 31 December 2015 to 4.5411 RON/EUR at 31 December 2016) and compared to the USD (from 4.1477 RON/USD at 31 December 2015 to 4.3033 RON/USD at 31 December 2016) and appreciated compared to the GBP (from 6.1466 RON/GBP at 31 December 2015 to 5.2961 RON/GBP at 31 December 2015).

The Fund's exposure to currency risk was as follows:

RON	31 December 2016	31 December 2015
Monetary assets		
Petty cash	984	381
Current accounts with banks	5,777,046	643,960
Deposits with banks	305,337,134	197,825,552
Treasury bills	781,445,213	19,957,311
Government bonds	328,638,303	59,004,410
Other financial assets	12,078,624	19,659,613
	1,433,277,304	297,091,227
Monetary liabilities		
Other financial liabilities	(26,954,936)	(41,910,814)
	(26,954,936)	(41,910,814)
	1,406,322,368	255,180,414
EUR (in RON equivalent)	31 December 2016	31 December 2015
Monetary assets		
Current accounts with banks	1,010	2,490
	1,010	2,490
Monetary liabilities		
Other financial liabilities	(16,978,256)	(52,027)
	(16,978,256)	(52,027)
	(16,977,246)	(49,537)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(a) Market risk (continued)***(iii) Currency risk (continued)*

USD (in RON equivalent)	31 December 2016	31 December 2015
Monetary assets		
Current accounts with banks	1,002	1,036
Monetary liabilities		
Other financial liabilities	(2,496,039)	-
	(2,496,039)	-
	(2,495,037)	1,036
GBP (in RON equivalent)		
Monetary assets		
Current accounts with banks	1,579	991
	1,579	991

A ten percent strengthening of the RON against the EUR, USD and GBP respectively as at 31 December 2016 and 31 December 2015 would have the following impact on profit or loss (the analysis assumes that all other variables remain constant), impact expressed in RON:

Profit / (loss)	31 December 2016	31 December 2015
EUR	1,697,725	4,954
USD	249,504	(104)
GBP	(158)	(99)

As at 31 December 2016 and 31 December 2015, the Fund did not hold any equity investment denominated in a currency other than RON therefore there would be no impact on equity of a ten percent strengthening or depreciation of the RON against the foreign currencies.

(b) Credit risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills, government bonds and other receivables.

(i) Cash and deposits with banks

The Fund's maximum exposure to credit risk from cash and deposits with banks was RON 311,117,771 at 31 December 2016 (31 December 2015: RON 198,474,029). Cash and deposits with banks are held with the following banks:

	31 December 2016	31 December 2015
Cash and deposits held with banks		
BRD - Groupe Societe Generale	108,932,497	44,271,938
BCR	79,160,558	64,258,396
Citi Bank	46,805,019	253
Unicredit Bank	43,101,294	33,003,415
ING Bank	33,117,340	56,939,695
Raiffeisen Bank	1,063	332
	311,117,771	198,474,029

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(b) Credit risk (continued)***(i) Cash and deposits with banks (continued)*

Current accounts and deposits are held with banks in Romania. The management of the Fund implemented a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution's corporate parent has a credit rating above investment grade (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers was made and the exposure limits were decided upon based on their credit ratings.

(ii) Treasury bills

The Fund's maximum exposure to credit risk from treasury bills was RON 781,445,213 as at 31 December 2016 (31 December 2015: RON 19,957,311).

As of 31 December 2016, the Fund held the following discount treasury bills, denominated in RON:

ISIN	Value as at 31 December 2016	No. of units	Interest rate interval	Maturity date
RO1617CTN017	274,957,072	55,000	0.30% - 0.36%	18-Jan-17
RO1617CTN033	196,928,823	39,400	0.33% - 0.38%	06-Feb-17
RO1617CTN066	74,917,911	15,000	0.42%	05-Apr-17
RO1617CTN074	107,834,239	21,600	0.42% - 0.45%	08-May-17
RO1617CTN090	49,868,827	10,000	0.64%	29-May-17
RO1617CTN0B7	16,993,726	3,400	0.35%	08-Feb-17
RO1617CTN0E1	59,944,615	12,000	0.36% - 0.56%	20-Mar-17
Total	781,445,213			

As of 31 December 2015, the Fund held the following discount treasury bills, denominated in RON:

ISIN	Value as at 31 December 2015	No. of units	Interest rate interval	Maturity date
RO1516CTN0H6	19,957,311	4,000	1.17%	7-Mar-16
Total	19,957,311			

(iii) Government bonds

The Fund's maximum exposure to credit risk from government bonds was RON 328,638,303 as at 31 December 2016 (31 December 2015: RON 59,004,410).

As at 31 December 2016, the Fund held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2016	No. of units	Coupon rate	Maturity date
RO0717DBN038	223,271,166	21,000	6.75%	11-Jun-17
RO1217DBN046	105,367,137	10,000	5.90%	26-Jul-17
Total	328,638,303			

As at 31 December 2015, the Fund held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2015	No. of units	Coupon rate	Maturity date
RO1216DBN030	31,997,013	3,000	5.75%	27-Jan-16
RO1116DBN024	27,007,397	2,500	6.00%	30-Apr-16
Total	59,004,410			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(b) Credit risk (continued)***(iv) Other assets*

As at 31 December 2016, the Fund has a net receivable towards the Romanian Central Depository in relation to 2015 return of capital to shareholders for an amount of RON 12,042,813 (31 December 2015: RON 19,207,349). As at 31 December 2016, the Fund had overpayments to be recovered from the State Budget related to income tax of RON 7,330,440 (31 December 2015: RON 7,330,440). The Fund has no significant credit risk from dividends receivable as at 31 December 2016 and 31 December 2015.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. The following tables present the split of the Fund's financial assets and financial liabilities by residual maturities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity	Total
31 December 2016					
Financial assets					
Cash and current accounts	5,781,621	-	-	-	5,781,621
Deposits with banks	305,337,134	-	-	-	305,337,134
Treasury bills	274,957,072	273,867,164	232,620,977	-	781,445,213
Government bonds	-	-	328,638,303	-	328,638,303
Equity investments at fair value through profit and loss	-	-	-	2,086,956,567	2,086,956,567
Equity investments available for sale	-	-	-	7,905,226,677	7,905,226,677
Other financial assets	12,078,624	-	-	-	12,078,624
	598,154,451	273,867,164	561,259,280	9,992,183,244	11,425,464,139
Financial liabilities					
Other financial liabilities	46,429,231	-	-	-	46,429,231
	46,429,231	-	-	-	46,429,231
	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity	Total
31 December 2015					
Financial assets					
Cash and current accounts	648,858	-	-	-	648,858
Deposits with banks	197,825,552	-	-	-	197,825,552
Treasury bills	-	19,957,311	-	-	19,957,311
Government bonds	31,997,013	-	27,007,397	-	59,004,410
Equity investments at fair value through profit and loss	-	-	-	3,349,024,657	3,349,024,657
Equity investments available for sale	-	-	-	8,451,679,962	8,451,679,962
Other financial assets	19,210,525	-	449,088	-	19,659,613
	249,681,948	19,957,311	27,456,485	11,800,704,619	12,097,800,363
Financial liabilities					
Other financial liabilities	41,962,841	-	-	-	41,962,841
	41,962,841	-	-	-	41,962,841

The Fund's equity investments include unlisted instruments and listed but not liquid instruments (respectively 76% of total equity investments as at 31 December 2016 and 62% as at 31 December 2015) which are not traded in a regulated market and generally may be considered to be illiquid. As a result, the Fund may not be able to quickly sell some of its investments in these instruments in order to meet its liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer. As a closed ended investment fund, liquidity risks attributable to the Fund are less significant than for an open ended fund. Not all shares listed on the Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions. The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to finance current liabilities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(d) Taxation risk**

The Fund had to conform to European Union legislation from 1 January 2007 when Romania became a member of the European Union.

Interpretation of the text and practical implementation procedures of the EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Fund's treatment.

Furthermore, the Romanian Government has a number of agencies that are authorised to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Fund will continue to be subject to regular controls as new laws and regulations are issued.

(e) Operating environment

While uncertainty still exists within the European political environment regarding the direction of fiscal politics, responding central bank action and the possibility of a future breakup of the European Union, equity markets will be exposed to continued volatility, especially with regards to countries with strong ties to Europe. Commodity markets have stabilised to an extent and even recovered in some areas, but given uncertainty regarding global trade relationships and increasing protectionism, further volatility can be expected.

Both political uncertainty and fluctuation in commodity prices, particularly in the energy sector, can have an impact on the Romanian economy and consequently the Fund's portfolio companies. Management cannot predict all developments which could have an impact on the Romanian economy and consequently what effect, if any, they could have on the performance of the Fund and its financial statements. Management cannot reliably estimate the effects on the Fund's financial statements of any further deterioration in the liquidity of the financial markets and devaluation of financial assets influenced by the increased volatility in the equity and currency markets.

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, service providers, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(g) Capital management

The Fund's policy is to maintain a strong capital base so as to maintain shareholders' confidence and to sustain future developments.

The Fund's shareholders' equity comprises share capital, fair value reserve, other reserves and retained earnings, net of treasury shares. The shareholders' equity was RON 11,385,951,648 at 31 December 2016 (31 December 2015: RON 12,053,092,215).

The Fund was not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities**Accounting classifications and fair values**

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

	Loans and receivables	Available for sale	At fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
31 December 2016						
Cash and current accounts	5,781,621	-	-	-	5,781,621	5,781,621
Deposits with banks	305,337,134	-	-	-	305,337,134	305,337,134
Treasury bills	-	209,958,296	571,486,917	-	781,445,213	781,445,213
Government bonds	-	-	328,638,303	-	328,638,303	328,638,303
Equity investments	-	7,905,226,677	2,086,956,567	-	9,992,183,244	9,992,183,244
Other financial assets	12,078,624	-	-	-	12,078,624	12,078,624
Other financial liabilities	-	-	-	(46,429,231)	(46,429,231)	(46,429,231)
	323,197,379	8,115,184,973	2,987,081,787	(46,429,231)	11,379,034,908	11,379,034,908

	Loans and receivables	Available for sale	At fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
31 December 2015						
Cash and current accounts	648,858	-	-	-	648,858	648,858
Deposits with banks	197,825,552	-	-	-	197,825,552	197,825,552
Treasury bills	-	19,957,311	-	-	19,957,311	19,957,311
Government bonds	-	59,004,410	-	-	59,004,410	59,004,410
Equity investments	-	8,451,679,962	3,349,024,657	-	11,800,704,619	11,800,704,619
Other financial assets	19,659,613	-	-	-	19,659,613	19,659,613
Other financial liabilities	-	-	-	(41,962,841)	(41,962,841)	(41,962,841)
	218,134,023	8,530,641,683	3,349,024,657	(41,962,841)	12,055,837,522	12,055,837,522

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
 (all amounts are in RON unless otherwise stated)

6. Gross dividend income

	Year ended 31 December 2016	Year ended 31 December 2015
Hidroelectrica SA	134,644,264	128,915,585
SDEE Transilvania Nord SA (former Electrica Distributie Transilvania Nord SA)	27,959,777	16,701,520
CN Aeroporturi Bucuresti SA	27,413,946	10,232,630
SDEE Muntenia Nord SA (former Electrica Distributie Muntenia Nord SA)	26,895,798	24,653,096
SDEE Transilvania Sud SA (former Electrica Distributie Transilvania Sud SA)	26,344,928	17,568,497
Electrica Furnizare SA	24,523,212	38,285,340
E-Distributie Banat SA	16,815,423	20,673,963
Banca Transilvania SA	16,687,884	-
CN Administratia Porturilor Maritime SA	14,076,910	6,453,568
E-Distributie Dobrogea SA	12,044,439	10,504,831
Nuclearelectrica SA	9,044,766	8,222,514
BRD Groupe Societe Generale SA	8,116,306	-
Conpet SA	3,827,813	3,115,248
Enel Energie SA	2,089,651	7,420,314
Comsig SA	1,719,653	-
CN Administratia Canalelor Navigabile SA	607,381	235,450
Romgaz SA	-	121,410,324
OMV Petrom SA	-	120,496,860
Engie Romania SA (former GDF Suez Energy Romania SA)	-	24,000,000
Societatea Nationala a Sarii SA		10,234,109
Others	258,387	179,496
	353,070,538	569,303,345

The dividend income was subject to a 5% (2015:16%) withholding tax. In cases where the relevant shareholding of the Fund was larger than 10% of the share capital of the company for an uninterrupted period of at least one year prior to the dividend distribution, no withholding tax was due.

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

	Year ended 31 December 2016	Year ended 31 December 2015
Unrealised net loss from equity investments	(377,839,664)	(1,244,016,915)
Realised net gain from equity investments	-	3,248,531
Total	(377,839,664)	(1,240,768,384)

The unrealised net loss from equity investments at fair value through profit or loss for years ended 31 December 2016 and 31 December 2015 was mainly generated by the negative change in fair value for the holding in OMV Petrom SA, as a result of the significant decrease of this company's share price during the respective years.

The realised net gain from equity investments at fair value through profit or loss was calculated as the difference between the proceeds from the disposal and the fair value of the equity investments disposed of at disposal date. This caption does not include the realised net gain or loss from the equity instruments at fair value through profit or loss, which were reclassified as non-current assets held for sale (see *Note 9, Realised loss from disposal of non-current assets held for sale* for further details).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

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

In 2016, the Fund sold its entire holdings in Romgaz SA, E.ON Distributie Romania SA and E.ON Energie Romania SA and part of its holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA. The net gain on disposal of these equity investments was RON 925,976,144, representing the difference between the proceeds from disposals (RON 1,355,481,374) and the carrying values of the equity investments as at disposal date (RON 1,411,493,673), plus the net unrealised gain related to the investments disposed, recycled from other comprehensive income to profit or loss upon their derecognition (RON 981,988,443).

In 2015, The Fund sold part of its holding in Romgaz SA and its entire holdings in SIFI CJ Agro SA, Forsev SA, Electroconstructia Elco Cluj SA and Petrotel Lukoil SA. The net gain on disposal of these equity investments was RON 344,844,397, representing the difference between the proceeds from disposals (RON 461,857,440) and the carrying values of the equity investments as at disposal date (RON 568,109,214), plus the net unrealised gain related to these investments disposed, recycled from other comprehensive income to profit or loss upon their derecognition (RON 451,096,171).

9. Realised loss from disposal of non-current assets held for sale

The Fund publicly announced in September 2016 that it had taken the decision to proceed with the partial sale of the investment in OMV Petrom SA. Consequently, as at 30 September 2016, the Fund reclassified, in accordance with IFRS 5 requirements, the part of the holding in OMV Petrom SA subject to the secondary public offering, as non-current assets held for sale. The number of shares in the selling offer was 3,641,100,108 shares (representing approximately 6.4% of OMV Petrom SA's share capital) out of which 3,267,250,908 was in the form of shares and 373,849,200 was in the form of GDRs, where 1 GDR represented 150 ordinary shares. The fair value of the shares in OMV Petrom SA, subject to the secondary public offering classified as held for sale as at 30 September 2016, was RON 888,428,426. The offering was completed in October 2016 and the gross proceeds received from the disposal amounted to RON 682,342,730 for the shares and USD 19,190,925 for the GDRs sold.

The realised loss from the disposal of the non-current assets held for sale represents the difference between the proceeds from the disposal (RON 760,885,431) and the fair value at the reclassification date of the non-current assets held for sale disposed of (RON 888,428,426).

10. Operating expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Investment management and administration fees	70,609,840	68,323,328
Intermediaries and other fees related to disposal of portfolio holdings	33,203,453	8,878,271
Third party services	12,365,174	29,082,579
FSA monthly fees	10,739,051	11,534,864
Remunerations and related taxes	1,410,173	1,154,285
Penalties	1,312,439	-
Depositary bank fee	813,139	1,299,776
Other operating expenses	1,661,994	4,827,732
	132,115,263	125,100,835

The total investment management and administration fees in 2016 included the base fee of RON 46.8 million (2015: RON 53.4 million) and the distribution fee of RON 23.8 million (2015: RON 14.9 million). The investment management and administration fees are invoiced and paid on a quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

10. Operating expenses (continued)

Intermediaries and other fees related to the disposal of portfolio holdings for the year ended 31 December 2016 mainly include expenses recorded in relation to the partial sale of the investment in OMV Petrom SA, through a secondary public offering, the partial disposal of holdings in Banca Transilvania SA and BRD - Groupe Societe Generale SA and the disposal of the entire holding in Romgaz SA on the open market.

Third party services mainly include juridical consulting services, notary fees, services related to the promotional activities of the Fund, valuation services in relation to the Fund's portfolio and also, the financial auditor's fees. In 2015, third party services additionally included, the costs incurred with the Fund's secondary listing on the London Stock Exchange.

The audit fees are recorded in the year when the services are provided. The financial auditor of Fondul Proprietatea for the years 2016 and 2015 was Deloitte Audit SRL.

The total audit fees for the audit of the 2016 annual statutory financial statements, prepared in accordance with IFRS, were approximately RON 382,951, excluding VAT. In addition, in 2016 Deloitte Tax SRL provided tax advisory services, charging fees of RON 20,356.

The total audit fees for the audit of the 2015 annual statutory financial statements, prepared in accordance with IFRS, were approximately RON 417,920, excluding VAT. In addition, in 2015, Deloitte Audit SRL provided other assurance services related to the secondary listing of the Fund on the London Stock Exchange, charging fees of RON 1,307,089 and Deloitte Tax SRL provided tax advisory services, charging fees of RON 84,758.

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

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

	Year ended 31 December 2016	Year ended 31 December 2015
Members of the Board of Nominees	1,200,000	950,000
Special administrator appointed in portfolio companies in insolvency	7,531	15,948
Contributions to social security fund	139,788	137,977
Contributions to health insurance fund	62,854	50,360
	1,410,173	1,154,285

Penalties mainly included the legal interest related to the lost litigations (for more details see *Note 19 (b) Other liabilities and provisions* and *Note 21 Contingencies*).

The depositary bank fee mainly decreased due to the decrease of the Fund's total net asset value on which part of these fees are calculated and due to the decrease in the custody fees for the Fund's listed portfolio as a result of the decrease of the listed portfolio amount following the disposals of listed participations during the year.

Other operating expenses were higher in 2015 as compared to 2016 mainly due to the taxes recorded in relation with the external suppliers' services for the Fund's secondary listing on the London Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

11. Finance costs

The finance costs category comprises the interest expense on the amounts drawn from the credit facility and the commitment fee on undrawn amounts.

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

On 4 May 2015, Fondul Proprietatea concluded a revolving credit facility of RON 500 million with Citibank Europe Plc, Dublin – Romania Branch. The purpose of the credit facility was for general corporate use, including share buy-backs, but excluding the purchase of investments. The Fund used the credit facility during 2015, but as at 31 December 2015, there was no outstanding balance.

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

On 4 July 2016, the Fund contracted a revolving committed credit facility for a maximum amount of RON 1 billion from BRD - Groupe Societe Generale SA. The availability period of the facility is for one year with the possibility to extend it for a subsequent year. The purpose of this credit facility is for general corporate use, including share buy-backs, but excluding the purchase of investments, and is meant to replace the previous financing arrangement concluded by the Fund with Citibank Europe Plc Dublin - Romania Branch. Until 31 December 2016, the Fund did not draw any amounts from this credit facility.

12. Income tax expense

	Year ended 31 December 2016	Year ended 31 December 2015
Current tax expense		
Current tax (16%)	-	-
Dividend withholding tax	(1,896,759)	(1,826,041)
	(1,896,759)	(1,826,041)
Deferred tax related to:		
Equity investments	(228,172,318)	(151,138,411)
Fiscal loss	132,810,727	109,323,376
	(95,361,591)	(41,815,035)
Income tax expense	(97,258,350)	(43,641,076)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
 (all amounts are in RON unless otherwise stated)

12. Income tax expense (continued)

	Year ended 31 December 2016	Year ended 31 December 2015
Reconciliation of effective tax rate		
Net Profit/ (Loss) for the year	446,969,856	(565,116,301)
Income tax expense	(97,258,350)	(43,641,076)
Profit/ (Loss) excluding income tax	544,228,206	(521,475,225)
Income tax using the standard tax rate (16%)	(87,076,513)	83,436,036
<i>Impact on the income tax expense of:</i>		
Taxation applied on dividend income	54,594,527	89,554,664
Elements similar to revenues (taxable equity items)	(128,074,289)	(14,580,947)
Profit appropriation to legal reserves	3,575,759	-
Non-taxable income	823,055,594	76,762,267
Non-deductible expenses	(869,610,466)	(20,751,926)
Fiscal result impact in the current year	201,638,628	(535,495,059)
Fiscal impact of the transition to IFRS	-	430,166,868
Reversal of deferred tax previously recognised	(95,361,590)	(152,732,979)
Income tax expense	(97,258,350)	(43,641,076)

	Year ended 31 December 2016	Year ended 31 December 2015
Income tax recognised directly in equity during the year:		
On equity investments carried at fair value	95,361,591	(110,863,914)

See *Note 18 Deferred tax* for details regarding the deferred tax computation and recognition.

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

Basic earnings/ (loss) per share ("EPS") is calculated by dividing the profit or loss for the year by the weighted average number of ordinary paid shares in issue during the year, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares. The Fund's diluted EPS is the same as basic EPS, since the Fund has not issued any instrument with dilutive effect as at 31 December 2016 and 31 December 2015.

	Year ended 31 December 2016	Year ended 31 December 2015
Profit/ (Loss) for the year	446,969,856	(565,116,301)
Weighted average number of ordinary shares	10,158,242,746	10,668,649,098
Basic and diluted earnings/(loss) per share	0.0440	(0.0530)

The basic and diluted loss per share reported in the IFRS financial statements for the year ended 31 December 2015 was RON 0.0478. The difference compared to the value presented in the table above relates to the methodology for including the treasury shares in the weighted average number of ordinary shares calculation. Currently, the treasury shares are included starting with the settlement date, while previously they were included starting with their cancellation date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
 (all amounts are in RON unless otherwise stated)

14. Cash and current accounts

	31 December 2016	31 December 2015
Petty cash	984	381
Current accounts with banks	5,780,637	648,477
	5,781,621	648,858

The current accounts held with banks are not pledged as collateral for liabilities.

15. Deposits with banks

	31 December 2016	31 December 2015
Bank deposits with original maturities of less than three months	305,323,867	197,818,590
Interest accrued on bank deposits	13,267	6,962
	305,337,134	197,825,552

None of the deposits held with banks are pledged as collateral for liabilities.

16. Treasury bills and government bonds

In 2016 and 2015, the Fund acquired treasury bills with a discount denominated in RON, issued by the Ministry of Public Finance of Romania. The treasury bills balance as at 31 December 2016 amounted to RON 781,445,213 (31 December 2015: RON 19,957,311) and comprises treasury bills with remaining maturities of less than six months, with implicit interest rates (based on the yield to maturity for the respective issue) ranging between 0.30% – 0.64% per year (31 December 2015: interest rate of 1.17% per year).

In 2016 and 2015, the Fund acquired government bonds with coupon, denominated in RON, issued by the Ministry of Public Finance of Romania. The government bonds as at 31 December 2016 amounted to RON 328,638,303 (31 December 2015: RON 59,004,410) and have remaining maturities of less than one year and coupon rates ranging between 5.90% and 6.75% per year (31 December 2015: coupon rates ranging between 5.75% and 6.00% per year).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

17. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance no. 209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as a contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure for granting compensations for the property abusively nationalised came into force, in accordance with which:

- 32 new shareholdings were added to the Fund's portfolio as a contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund's portfolio and transferred back to the Romanian State.

The valuation of the shares contributed by the Romanian State in December 2005 and June 2007 was performed in October 2007 by an independent valuer (Finevex SRL Constanta), who followed the valuation methodology set forth by Law 247/2005. The value of the shareholdings, as determined by the valuer, represented the cost (initial value) of the equity investments.

Initially, Law 247/2005 included a specific mechanism, whereby each time an in kind share capital increase in a state owned company occurred, Fondul Proprietatea was to receive shares in those companies as payment of the unpaid share capital of the Fund. Thus, an off-set mechanism was created to ensure the payment of the unpaid participations of the Romanian State in Fondul Proprietatea.

Beginning with 15 March 2013, the date when Government Emergency Ordinance no. 4/2012 entered into force, the compensation process was suspended, but the payment mechanism was maintained. In January 2015, Law 10/2015 entered into force, repealing the above payment mechanism. Law 10/2015 also repealed the provisions regarding the ability of the Romanian State to adjust the share capital of the Fund according to the unfolding of the compensation procedures.

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

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

The movement in the carrying amounts of equity investments for 2016 and 2015 is presented below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

17. Equity investments (continued)

	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2016	3,349,024,657	8,451,679,962	11,800,704,619
Subscriptions to share capital increase of portfolio companies	4,200,000	70,150	4,270,150
Disposals	-	(1,411,493,673)	(1,411,493,673)
Impairment losses	-	(122,383,338)	(122,383,338)
Reclassification to non-current assets held for sale	(888,428,426)	-	(888,428,426)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	987,353,576	987,353,576
Net loss from equity investments at fair value through profit or loss	(377,839,664)	-	(377,839,664)
31 December 2016	2,086,956,567	7,905,226,677	9,992,183,244
	Equity investments at fair value	Equity investments available for sale	Total equity investments
1 January 2015	4,591,866,101	8,335,790,680	12,927,656,781
Subscriptions to share capital increase of portfolio companies	2,491,620	88,350	2,579,970
Disposals	(1,316,149)	(568,109,214)	(569,425,363)
Impairment losses	-	(90,504,867)	(90,504,867)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	774,415,013	774,415,013
Net loss from equity investments at fair value through profit or loss	(1,244,016,915)	-	(1,244,016,915)
31 December 2015	3,349,024,657	8,451,679,962	11,800,704,619

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

17. Equity investments (continued)***Subscriptions to share capital increase of portfolio companies***

During 2016, the Fund contributed cash to the share capital increase of Zirom SA with a total amount of RON 4,200,000 and Administratia Porturilor Maritime Constanta SA with an amount of RON 70,150.

In December 2016, the Fund also contributed cash to the share capital increase of Hidroelectrica SA, however, the registration with the Trade Register was not yet finalised as at the date of the authorisation of these annual financial statements.

Disposals

In April 2016, the Fund sold its entire holding of 22,542,960 shares in Romgaz SA (20,286,910 in the form of ordinary shares and 2,256,050 in the form of GDRs) through an accelerated book-building offering. The shares were priced at RON 24/ USD 6.09 (in relation to disposals via dollar-denominated GDRs, based on the National Bank of Romania's exchange rate of RON 3.9434 per 1 USD as at 20 April 2016).

In June 2016, the Fund sold the entire participations in E.ON Distributie Romania SA (56,749,014 shares, representing 18.3% of the company's share capital) and E.ON Energie Romania SA (9,903,524 shares, representing 13.4% of the company's share capital).

During 2016, the Fund also sold part of its holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA, as well as, a part of its holding in OMV Petrom SA (for more details regarding the sale of part of the holding in OMV Petrom SA, see *Note 9*).

Impairment losses

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

Company	Year ended 31 December 2016	Year ended 31 December 2015
Complexul Energetic Oltenia SA	62,840,000	45,632,675
Nuclearelectrica SA	44,264,535	36,179,063
Posta Romana SA	12,894,726	-
Alro SA	1,822,118	8,017,319
Others	561,959	675,810
Total	122,383,338	90,504,867

In 2016, the Fund recorded impairment adjustments of RON 122,383,339 (2015: RON 90,504,867) for the equity investments presented below, based on either fair values assessed with the assistance of independent valuers or by reference to published price quotations on the Bucharest stock exchange (for listed holdings). All impairment losses are recognised through profit or loss.

The most significant impairment losses recorded in both 2016 and 2015 were related to the investment in Complexul Energetic Oltenia SA. The impairment recorded in 2016 for Complexul Energetic Oltenia SA resulted from the valuation of this participation as at 31 December 2016 at nil as a result of the negative equity of this company following its higher net debt.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
 (all amounts are in RON unless otherwise stated)

17. Equity investments (continued)
Portfolio structure

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

	31 December 2016	31 December 2015
Equity investments at fair value through profit or loss		
OMV Petrom SA	1,857,680,048	3,120,007,974
Societatea Nationala a Sarii SA	181,000,000	177,419,000
Zirom SA	25,512,000	23,275,000
Primcom SA	10,225,757	14,280,358
Other	12,538,762	14,042,325
	2,086,956,567	3,349,024,657
Equity investments available for sale	31 December 2016	31 December 2015
Hidroelectrica SA	3,384,000,000	2,654,133,000
CN Aeroporturi Bucuresti SA	761,000,000	497,841,000
E-Distributie Banat SA	599,900,000	624,000,000
Engie Romania SA	453,400,000	446,100,000
E-Distributie Muntenia SA	449,400,000	455,400,000
E-Distributie Dobrogea SA	380,200,000	401,200,000
BRD Groupe Societe Generale SA	301,317,857	307,188,218
SDEE Muntenia Nord SA (former Electrica Distributie Muntenia Nord SA)	255,200,000	253,900,000
SDEE Transilvania Sud SA (former Electrica Distributie Transilvania Sud SA)	246,200,000	222,300,000
Administratia Porturilor Maritime SA	216,000,000	175,109,000
SDEE Transilvania Nord SA (Electrica Distributie Transilvania Nord SA)	208,300,000	215,600,000
Electrica Furnizare SA	167,723,000	149,600,000
Nuclearelectrica SA	131,697,271	175,961,806
Alro SA	85,275,115	96,207,822
Enel Energie SA	75,500,000	76,600,000
Enel Energie Muntenia SA	70,300,000	64,000,000
Posta Romana SA	43,000,000	58,698,000
Romaero SA	21,708,486	25,446,805
Banca Transilvania SA	20,563,646	211,608,784
Complexul Energetic Oltenia SA	-	62,840,000
Romgaz SA	-	613,168,512
E.ON Distributie Romania SA	-	510,400,000
E.ON Energie Romania SA	-	126,500,000
Other	34,541,302	27,877,015
	7,905,226,677	8,451,679,962
Total equity investments	9,992,183,244	11,800,704,619

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

17. Equity investments (continued)

Fair value hierarchy

The Fund classifies the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement, the levels of the fair value hierarchy being defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

As at 31 December 2016:

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

As at 31 December 2015:

	Level 1	Level 2	Level 3	Total
Equity investments	4,528,025,097	-	7,272,679,522	11,800,704,619
Treasury bills	19,957,311	-	-	19,957,311
Government bonds	59,004,410	-	-	59,004,410
	4,606,986,818	-	7,272,679,522	11,879,666,340

The table below presents the movement in Level 3 equity investments for 2016 and 2015:

	2016	2015
Opening balance	7,272,679,522	6,509,901,439
Net loss for the year recognised in profit or loss	(80,074,041)	(20,804,914)
Net change in fair value recorded in other comprehensive income	1,032,207,489	784,668,391
Subscriptions to share capital increase of portfolio companies	4,270,150	2,579,970
Disposals	(636,900,000)	(3,665,364)
Transfers in/(out) of Level 3	-	-
Closing balance	7,592,183,120	7,272,679,522

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

If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that financial instrument is classified 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

17. Equity investments (continued)

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

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

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

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

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

As at 31 December 2016, unlisted equity investments and listed illiquid equity investments with a total carrying amount of RON 7,592,183,120 (31 December 2015: RON 7,272,679,522), were classified as Level 3 of the fair value hierarchy. Out of this, an amount of RON 4,243,179,925 represents the total net change in fair value recognised in equity (other comprehensive income) as at 31 December 2016 (31 December 2015: RON 3,632,565,914). Out of the total value of the equity investments classified as Level 3 of the fair value hierarchy, 99% were assessed with the assistance of independent valuers, using valuation methods in accordance with the International Valuation Standards and 1% were determined based on values used in the calculation of the net asset value of the Fund as at that date, calculated in accordance with the regulations issued by the FSA/CNVM.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

17. Equity investments (continued)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

17. Equity investments (continued)

Financial assets	Fair value as at 31 December 2015	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	7,272,679,522			
Unlisted equity instruments	6,875,297,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.19 to 10.45 (6.75) Discount for lack of marketability: 15% or 20% (17%)	The higher the EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	202,606,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 10.81% to 14.31% (13.98%) Discount for lack of marketability ranging from 12% to 16.7% (14.9%) Discount for lack of control ranging from 0% to 22.96% (20%) Long-term revenue growth rate: 1.5% (1.5%)	The lower the weighted average cost of capital, the higher the fair value. The lower 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	62,840,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.93 (0.93) Discount for lack of marketability: 20% (20%)	The higher 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	58,698,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 10.29 (10.29) Discount for lack of marketability: 24% (24%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	1,574,000	Market approach - comparable companies (based on Price/ Book value multiple)	Price/Book value: 0.48 (0.48) Discount for lack of marketability: 15% (15%)	The higher the Price/ Book value multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Listed illiquid equity instruments	51,974,059	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	19,690,463	Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM, primarily based on the value of the shareholders' equity of the issuer extracted from its latest annual financial statements.		

Significant unobservable inputs are the following:

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

17. Equity investments (continued)

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

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

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

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

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

18. Deferred tax

	Deductible temporary differences	Related deferred tax asset /(liability), out of which:	Recognised deferred tax asset/(liability)	Not recognised deferred tax asset /(liability)
31 December 2016				
Equity investments	(1,513,338,145)	(242,134,103)	(242,134,103)	-
Fiscal loss carried forward	2,769,873,790	443,179,806	242,134,103	201,045,703
	1,256,535,645	201,045,703	-	201,045,703
	Deductible temporary differences	Related deferred tax asset /(liability), out of which:	Recognised deferred tax asset/(liability)	Not recognised deferred tax asset /(liability)
31 December 2015				
Equity investments	(683,271,099)	(109,323,376)	(109,323,376)	-
Fiscal loss carried forward	4,030,115,216	644,818,435	109,323,376	535,495,059
	3,346,844,117	535,495,059	-	535,495,059

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

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

	Balance at 1 January 2016	Recognised in profit or loss	Recognised in equity (other comprehensive income)	Balance at 31 December 2016
31 December 2016				
Equity investments	(109,323,376)	(228,172,318)	95,361,591	(242,134,103)
Fiscal loss carried forward	109,323,376	132,810,727	-	242,134,103
	-	(95,361,591)	95,361,591	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
 (all amounts are in RON unless otherwise stated)

18. Deferred tax (continued)

	Balance at 1 January 2015	Recognised in profit or loss	Recognised in equity (other comprehensive income)	Balance at 31 December 2015
31 December 2015				
Equity investments	152,678,949	(151,138,411)	(110,863,914)	(109,323,376)
Fiscal loss carried forward	-	109,323,376	-	109,323,376
	152,678,949	(41,815,035)	(110,863,914)	-

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

19. Liabilities
(a) Payable to shareholders

The payable to shareholders caption comprises the amounts due to shareholders related to the return of capital and prior year dividends.

As at 31 December 2016, the outstanding amount due to shareholders related to the returns of capital was RON 20,208,049 (31 December 2015: RON 22,972,691).

As at 31 December 2016, there was no outstanding amount due to shareholders in relation to prior year dividends (31 December 2015: RON 1,349,398).

(b) Other liabilities and provisions

	31 December 2016	31 December 2015
Investment management and administration fees	12,907,804	13,878,424
Other fees related to disposal of portfolio holdings	11,654,707	-
Financial Supervisory Authority fees	861,361	905,581
Provision for litigations	856,247	11,567,805
Payables related to treasury shares under settlement	287,824	848,468
Other liabilities	1,386,042	3,103,457
	27,953,985	30,303,735

Other fees related to the disposal of portfolio holdings mainly comprise legal consulting, notary fees, marketing and promotional services and miscellaneous out of pocket expenses incurred by the intermediaries according to their agreements. As at 31 December 2016, the outstanding amount due to suppliers in relation with these services was RON 11,654,707 (31 December 2015: nil).

During 2016, the Fund paid most of the amounts provisioned for litigations. These amounts are related to the legal case started by World Trade Center Bucuresti SA against the Fund in August 2013, requesting the Fund to repay the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and the related legal interest. As at 31 December 2016, the provision for litigations refers to unpaid legal interest. For more details see *Note 21, Contingencies*.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

20. Shareholders' equity

(a) Share capital

The following changes in share capital were recorded during 2016:

- On 14 March 2016, the paid in share capital of the Fund decreased by RON 204,815,025 following the cancellation of 227,572,250 treasury shares acquired by the Fund during the fifth buy-back programme carried out in 2015.
- On 9 June 2016, the paid in share capital of the Fund decreased by RON 530,101,922.55 following the reduction of the nominal value of the shares from RON 0.90 to RON 0.85 per share and the return to shareholders of RON 0.05 per share.
- On 26 October 2016, the paid in share capital of the Fund decreased by RON 152,659,064.15 following the cancellation of 179,598,899 treasury shares acquired by the Fund during the sixth buy-back programme.

The below table presents the balances of share capital as a result of the above changes:

	31 December 2016	31 December 2015
Issued share capital (RON)	9,168,314,116.70	10,074,080,745.90
Paid share capital (RON)	8,859,073,619.20	9,746,649,630.90
Unpaid share capital (RON)	309,240,497.50	327,431,115.00
Number of shares in issue	10,786,251,902	11,193,423,051
Number of paid shares	10,422,439,552	10,829,610,701
Number of unpaid shares	363,812,350	363,812,350
Nominal value per share (RON)	0.85	0.90

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

The movements in the share capital components during 2016 and 2015 are presented below:

	Share capital paid-in	Share capital unpaid	Total share capital
31 December 2014	11,469,658,154	345,621,733	11,815,279,887
Decrease of the nominal value of the shares	(591,023,315)	(18,190,618)	(609,213,933)
Cancellation of treasury shares	(1,131,985,208)	-	(1,131,985,208)
31 December 2015	9,746,649,631	327,431,115	10,074,080,746
Decrease of the nominal value of the shares	(530,101,923)	(18,190,617)	(548,292,540)
Cancellation of treasury shares	(357,474,089)	-	(357,474,089)
31 December 2016	8,859,073,619	309,240,498	9,168,314,117

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

20. Shareholders' equity (continued)

(a) Share capital (continued)

The shareholder structure as at 31 December 2016 was as follows:

Shareholder categories	% of subscribed share capital	% of paid-in share capital
The Bank of New York Mellon (depository bank for the Fund's GDRs)	33.89%	35.07%
Foreign institutional shareholders	21.20%	21.94%
Romanian private individuals	17.31%	17.91%
Romanian institutional shareholders	13.64%	14.12%
Foreign private individuals	3.20%	3.32%
Ministry of Public Finance	0.05%	0.05%
Treasury shares	7.33%	7.59%
Unpaid shares	3.38%	-
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 4,333,537,124 as at 31 December 2016 (31 December 2015: RON 4,232,810,400) is comprised of the cumulative net change in the fair value of the available for sale financial assets recognised in other comprehensive income, until the investments are derecognised or impaired, net of the related deferred tax recognised through equity.

(c) Other reserves

	31 December 2016	31 December 2015
Legal reserve	266,084,000	243,735,507
Other reserves	319,384,652	283,662,379
	585,468,652	527,397,886

As required by the Romanian law, a minimum 5% of the profit for the year must be transferred to the legal reserve until the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders.

As at 31 December 2016, an amount of RON 22,348,493, representing 5% of the 2016 profit (profit before current profit tax of RON 446,969,856), was transferred to the legal reserve. As at 31 December 2015, given the fact that the Fund recorded an accounting loss according to the statutory financial statements prepared in accordance with IFRS, there was no allocation made to the legal reserve.

Other reserves comprise the part of the 2006 and 2007 profits allocated to other reserves, in an amount of RON 120,299,557 as at 31 December 2016 (31 December 2015: RON 120,299,557) and the reserves related to the gain on the cancellation of treasury shares acquired at an acquisition value lower than the nominal value, in amount of RON 199,085,095 (31 December 2015: RON 163,362,822). These reserves may be used for corporate events in accordance with the applicable legislation. The Fund's shareholders approved to use part of these reserves for the coverage of the cumulative accounting losses (see *Note 20 (f)* for further details).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

20. Shareholders' equity (continued)

(d) Treasury shares

During 2016 the Fund finalised the cancellation process for the treasury shares acquired during the fifth buy-back programme, completed the sixth buy-back programme and initiated the cancellation process for the respective shares and started the implementation of the seventh buy-back programme. Also, during the 11 October 2016 GSM the shareholders approved the eighth buy-back programme. All buy-back programmes carried out by the Fund are aimed at decreasing the share capital, in accordance with the shareholders' approval.

The movement in the number of treasury shares for 2016 and 2015 is presented in the below tables:

2016	Maximum number of treasury shares to be repurchased approved by GSM	GSM date	Treasury shares number - opening balance	Acquisitions during the year	Cancellations during the year	Treasury shares number - closing balance
Fifth buy-back	227,572,250	19-Nov-2014	227,572,250	-	227,572,250	-
Sixth buy-back	891,770,055	27-Apr-2015	149,649,624	742,120,431	179,598,899	712,171,156
Seventh buy-back	see below the details	29-Oct-2015	-	79,336,721	-	79,336,721
			377,221,874	821,457,152	407,171,149	791,507,877

2015	Maximum number of treasury shares to be repurchased approved by GSM	GSM date	Treasury shares number - opening balance	Acquisitions during the year	Cancellations during the year	Treasury shares number - closing balance
Third buy-back	252,858,056	22-Nov-2013	252,858,056	-	252,858,056	-
Fourth buy-back	990,855,616	28-Apr-2014	904,491,044	86,364,572	990,855,616	-
Fifth buy-back	227,572,250	19-Nov-2014	-	227,572,250	-	227,572,250
Sixth buy-back	891,770,055	27-Apr-2015	-	149,649,624	-	149,649,624
			904,491,044	463,586,446	990,855,616	377,221,874

The fifth buy-back programme

The treasury shares acquired as a result of the fifth buy-back programme that was finalised in 2015 were cancelled in March 2016 when the Trade Registry registered Resolution no. 8/ 29 October 2015 of the Fund's Extraordinary General Shareholders Meeting ("EGM") approving the decrease of the share capital through the cancellation of the 227,572,250 shares repurchased by the Fund within the fifth buy-back programme. Following the cancellation, the Fund's subscribed share capital decreased to RON 9,869,265,720.90, divided into 10,965,850,801 shares and the value of the paid in share capital decreased to RON 9,541,834,605.90, divided into 10,602,038,451 shares.

The sixth buy-back programme

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

The execution of the sixth buy-back programme started on 9 September 2015 and on 27 September 2016, when the sixth buy-back programme was completed, all 891,770,055 shares were repurchased (656,831,105 ordinary shares and 234,938,950 equivalent shares of the GDRs repurchased, where 1 GDR represents 50 ordinary shares), for a total acquisition value of RON 731,959,565 (excluding transaction costs). The weighted average price was approximately RON 0.8156 per share and USD 10.5221 per GDR. In 2016, the Fund converted the total number of 4,698,779 GDRs acquired within the sixth buy-back programme during 2015 and 2016 into ordinary shares (equivalent of 234,938,950 ordinary shares).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

20. Shareholders' equity (continued)**(d) Treasury shares (continued)**

On 26 October 2016, the Trade Registry registered Resolution no. 4/ 27 April 2016 of the Fund's EGM for approving the decrease of the subscribed share capital from RON 9,320,973,180.85 to RON 9,168,314,116.70, pursuant to the cancellation of 179,598,899 own shares acquired by the Fund during the six buy-back programme, endorsed by FSA Endorsement no. 264/ 12 October 2016. Therefore, starting with 26 October 2016, the new value of the Fund's subscribed share capital was RON 9,168,314,116.70, divided into 10,786,251,902 shares with a nominal value of RON 0.85 per share. The value of the paid-in share capital was RON 8,859,073,619.20, being divided into 10,422,439,552 shares.

On 11 October 2016 the shareholders approved the cancellation of the remaining 712,171,156 shares repurchased by the Fund during the sixth buy-back programme. The shareholders resolution was published in the Official Gazette of Romania on 21 October 2016. The share capital decrease is effective after the FSA endorsement of the changes to the Constitutive Act of the Fund and after its registration with the Trade Register.

For details regarding the cancellation of the remaining shares acquired within the sixth buy-back programme, see *Note 23, Subsequent Events*.

The seventh buy-back programme

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

The seventh buy-back programme commenced on 29 September 2016, and, until 31 December 2016, the total number of shares repurchased was 79,336,721 (based on the transaction trade date), for a total acquisition value of RON 63,317,685 (excluding transaction costs). There were no acquisitions of shares in the form of GDRs within the seventh buy-back programme through 31 December 2016.

For further details regarding the seventh buy-back programme, see *Note 23 Subsequent Events*.

The eighth buy-back programme

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

20. Shareholders' equity (continued)**(e) Return of capital to shareholders*****Return of capital from June 2016***

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

The shareholders registered in the shareholders' registry with the Central Depository on 6 June 2016 have the right to receive RON 0.05 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment started on 27 June 2016 and by 31 December 2016, shareholders had collected almost 99% of the total distribution of RON 516,886,344.

Return of capital from March 2017

FTIS has submitted for shareholders' approval in the 31 October 2016 GSM of a cash distribution of RON 0.05 per share via the decrease of the share capital through the reduction of the nominal value of the Fund's shares. As such, the shareholders approved the payment to the shareholders registered at 7 March 2017 (the Registration Date) of RON 0.05 per share, proportionally with their participation to the paid-in share capital of Fondul Proprietatea.

The payment shall start on 27 March 2017 provided that the conditions stipulated in the 31 October 2016 GSM are met (please see *Note 23* for further details). As at the reporting date of these annual financial statements, these cumulative conditions were not yet fulfilled and this share capital decrease was still in progress.

(f) Coverage of the cumulated accounting losses

According to the shareholders' resolution included in the 31 October 2016 GSM, the retained accounting losses as stated in the 2015 financial statements for an amount of RON 2,473,157,472 will be covered from other reserves (RON 156,118,900) and from registered share capital (RON 2,317,038,572), through the decrease of the subscribed share capital of the Fund from RON 8,562,968,634.10 to RON 6,245,930,062.52 by reducing the par value of the shares from RON 0.85 to RON 0.62. The subscribed share capital decrease will be effective after the conditions stipulated in the 31 October 2016 GSM are met (please see *Note 23* for further details). As at the reporting date of these annual financial statements, these cumulative conditions were not yet fulfilled and this share capital decrease was still in progress.

(g) Profit appropriation

As per these annual financial statements, prepared in accordance with the IFRS, the Fund recorded a net profit for the financial year ended 31 December 2016 of RON 446,969,856. The proposal for the appropriation of the net accounting profit for the 2016 financial year in an amount of RON 446,969,856 is as follows:

- RON 22,348,493 to legal reserve
- RON 424,621,363 will remain available to the Fund, the proposal being subject for GSM approval, in accordance with the legislation in force. The proposal is motivated by the fact that, during 2017, there will be two returns of capital, one in March and one in June, of RON 0.05 per share each.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

21. Contingencies

1. Litigations

As at 31 December 2016, 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 has disclosed in these financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

- One former minority shareholder of the Fund has filed litigations against the Fund on various grounds, including some seeking the cancellation of certain resolutions of the GSM. These litigations are at various stages of process within the Romanian Court system and updates are frequently reported by management through the Bucharest Stock Exchange news system and also on the Fund's website.
- In one of these cases, on 10 October 2012 the Bucharest Court of Appeal rejected the appeal filed by the Fund and upheld the decision of the Bucharest Court to partly admit a claim to annul certain resolutions from the 6 September 2010 GSM relating to (inter alia) approval of a new Constitutive Act and the first appointment of FTIML as the Administrator of the Fund.

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

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new changes and versions of the Constitutive Act were adopted by the Fund's shareholders with the vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, the 3 February 2014 GSM, the 28 April 2014 GSM, the 23 September 2014 GSM, the 19 November 2014 GSM, the 21 January 2015 GSM, the 27 April 2015 GSM, the 29 October 2015 GSM, the 27 January 2016 GSM, the 26 April 2016 GSM and the 31 October 2016 GSM;
- new resolutions passed during the 25 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, the 3 February 2014 GSM, the 28 April 2014 GSM, the 23 September 2014 GSM, the 19 November 2014 GSM, the 21 January 2015 GSM, the 27 April 2015 GSM, the 29 October 2015 GSM, the 27 January 2016 GSM, the 26 April 2016 GSM and the 31 October 2016 GSM specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (part of these resolutions were proposed by a shareholder and approved with a significant majority);
- FTIML was appointed for a new two-year mandate as Sole Director and Fund Manager of Fondul Proprietatea with effect from 30 September 2014. Considering the legal requirements to implement the AIFM Directive on 29 October 2015, the shareholders of the Fund approved, the change of the management structure and the termination of the mandate of FTIML as Fund Manager and Sole Director, with the mutual consent of both parties, with effect from 1 April 2016. Subsequent to the termination, the Fund appointed FTIS as its Sole Director and Alternative Investment Fund Manager under the AIFM Directive. The mandate of the new Sole Director (FTIS) has not been challenged.

As at 31 December 2016, the litigant was no longer a shareholder of Fondul Proprietatea.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

21. Contingencies (continued)

1. Litigations (continued)

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

2. Other contingencies

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

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

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

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

Consequently, these amounts are to be recovered by the Fund from the Ministry of Public Finance (being accounted for as a receivable over this shareholder of the Fund, for which an impairment adjustment was recorded), while the legal interest was recorded as an expense with provisions for litigations.

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

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

22. Related parties

(a) Key management

Remunerations

	Year ended 31 December 2016	Year ended 31 December 2015
Remunerations		
Members of the Board of Nominees	1,200,000	950,000

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
 (all amounts are in RON unless otherwise stated)

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

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

Transactions	Year ended 31 December 2016	Year ended 31 December 2015
---------------------	--	--

Investment management and administration fees	58,041,993	-
---	------------	---

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

Transactions	Year ended 31 December 2016	Year ended 31 December 2015
---------------------	--	--

Investment management and administration fees	12,567,847	68,323,328
Rental expense	65,977	67,395
Operating cost	23,761	24,837
	12,657,585	68,415,560

During 2016, the Fund also recorded RON 1,520,423 representing expenses incurred by the FTIML on its behalf (2015: RON 3,186,689). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the management agreements and was subject to Board of Nominees' approval.

The outstanding liabilities owed by the Fund were as follows:

Amounts due to:	31 December 2016	31 December 2015
FTIS	12,907,804	-
FTIML	193,120	15,050,105
	13,100,924	15,050,105

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

(b) Subsidiaries

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

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

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

On 5 July 2016, Primcom SA finalised the registration within the Romanian Central Depository of its share capital decrease by RON 18,768.90 through the cancellation of 187,689 shares, at the nominal value of RON 0.10 per share, according to the resolution of the General Shareholders Meeting held on 17 March 2016. The number of shares owned by Fondul Proprietatea in Primcom SA (1,275,032 shares) did not change, however, the holding percentage increased from 68% to 75%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

22. Related parties (continued)

(b) Subsidiaries (continued)

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

In August and December 2015, the Fund participated in the cash share capital increases of Zirom SA, subscribing 99,162 and 150,000 new shares, respectively, at the nominal value of RON 10 per share (in total of RON 991,620 and RON 1,500,000, respectively).

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

	31 December 2016	31 December 2015
Zirom SA	25,512,000	23,275,000
Primcom SA	10,225,757	14,280,358
Alcom SA	10,133,492	10,409,423
Comsig SA	248,269	1,720,902
	46,119,518	49,685,683

As at 31 December 2016, the Fund has no commitment or intention to provide financial or other support to its subsidiaries, including commitments or intentions to assist the subsidiaries in obtaining financial support.

During 2016, the Fund recorded and received a dividend of RON 1,719,653 from Comsig SA while during 2015 the Fund recorded and received a dividend of RON 104,524 from Alcom SA.

(c) Associates

As at 31 December 2016, the Fund had two associates (31 December 2015: three associates), all of them incorporated in Romania:

	31 December 2016	31 December 2015
Ownership interest		
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%
OMV Petrom SA	<i>no longer associate</i>	19%

During 2016, the Fund sold part of its holding in OMV Petrom SA, which equated to 3,641,100,108 shares representing approximately 6.4% of OMV Petrom SA's share capital, through a secondary public offering (for more details, see *Note 9, Realised loss from disposal of non-current assets held for sale*). Following this transaction, the Fund's holding percentage decreased from 18.99% to 12.56% and management reassessed the significant influence indicators and concluded that the Fund no longer had significant influence over the financial and operating policies of OMV Petrom SA. In consequence, starting from October 2016, the date of the partial disposal of this investment, OMV Petrom SA was no longer considered as an associate of the Fund. Although OMV Petrom SA is no longer an associate of the Fund, the Fund continues to classify and measure the remaining holding in OMV Petrom SA at fair value through profit or loss.

During 2016, the Fund did not record or receive any dividends from its associates. During 2015, the Fund recorded and collected a dividend of RON 120,496,860 from OMV Petrom SA and a dividend of RON 10,234,109 from Societatea Nationala a Sarii SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in RON unless otherwise stated)

23. Subsequent events

Cancellation of the remaining shares acquired within the sixth buy-back programme

The FSA endorsed, through Endorsement no. 1/ 12 January 2017, the decrease of the subscribed share capital of the Fund, following the cancellation of 712,171,156 shares repurchased by the Fund during the sixth buy-back programme in 2016. With effect from 18 January 2017, the Trade Registry registered Resolution no. 7/ 11 October 2016 of the Fund's EGM and starting from this date, the new value of the Fund's subscribed share capital is RON 8,562,968,634.10, being divided into 10,074,080,746 shares.

Convening of General Shareholders Meeting

On 17 January 2017 FTIS announced the calling of a new EGM for 28 February 2017, proposing the shareholders to approve the following:

- the decrease of the subscribed share capital from RON 5,742,226,025.22 to RON 5,238,521,987.92, through the reduction of the par value of the shares of Fondul Proprietatea from RON 0.57 to RON 0.52. The decrease is motivated by the optimisation of the share capital of Fondul Proprietatea, involving the return to the shareholders of a part of their contributions, proportionally with their participation to the paid-in share capital of the Fund;
- the ratification of all GSM resolutions and of all legal acts concluded, adopted and issued in the name of Fondul Proprietatea through its Sole Director/its AIFM between 6 September 2010 and 27 February 2017.

Tender Offer within the seventh buy-back programme

On 27 January 2017 the Fund submitted an application for endorsement of a tender offer to accelerate the seventh buy-back programme to the FSA for approval. Under this tender offer, the Fund intends to repurchase up to 640,000,000 shares from its shareholders, both in the form of shares and GDRs.

As such, the daily execution of the seventh buy-back programme, with respect to the shares on the Bucharest Stock Exchange and GDRs on the London Stock Exchange was suspended, starting with 23 January 2017.

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

On 8 February 2017, the FSA approved the Fund's application for the tender offer. The subscription period is from 15 February 2017 until 20 March 2017, and the purchase price is RON 0.91 per share and the USD equivalent of RON 45.50 per GDR.

Status of the implementation of the Fund's Extraordinary General Shareholders Meeting resolution dated 31 October 2016

During the Extraordinary General Shareholders Meeting held on 31 October 2016, the Fund's shareholders approved two operations to reduce the share capital. These operations referred to a reduction of share capital to cover accounting losses of RON 2,473,157,472 and a reduction of share capital via distributions to shareholders of RON 0.05 per share.

These share capital decreases will be effective after the following cumulative conditions are met:

- (i) the shareholders' resolution is published in the Official Gazette of Romania, Part IV for at least two months – the shareholders' resolution was published in the Official Gazette no. 4027 / 16 November 2016 and the two months deadline expired on 16 January 2017;
- (ii) the FSA endorses the amendment of article 7 paragraph (1) and article 9 paragraph (2) of the Constitutive Act of Fondul Proprietatea as approved by the shareholders during the 31 October 2016 GSM – the Fund filed the request with the FSA in January 2017, however the FSA endorsement was not yet issued as at the date of the authorisation of these annual financial statements;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(all amounts are in RON unless otherwise stated)

23. Subsequent events (continued)

Status of the implementation of the Fund's Extraordinary General Shareholders Meeting resolution dated 31 October 2016 (continued)

(iii) the share capital decrease approved by the shareholders on 11 October 2016 is effective - the effective date for this share capital decrease is 18 January 2017;

(iv) the shareholders' resolution for approving the share capital decrease is registered with the Trade Registry -this process will be performed after the FSA issues the endorsement mentioned in point (ii).

As at the reporting date of these annual financial statements, these cumulative conditions were not yet fulfilled, therefore this share capital decrease was still in progress.

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 December 2016, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	31 December 2015				30 December 2016				Differences
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
I. Total assets	100.4517%	100.0000%		12,148,082,016.47	100.4201%	100.0000%		11,475,358,724.04	(672,723,292.43)
1 Securities and money market instruments, out of which:*	38.6935%	38.5198%		4,679,379,747.81	24.6421%	24.5389%		2,815,929,874.99	1,863,449,872.82)
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	38.6935%	38.5198%	-	4,679,379,747.81	24.6421%	24.5389%	-	2,815,929,874.99	1,863,449,872.82)
1.1.1 listed shares traded in the last 30 trading days	38.1175%	37.9464%	-	4,609,725,698.56	21.6780%	21.5873%	-	2,477,213,080.14	2,132,512,618.42)
1.1.2 listed shares not traded in the last 30 trading days	0.0881%	0.0877%	-	10,649,639.24	0.0887%	0.0883%	-	10,133,492.11	(516,147.13)
1.1.3 government bonds	0.4879%	0.4857%	-	59,004,410.01	2.8754%	2.8633%	-	328,583,302.74	269,578,892.73
1.1.4 allotment rights not admitted at trading on a regulated market	-	-	-	-	-	-	-	-	-
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-	-	-	-	-	-	-	-
1.2.1 listed shares traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.2.2 listed shares not traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.3. securities and money market instruments admitted on a stock exchange from a non-member state or negotiated on another regulated market from a non-member state, that operates on a regular basis and is recognised and opened to the public, approved by the FSA	-	-	-	-	-	-	-	-	-
2 New issued securities	-	-	-	-	-	-	-	-	-
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	59.7075%	59.4391%	-	7,220,693,259.75	66.0359%	65.7595%	-	7,546,147,063.97	325,453,804.22
- shares not admitted at trading on a regulated market	59.7075%	59.4391%	-	7,220,693,259.75	66.0359%	65.7595%	-	7,546,147,063.97	325,453,804.22
4 Bank deposits, out of which:	1.6358%	1.6286%	-	197,825,552.00	2.6721%	2.6609%	-	305,335,161.21	107,509,609.21
4.1. bank deposits made with credit institutions from Romania	1.6358%	1.6286%	-	197,825,552.00	2.6721%	2.6609%	-	305,335,161.21	107,509,609.21
- in RON	1.6358%	1.6286%	-	197,825,552.00	2.6721%	2.6609%	-	305,335,161.21	107,509,609.21
- in EUR	-	-	-	-	-	-	-	-	-
4.2. bank deposits made with credit institutions from an EU state	-	-	-	-	-	-	-	-	-
4.3. bank deposits made with credit institutions from a non-EU state	-	-	-	-	-	-	-	-	-
5 Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	-	-	-
6 Current accounts and petty cash out of which:	0.0053%	0.0053%		648,858.28	0.0506%	0.0504%		5,781,686.46	5,132,828.18
- in RON	0.0053%	0.0053%	-	644,341.11	0.0506%	0.0504%	-	5,778,094.78	5,133,753.67
- in EUR	0.0000%	0.0000%	EUR 550.27	2,489.70	0.0000%	0.0000%	EUR 222.45	1,010.17	(1,479.53)
- in USD	0.0000%	0.0000%	USD 249.87	1,036.39	0.0000%	0.0000%	USD 232.92	1,002.32	(34.07)
- in GBP	0.0000%	0.0000%	GBP 161.24	991.08	0.0000%	0.0000%	GBP 298.18	1,579.19	588.11
7 Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	0.1650%	0.1643%	-	19,957,310.85	6.8382%	6.8099%	-	781,436,770.50	761,479,459.65
- Treasury bills with discount, with original maturities of less than 1 year	0.1650%	0.1643%	-	19,957,310.85	6.8382%	6.8099%	-	781,436,770.50	761,479,459.65
8 Participation titles of OCJU and/or of UCITS (A.O.P.C./O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.2446%	0.2429%	-	29,577,287.78	0.1812%	0.1804%	-	20,728,166.91	(8,849,120.87)
- receivable representing the amount transferred to Central Depository for 2015 return of capital and not yet paid to / collected by shareholders until the end of the period	0.1588%	0.1580%	-	19,207,349.00	0.1053%	0.1049%	-	12,042,812.70	(7,164,536.30)
- dividend withholding tax to be recovered from Austrian Tax Authorities	0.0087%	0.0086%	EUR 231,495.58	1,047,401.75	-	-	-	-	(1,047,401.75)
- tax on dividends to be recovered from the State Budget	0.0056%	0.0056%	-	681,562.00	0.0061%	0.0060%	-	692,489.00	10,927.00
- tax on profit to be recovered from the State Budget	0.0606%	0.0602%	-	7,330,440.00	0.0641%	0.0639%	-	7,330,440.00	-
- intangible assets	0.0066%	0.0065%	-	796,412.31	0.0048%	0.0047%	-	548,806.76	(247,605.55)
- other receivables, out of which:	0.0038%	0.0037%	-	452,263.51	0.0003%	0.0003%	-	35,811.24	(416,452.27)
- in RON	0.0038%	0.0037%	-	452,263.51	0.0003%	0.0003%	-	35,811.24	(416,452.27)
- prepaid expenses	0.0005%	0.0003%	-	61,859.21	0.0006%	0.0006%	-	77,807.21	15,948.00
II. Total liabilities	0.4517%	0.4497%		54,625,823.74	0.4201%	0.4184%		48,007,343.57	(6,618,480.17)
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1148%	0.1142%	-	13,878,424.02	0.1119%	0.1114%	-	12,782,412.56	(1,096,011.46)
2 Liabilities related to the fees payable to the depository bank	0.0007%	0.0007%	-	84,979.19	0.0006%	0.0006%	-	66,204.54	(18,774.65)
3 Liabilities related to the fees payable to intermediaries	0.0037%	0.0037%	-	446,715.00	0.0561%	0.0558%	-	6,406,659.99	5,959,944.99
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
5 Interest payable	-	-	-	-	-	-	-	-	-
6 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-
7 Liabilities in relation with the fees/commissions to FSA	0.0075%	0.0075%	-	905,580.70	0.0073%	0.0073%	-	833,574.93	(72,005.77)
8 Liabilities related to audit fees	-	-	-	-	-	-	-	-	-
9 Other liabilities, out of which:	0.3250%	0.3236%	-	39,310,124.83	0.2442%	0.2433%	-	27,918,491.55	(11,391,633.28)
- liabilities related to the return of capital	0.1900%	0.1891%	-	22,972,690.65	0.1768%	0.1761%	-	20,208,048.75	(2,764,641.90)
- dividends payable	0.0111%	0.0111%	-	1,349,397.52	-	-	-	-	(1,349,397.52)
- provisions	0.0956%	0.0952%	-	11,567,804.85	0.0075%	0.0075%	-	856,247.22	(10,711,557.63)
- liabilities related to buybacks under settlement	0.0070%	0.0070%	-	848,468.13	0.0025%	0.0025%	-	287,823.53	(560,644.60)
- remunerations and related contributions	0.0003%	0.0003%	-	32,689.00	0.0003%	0.0003%	-	31,950.00	(739.00)
- VAT payable to State Budget	0.0011%	0.0011%	-	132,207.55	-	-	-	-	(132,207.55)
- other liabilities, out of which:	0.0199%	0.0198%	-	2,406,867.13	0.0571%	0.0569%	-	6,534,422.05	4,127,554.92

FONDUL PROPRIETATEA SA

Item	31 December 2015				30 December 2016				Differences
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
- in RON	0.0195%	0.0194%	-	2,354,839.90	0.0557%	0.0555%	-	6,374,591.32	4,019,751.42
- in USD	-	-	-	-	0.0009%	0.0009%	USD 25,007.00	107,612.62	107,612.62
- in EUR	0.0004%	0.0004%	EUR 11,499.00	52,027.23	0.0005%	0.0005%	EUR 11,499.00	52,218.11	190.88
III. Net Asset Value (I - II)	100.0000%	99.5503%		12,093,456,192.73	100.0000%	99.5816%		11,427,351,380.47	(666,104,812.26)

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

Unitary Net Asset Value

Item	30 December 2016	31 December 2015	Differences
Net Asset Value	11,427,351,380.47	12,093,456,192.73	(666,104,812.26)
Number of outstanding shares	9,630,931,675	10,452,388,827	(821,457,152)
Unitary net asset value	1.1865	1.1570	0.0295

DETAILED STATEMENT OF INVESTMENTS AS AT 30 DECEMBER 2016
Securities admitted or traded on a regulated market in Romania, out of which:
1.1 listed shares traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alro Slatina SA	ALR	30/Dec/2016	72,884,714	0.5	1.1700	85,275,115.38	10.21%	0.7431%	0.7462%	Closing price
Banca Transilvania SA	TLV	30/Dec/2016	8,622,074	1	2.3850	20,563,646.49	0.23%	0.1792%	0.1800%	Closing price
BRD-Groupe Societe Generale SA	BRD	30/Dec/2016	25,363,456	1	11.8800	301,317,857.28	3.63%	2.6258%	2.6368%	Closing price
Conpet SA	COTE	30/Dec/2016	524,366	3.3	78.8000	41,320,040.80	6.05%	0.3601%	0.3616%	Closing price
IOR SA	IORB	22/Nov/2016	2,622,273	0.1	0.4000	1,048,909.20	2.81%	0.0091%	0.0092%	Reference price - Average price
Mecon SA	MECP	27/Dec/2016	60,054	11.6	3.0000	180,162.00	12.51%	0.0016%	0.0016%	Reference price - Average price
Oil Terminal SA	OIL	30/Dec/2016	36,796,026	0.1	0.0942	3,466,185.65	6.31%	0.0302%	0.0303%	Closing price
OMV Petrom SA	SNP	30/Dec/2016	7,117,548,078	0.1	0.2610	1,857,680,048.36	12.56%	16.1884%	16.2564%	Closing price
Palace SA	PACY	19/Dec/2016	5,832,482	0.1	0.4680	2,729,601.58	15.42%	0.0238%	0.0239%	Reference price - Average price
Primcom SA	PRIB	30/Dec/2016	1,275,032	0.1	8.0200	10,225,756.64	75.48%	0.0891%	0.0895%	Reference price - Average price
Romaero SA	RORX	30/Dec/2016	1,311,691	2.5	16.5500	21,708,486.05	20.99%	0.1892%	0.1900%	Reference price - Average price
Nuclearelectrica SA	SNN	30/Dec/2016	27,408,381	10	4.8050	131,697,270.71	9.09%	1.1477%	1.1525%	Closing price
Total						2,477,213,080.14		21.5873%	21.6780%	

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	27/Jul/2015	89,249	2.5	113.5418	10,133,492.11	71.89%	0.0883%	0.0887%	Shareholders' equity as of 31 December 2015
Total						10,133,492.11		0.0883%	0.0887%	

FONDUL PROPRIETATEA SA
Instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:
Unlisted shares

Issuer	No. of shares held	Date of acquisition *	Acquisition price (total price of acquisition of shares)	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19/Jul/2005	1,490,898	73.2328	1,695,998.42	20.00%	0.0148%	0.0148%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	113.2558	3,625,997.69	20.00%	0.0316%	0.0317%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
BAT Service SA	194,022	19/Jul/2005	656,686	0.0000	0.00	33.00%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Cetatea SA	354,468	19/Jul/2005	118,840	0.9855	349,328.21	20.43%	0.0030%	0.0031%	Unlisted companies, in function	Shareholders' equity as of 31 December 2015/ share
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	84.9222	17,252,794.15	20.00%	0.1503%	0.1510%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2015 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	109.2594	3,010,533.51	20.00%	0.0262%	0.0263%	Unlisted companies, in function	Shareholders' equity as of 31 December 2015/ share
CN Administratia Porturilor Dunarii Maritime SA	56,675	19/Jul/2005	1,706,051	20.8520	1,181,787.10	7.70%	0.0103%	0.0103%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2015 adjusted with dividends declared/ share)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	65,511,444	81.2601	215,999,747.09	19.99%	1.8823%	1.8902%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
CN Aeroporturi Bucuresti SA **	2,875,443	5/Feb/2010	131,168,263	264.6548	760,999,792.08	20.00%	6.6316%	6.6595%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	0.0000	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Cornig SA	75,655	19/Jul/2005	132,633	3.2816	248,269.45	69.94%	0.0022%	0.0022%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2015 adjusted with dividends declared/ share)
E-Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	65.0605	599,899,708.96	24.12%	5.2277%	5.2497%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
E-Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	56.2998	380,199,699.47	24.09%	3.3132%	3.3271%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
E-Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	138.0053	449,399,906.90	12.00%	3.9162%	3.9327%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
SDEE Muntenia Nord SA (former Electrica Distributie Muntenia Nord SA)	7,796,022	19/Jul/2005	165,221,141	32.7346	255,199,661.76	21.99%	2.2239%	2.2332%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
SDEE Transilvania Nord SA (former Electrica Distributie Transilvania Nord SA)	8,167,813	19/Jul/2005	113,299,904	25.5025	208,299,651.03	22.00%	1.8152%	1.8228%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
SDEE Transilvania Sud SA (former Electrica Distributie Transilvania Sud SA)	9,327,282	19/Jul/2005	125,918,629	26.3956	246,199,204.76	21.99%	2.1455%	2.1545%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Electrica Furnizare SA ***	1,366,412	22/Jul/2011	17,819,672	122.7470	167,722,973.76	22.00%	1.4616%	1.4677%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	158.3140	70,299,964.96	12.00%	0.6126%	0.6152%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	44.9404	75,499,872.00	12.00%	0.6579%	0.6607%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	189.6517	453,399,939.89	11.99%	3.9511%	3.9677%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,378,235	19/Jul/2005	3,107,667,996	37.8615	3,383,994,044.45	19.94%	29.4892%	29.6131%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Plafar SA	132,784	28/Jun/2007	3,160,329	16.2444	2,156,996.41	48.99%	0.0188%	0.0189%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	2.8913	42,999,260.36	25.00%	0.3747%	0.3763%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Romplumb SA	1,595,520	28/Jun/2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Salubriserv SA	43,263	19/Jul/2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	90.2345	180,999,939.80	48.99%	1.5773%	1.5839%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	0.0000	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero
World Trade Hotel SA	17,912	19/Jul/2005	17,912	0.0000	0.00	19.90%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (lack of annual financial statements for the year-ended 31 December 2015)
Zirom SA	5,405,083	28/Jun/2007	53,838,072	4.7200	25,511,991.76	100.00%	0.2223%	0.2233%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Total			5,115,702,791		7,546,147,063.97		65.7595%	66.0359%		

Legend:

* = where the date of acquisition is shown as earlier than Fondul Proprietatea's date of incorporation (28 December 2005), the date of acquisition refers to the date of publishing in the Official Gazette of Law no. 247 / 19 July 2005, which determined that these investments would be transferred to Fondul Proprietatea on its future incorporation.

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

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

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

FONDUL PROPRIETATEA SA
Bonds or other debt instruments issued or guaranteed by the state or central public administration authorities
Treasury bills with discount

Series and number of the issue	No. of instruments	Date of acquisition	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Intermediary Bank	Evaluation method
RO1617CTN017	15,000	19/Sep/2016	18/Jan/2017	74,910,108.00	749.10	76,408.20	74,986,516.20	0.6535%	0.6562%	BRD Groupe Societe Generale	Acquisition price cumulated with the related interest since the acquisition date
RO1617CTN017	20,000	20/Sep/2016	18/Jan/2017	99,886,795.00	943.38	96,224.25	99,983,019.25	0.8713%	0.8749%	BRD Groupe Societe Generale	
RO1617CTN017	20,000	19/Oct/2016	18/Jan/2017	99,924,224.00	832.70	60,787.34	99,985,011.34	0.8713%	0.8750%	BRD Groupe Societe Generale	
RO1617CTN033	7,000	26/Sep/2016	6/Feb/2017	34,952,222.20	359.23	34,486.23	34,986,708.43	0.3049%	0.3062%	BRD Groupe Societe Generale	
RO1617CTN033	19,400	17/Oct/2016	6/Feb/2017	96,885,459.49	1,022.68	76,701.24	96,962,160.73	0.8450%	0.8485%	BRD Groupe Societe Generale	
RO1617CTN033	13,000	19/Oct/2016	6/Feb/2017	64,934,524.20	595.23	43,452.12	64,977,976.32	0.5662%	0.5686%	BRD Groupe Societe Generale	
RO1617CTN066	15,000	19/Oct/2016	5/Apr/2017	74,853,287.25	873.29	63,750.18	74,917,037.43	0.6529%	0.6556%	ING Bank	
RO1617CTN074	11,600	20/Oct/2016	8/May/2017	57,855,361.34	723.19	52,069.92	57,907,431.26	0.5046%	0.5067%	Raiffeisen Bank	
RO1617CTN074	10,000	21/Oct/2016	8/May/2017	49,886,508.00	582.01	38,994.69	49,925,502.69	0.4351%	0.4369%	Raiffeisen Bank	
RO1617CTN090	10,000	16/Dec/2016	29/May/2017	49,854,646.00	886.30	13,294.58	49,867,940.58	0.4346%	0.4364%	Raiffeisen Bank	
RO1617CTN0B7	3,400	19/Oct/2016	8/Feb/2017	16,981,509.10	165.10	12,052.10	16,993,561.20	0.1481%	0.1487%	Raiffeisen Bank	
RO1617CTN0E1	6,000	19/Oct/2016	20/Mar/2017	29,954,469.30	299.54	21,866.72	29,976,336.02	0.2612%	0.2623%	Raiffeisen Bank	
RO1617CTN0E1	2,000	19/Oct/2016	20/Mar/2017	9,984,823.10	99.85	7,288.91	9,992,112.01	0.0871%	0.0874%	Raiffeisen Bank	
RO1617CTN0E1	4,000	16/Dec/2016	20/Mar/2017	19,971,729.00	310.67	3,728.04	19,975,457.04	0.1741%	0.1748%	Raiffeisen Bank	
Total							781,436,770.50	6.8099%	6.8382%		

Government bonds

Issuer	ISIN code	No. of instruments	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Market price / Reference composite price	Current value	Stake in FP total assets	Stake in FP net asset	Evaluation method
Ministry of Finance	RO0717DBN038	10,000	19/Oct/2016	11/Jun/2017	11/Jun/2017	100,000,000.00	18,493.15	3,754,109.59	10,254.70	106,301,109.59	0.9263%	0.9302%	Fair value (reference composite price published by Reuters, including the cumulated interest)
Ministry of Finance	RO0717DBN038	3,500	20/Oct/2016	11/Jun/2017	11/Jun/2017	35,000,000.00	6,472.60	1,313,938.36	10,254.70	37,205,388.36	0.3242%	0.3256%	
Ministry of Finance	RO0717DBN038	7,500	19/Dec/2016	11/Jun/2017	11/Jun/2017	75,000,000.00	13,869.86	2,815,582.19	10,254.70	79,725,832.19	0.6948%	0.6977%	
Ministry of Finance	RO1217DBN046	2,500	21/Oct/2016	26/Jul/2017	26/Jul/2017	25,000,000.00	4,041.10	638,493.15	10,279.70	26,337,743.15	0.2295%	0.2305%	
Ministry of Finance	RO1217DBN046	7,500	21/Oct/2016	26/Jul/2017	26/Jul/2017	75,000,000.00	12,123.29	1,915,479.45	10,279.70	79,013,229.45	0.6885%	0.6914%	
Total										328,583,302.74	2.8633%	2.8754%	

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	14/Dec/2016	4/Jan/2017	46,800,000.00	234.00	3,978.00	46,803,978.00	0.4079%	0.4096%	Bank deposit value cumulated with the daily related interest for the period since starting date
ING BANK	19/Dec/2016	16/Jan/2017	33,100,000.00	183.89	2,206.67	33,102,206.67	0.2885%	0.2897%	
Banca Comerciala Romana	20/Dec/2016	10/Jan/2017	36,000,000.00	280.00	3,080.00	36,003,080.00	0.3137%	0.3151%	
BRD Groupe Societe Generale	28/Dec/2016	3/Jan/2017	44,800,000.00	248.89	746.67	44,800,746.67	0.3904%	0.3920%	
BRD Groupe Societe Generale	29/Dec/2016	5/Jan/2017	46,300,000.00	257.22	514.44	46,300,514.44	0.4035%	0.4052%	
BRD Groupe Societe Generale	30/Dec/2016	3/Jan/2017	2,453,607.90	34.08	34.08	2,453,641.98	0.0214%	0.0215%	
BRD Groupe Societe Generale	30/Dec/2016	3/Jan/2017	9,670,258.77	40.29	40.29	9,670,299.06	0.0843%	0.0846%	
Banca Comerciala Romana	30/Dec/2016	12/Jan/2017	43,100,000.00	335.22	335.22	43,100,335.22	0.3756%	0.3772%	
Unicredit Tiriuc Bank	30/Dec/2016	3/Jan/2017	43,100,000.00	359.17	359.17	43,100,359.17	0.3756%	0.3772%	
Total						305,335,161.21	2.6609%	2.6721%	

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

	31 December 2014	31 December 2015	30 December 2016
Net Asset	13,236,700,614.13	12,093,456,192.73	11,427,351,380.47
NAV/share	1.2125	1.1570	1.1865

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

BRD Groupe Societe Generale

Grzegorz Konieczny
Legal representative

Marius Nechifor
Compliance Officer

Claudia Ionescu
Director

Victor Strâmbel
Manager Depositary Department

Annex 3

STATEMENT OF PERSONS RESPONSIBLE

Provisions of Art.30 of Accounting Law no. 82/1991 and
CNVM Regulations no. 1/2006, Art.112¹, par. 1, letter c

The annual financial statements as at 31 December 2016 prepared for:

Entity: Fondul Proprietatea SA

Address: Bucharest, District 1, 78–80, Buzeşti Street, 7th Floor

Trade Registry Number: J40/21901/28.12.2005

Form of property: 22 (joint ownership with public capital under 50%, domestic and foreign public and private capital companies)

CAEN code and name: 6430 “Trusts, funds and similar financial entities”

Sole Registration Code: 18253260

The undersigned, Johan Meyer, Permanent Representative with Franklin Templeton International Services S à r l as Sole Director, and Cadaru Catalin, Financial reporting manager with Franklin Templeton Investment Management Ltd. United Kingdom, Bucharest Branch, as Investment Manager of Fondul Proprietatea SA, undertake the responsibility for the preparation of the annual financial statements on 31 December 2016 and confirm that:

- a) The accounting policies used for the preparation of the annual financial statements are in compliance with the applicable accounting regulations;
- b) The annual financial statements give a true and fair view of the financial position and performance and of other information regarding the conducted business;
- c) The company is conducting its business on the going concern basis;
- d) The Annual Administrator’s Report of Franklin Templeton International Services S à r l, regarding the management and administration of Fondul Proprietatea SA for the year 2016, includes an accurate overview of the developments and performance of Fondul Proprietatea SA, as well as a description of the main risks and uncertainties related to the business.

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

Johan Meyer
Permanent Representative

Catalin Cadaru
Financial Reporting Manager with FTIML

Annex 4

Documents for appointment of two members of the Board of Nominees during period ended 31 December 2016

**Resolution no. 2 / 26 April 2016
of the Shareholders' Ordinary General Meeting of
FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzesti Street, 7th floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 26 April 2016, 16:00 o'clock (Romanian time), the shareholders of Fondul Proprietatea S.A. ("the Fund") have met during the Shareholders' Ordinary General Meeting ("OGM") of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the OGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of permanent representative of Franklin Templeton International Services S.À R.L., a société à responsabilité limitée with its registered office located at 8A rue Albert Borschette, L-1246 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 36.979, registered with the public registry of the Financial Supervisory Authority ("FSA") under the number PJM07.1AFIASMDLUX0037/10.03.2016, in its capacity of alternative investment fund manager and sole director of Fondul Proprietatea S.A..

Whereas:

- The convening notice of the OGM was published on the Fund's website (www.fondulproprietatea.ro) on 2 March 2016, in the Official Gazette of Romania, Part IV, number 927 of 4 March 2016 and in "Bursa" newspaper no. 44 of 4 March 2016;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 297/2004 on capital market, with its subsequent amendments and supplementations (Law no. 297/2004);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Regulation of the Financial Supervisory Authority no. 4/2013 regarding depositary receipts (Regulation no. 4/2013);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" S.A., as well as on trading the shares issued by this company.

Following debates, the Fund's shareholders decide as follows:

- I. The appointment of Mr. SORIN MIHAI MÎNDRUȚESCU as a member of the Board of Nominees following the expiration of the mandate of Mr. SORIN MIHAI MÎNDRUȚESCU on 30 September 2016; the mandate of the new member is valid for a period of three (3) years and shall produce its effects starting with the said date onwards, subject to the acceptance of the mandate by the newly appointed member.

This item is adopted with 5,606,395,120 votes representing 99.69% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 5,606,395,120 votes "for" and 17,245,301 votes "against". There were also registered: 15,298,326 abstains, and 63,282,983 votes „not given”.

- II. In accordance with Article 1292 of Regulation no. 1/2006, the approval of 23 May 2016 as the Ex – Date, computed in accordance with the provisions of Article 2 paragraph (2) letter f1) of Regulation no. 1/2006, and 24 May 2016 as the Registration Date, computed in accordance with the provisions of Article 238 paragraph (1) of Capital Market Law no. 297/2004. As no payments to the shareholders shall be triggered by the decisions herein, shareholders do not decide upon the Payment Date, as it is defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with 5,685,366,633 votes representing 99.94% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 5,685,366,633 votes "for" and 3,258,225 votes "against". There were also registered: 12,231,941 abstains, and 1,186,921 votes „not given”.

- III. The empowerment, with authority to be substituted, of Grzegorz Maciej KONIECZNY to sign the shareholders' resolutions, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders' resolution, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item is adopted with 5,686,099,377 votes representing 99.92% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 5,686,099,377 votes "for" and 4,119,393 votes "against". There were also registered: 11,316,058 abstains, and 247.052 votes „not given”.

This decision is drafted and signed on behalf of the shareholders by:

Grzegorz Maciej KONIECZNY

Vlad Neacșu

Meeting secretary

Valeriu Ioniță

Technical secretary

Resolution no. 3 / 26 April 2016
of the Shareholders' Ordinary General Meeting of
FONDUL PROPRIETATEA S.A.

Headquarters: 78-80 Buzesti Street, 7th floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 26 April 2016, 16:00 o'clock (Romanian time), the shareholders of Fondul Proprietatea S.A. ("the Fund") have met during the Shareholders' Ordinary General Meeting ("OGM") of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the OGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of permanent representative of Franklin Templeton International Services S.À R.L., a société à responsabilité limitée with its registered office located at 8A rue Albert Borschette, L-1246 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 36.979, registered with the public registry of the Financial Supervisory Authority ("FSA") under the number PJM07.1AFIASMDLUX0037/10.03.2016, in its capacity of alternative investment fund manager and sole director of Fondul Proprietatea S.A..

Whereas:

- The convening notice of the OGM was published on the Fund's website (www.fondulproprietatea.ro) on 2 March 2016, in the Official Gazette of Romania, Part IV, number 927 of 4 March 2016 and in "Bursa" newspaper no. 44 of 4 March 2016;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 297/2004 on capital market, with its subsequent amendments and supplementations (Law no. 297/2004);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Regulation of the Financial Supervisory Authority no. 4/2013 regarding depositary receipts (Regulation no. 4/2013);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" S.A., as well as on trading the shares issued by this company.

Following debates, the Fund's shareholders decide as follows:

- I. The appointment of Mr. MARK HENRY GITENSTEIN as a member of the Board of Nominees following the expiration of the mandate of Mr. MARK HENRY GITENSTEIN on 30 September 2016; the mandate of the new member is valid for a period of three (3) years and shall produce its effects starting with the said date onwards, subject to the acceptance of the mandate by the newly appointed member.

This item is adopted with 5,603,155,220 votes representing 99.52% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 5,603,155,220 votes "for" and 26,997,906 votes "against". There were also registered: 9,997,052 abstains, and 62,071,552 votes „not given”.

- II. In accordance with Article 1292 of Regulation no. 1/2006, the approval of 23 May 2016 as the Ex – Date, computed in accordance with the provisions of Article 2 paragraph (2) letter f1) of Regulation no. 1/2006, and 24 May 2016 as the Registration Date, computed in accordance with the provisions of Article 238 paragraph (1) of Capital Market Law no. 297/2004. As no payments to the shareholders shall be triggered by the decisions herein, shareholders do not decide upon the Payment Date, as it is defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with 5,685,366,633 votes representing 99.94% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 5,685,366,633 votes “for” and 3,258,225 votes “against”. There were also registered: 12,231,941 abstains, and 1,186,921 votes „not given”.

- III. The empowerment, with authority to be substituted, of Grzegorz Maciej KONIECZNY to sign the shareholders’ resolutions, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders’ resolution, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item is adopted with 5,686,099,377 votes representing 99.92% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 5,686,099,377 votes “for” and 4,119,393 votes “against”. There were also registered: 11,316,058 abstains, and 247.052 votes „not given”.

This decision is drafted and signed on behalf of the shareholders by:

Grzegorz Maciej KONIECZNY

Vlad Neacșu

Meeting secretary

Valeriu Ioniță

Technical secretary

Annex 5

Investment Management Agreement in force as at 31 December 2016

MANAGEMENT AGREEMENT

DATED 2 NOVEMBER 2015

FONDUL PROPRIETATEA S.A.

and

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L

THIS AGREEMENT is made on 2 November 2015

BETWEEN:

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l., a *société à responsabilité limitée* qualifying as an alternative investment fund manager (“**AIFM**”) under Article 101-1 of the Luxembourg law of 17 December 2010 on undertakings for collective investment, as amended (“**UCI Act**”), whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg and which is registered with the Luxembourg Registre de Commerce et des Sociétés under number 36.979 and in the Register kept by the Romanian Financial Supervisory Authority (the “**Fund Manager**”) (“Administrator” in Romanian language); and

FONDUL PROPRIETATEA S.A. of Buzesti St. 78-80, 1st District, Bucharest municipality, Romania (the “**Customer**”).

WHEREAS:

(A) The Customer wishes to appoint the Fund Manager as the AIFM of the Customer on the terms and subject to the conditions of this Management Agreement.

(B) The Fund Manager wishes to accept such appointment, on the terms and subject to the conditions of this Management Agreement.

(C) The Customer qualifies as an alternative investment fund within the meaning of the Directive 2011/61/EU of the EU Parliament and of the Council on Alternative Investment Fund Managers, as amended (the “**AIFMD**”) and Law 74/2015 on managers of alternative investment funds in Romania (“**AIFM Law**”). The Customer wishes to appoint the Fund Manager as its AIFM in the meaning of the AIFM Law and to entrust it with certain functions accordingly, including, without limitation, all functions relating to risk management and portfolio management.

(D) The Fund Manager qualifies as an AIFM under Chapter 2 of the Luxembourg law of 12 July 2013 on alternative investment fund managers (the “**AIFM Act**”), and is entitled to carry out services in Romania in accordance with the AIFM Law being registered with the registry kept by the Romanian Financial Supervisory Authority and is authorised to carry out the management of a fund such as the Customer (including, without limitation, risk management and portfolio management).

(E) The general assembly of shareholders of the Customer approved on 29 October 2015 the appointment of the Fund Manager as the external alternative investment manager and sole director of the Customer subject to the terms and conditions of this Management Agreement.

1. INTERPRETATION

1.1 In this Management Agreement, unless the context otherwise requires, it is agreed that:

- (a) words in the singular include the plural, words in the plural include the singular, words importing the masculine gender include the feminine, and words importing the feminine gender include the masculine;
- (b) headings and paragraphs are for the purpose of organization only and shall not be used to interpret this Management Agreement;
- (c) references to “this Management Agreement” include its Recitals and Annexes (which are incorporated herein by reference and are integrated within the body of this Management Agreement) and this Management Agreement, unless otherwise stated;
- (d) references in this Management Agreement to Recitals, Sections, Articles, Clauses, Sub-Clauses and Annexes are to the preamble, recitals, sections, articles, clauses and sub-clauses of, and Annexes to, this Management Agreement, unless otherwise stated; and
- (e) references to any provisions of legislation, delegated legislation, regulations or rules shall be construed as references to such provisions as replaced, re-enacted, extended or amended from time to time (whether before or after the date hereof).

1.2 Notwithstanding anything to the contrary in this Management Agreement, the Parties agree that none of the limitations of liability or responsibility which the Parties may agree *vis-à-vis* each other pursuant to this Management Agreement or otherwise may be construed as a limitation of the obligations, liabilities or responsibilities imposed by the Compulsory Rules.

2. DEFINITIONS

In this Management Agreement, the following capitalised terms shall, unless the context otherwise requires or it is otherwise provided, have the following meanings:

Account means the account maintained by the depositary and sub-custodian(s), as the Customer has notified in writing to the Fund Manager;

Affiliate means, with respect to any person, any other person directly or indirectly controlling, directly or indirectly controlled by, or under common control with such person;

AIFM Act means the Luxembourg Act of 12 July 2013 on alternative investment fund managers for implementing the AIFMD;

AIFMD means Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers;

AIFM Law means Law no. 74/2015 on managers of alternative investment funds implementing the AIFMD in Romania;

AIFM Rules means the set of rules formed by (a) the AIFMD, (b) the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing the AIFMD, (c) any binding guideline or other delegated act and regulation issued from time to time by the EU relevant authorities pursuant to any national laws and regulations (such as the AIFM Act or AIFM Law), and (d) any national laws and regulations enacted in connection with the implementation of the rules listed in paragraphs (a) to (c) above which are applicable to this Management Agreement;

Associated Company(when used in relation to the Fund Manager) means any company which is an Affiliate of the Fund Manager;

BoN means the Board of Nominees ("*Comitetul Reprezentantilor*" in Romanian language) which monitors the activity of the Fund Manager, appointed by the GSM and under direct supervision of the GSM;

BoN Review Report has the meaning ascribed to such term in clause 9.6;

Calculation Period means a calendar quarter, each consisting of a three-month period ; the four calendar quarters that make up the year shall be: January, February and March (the first quarter, or **Q1**); April, May and June (the second quarter, or **Q2**); July, August and September (the third quarter, or **Q3**); and October, November and December (the fourth quarter, or **Q4**);

Central Depositary means a legal person established as a joint-stock company, authorised and supervised by the FSA, performing deposit, registration, clearing and settlement services for transactions with financial instruments and related activities;

CNVM means the Romanian National Securities Commission, having the duties established in the Government Emergency Ordinance no. 25/2002 on the approval of the By-laws of the National Securities Commission; in April 2013 the CNVM was reorganized as the FSA;

Companies Law means Law no. 31/1990 on companies;

Compulsory Rules means prescriptive rules of law (referred to in Luxembourg law as "*règles d'ordre public*" and in Romania as "*reguli de ordine publica*") from which the Parties may not be relieved by way of agreement, whether or not these rules result from the AIFM Rules and irrespective of their national or EU origin and nature;

Constitutive Act means the Articles of Incorporation of the Customer;

Control means, in relation to any person, the power of another person, directly or indirectly, to secure that the affairs of such person are conducted in accordance with the wishes of that other person, (a) by means of the holding of shares or the possession of voting power in relation to that or any other person, or (b) by virtue of any powers conferred by the constitutional or corporate documents, or by contract or any other document or other legal relationship, or by applicable law, regulating that or any other person;

CSSF means *Commission de Surveillance du Secteur Financier*, the Luxembourg financial supervisory authority;

Customer means „Fondul Proprietatea” S.A., a closed - end investment company established in 2005 by the Romanian Government in accordance with, among others, Law no. 247/2005, and operating in accordance with the Constitutive Act;

Damages mean any and all losses, claims, liabilities, damages, taxes or expenses;

Delegate means any entity to which the Fund Manager delegates or outsources any of its obligations under this Management Agreement, including, without limitation, the Investment Manager;

Data Protection Laws mean the set of rules formed by (a) the Data Protection Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data, (b) Law 677/2001 on protection of individuals with regard to the processing of personal data and on the free movement of such data implementing in Romania Directive 95/46/EC, (c) any binding guideline or other delegated act and regulation issued from time to time by the EU relevant authorities or competent national authorities pursuant to any national laws and regulations (such as Law 677/2001) and (d) any national laws and regulations enacted in connection with the implementation of the rules listed under (a) to (c) above or other legislation which replaces or amends the same, which are applicable to this Management Agreement;

DCM has the meaning ascribed to such term in clause 9.2;

Depository is the entity or branch of an entity registered with the FSA, authorised to hold and safeguard financial assets of collective investment undertakings in accordance with the provisions of the AIFM Law, appointed by the Customer and in the deposit of which are entrusted for safekeeping all assets of the Customer;

Discount means, in respect of a day, an amount calculated by subtracting the closing price of the Fund's shares on the Bucharest Stock Exchange on REGS for such day from the NAV per share then most recently published by the Fund Manager and dividing the result by such most recently published NAV per share;

Discount Objective has the meaning ascribed to such term in the IPS;

Dispute has the meaning ascribed to such term in clause 19.2(a);

EGM means the Extraordinary General Meeting of the Customer's Shareholders;

Force Majeure Event means, in relation to any party, any act, event or circumstance, the cause of which is not of such party's making nor within that party's reasonable control, including without limitation (to the extent not of that party's making nor within that party's reasonable control) act of God, war, hostilities (whether or not war has been declared), terrorist acts, acts of any civil or military authority, governmental or regulatory direction or restriction, suspension or withdrawal of licences or consents from other reasons than the negligence of the Fund Manager, currency restrictions, market conditions affecting the execution or settlement of transactions or the value of assets, failure or breakdown in communications, the failure of any relevant exchange or clearing house, riot, insurrection, civil commotion, public demonstration, sabotage, acts of vandalism, fire, flood, earthquake, extreme weather conditions, epidemic or pandemic, explosion, aircraft crashes or things falling from aircraft, release of ionising radiation or contamination by radioactivity, chemical or biological contamination, the order of any court or governmental or regulatory authority, delay in transportation or communications, breakage of or accidental damage to equipment, any strike, lock-out or other industrial trade dispute (not involving solely the employees of that party), structural shift or subsidence;

FSA means the Romanian Financial Supervisory Authority, having the duties established in the Government Emergency Ordinance no. 93/2012;

Fund Manager's Group means the Fund Manager and its Associated Companies.

GEO no. 81/2007 means the Emergency Government Ordinance no. 81/2007 for the acceleration of the procedure on granting damages in relation to assets abusively taken;

GEO no. 32/2012 means the Emergency Government Ordinance no. 32/2012;

GSM means the General Meeting of the Customer's Shareholders;

Indemnified Party means the Customer, its officers (but not the Sole Director), employees, agents and representatives;

Investment Manager means Franklin Templeton Investment Management Ltd. of the Adelphi, 1-11 John Adam Street, London WC2N 6HT, United Kingdom, acting through its Romanian branch having its registered office at Premium Point, 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania;

IPS means the "Investment Policy Statement", i.e. the investment objectives and parameters governing investment decisions over the Portfolio which the Fund Manager has proposed and the GSM has approved;

Law no. 297/2004 means the Capital Market Law no. 297/2004;

Law no. 247/2005 means the Law no. 247/2005 regarding the Property and Judicial Reform, as well as Adjacent Measures;

Member State means the Member States of the European Union and the other States which belong to the European Economic Area;

Management Agreement means this Management Agreement entered into between the Customer and the Fund Manager;

NAV means the net asset value of the Customer, which is determined according to CNVM Regulation no. 4/2010;

NAV Objective has the meaning ascribed to such term in the IPS;

New Appointment Date means, in relation to the appointment of a new fund manager and sole director, or, in the event the Customer becomes an internally managed alternative investment fund, new directors of the Customer following termination of this Management Agreement, the later of: (i) the date when the new or, if decided by the Customer, interim, fund manager and sole director, or, as the case may be, new directors, are registered with the Trade Registry or any other competent authority as per the applicable legal provisions; and (ii) the date when the FSA issues its approval in relation to the appointment of the new, or, if decided by the Customer, interim, sole director and fund manager as the case may be, new directors, if such approval is legally required and, (iii) the date when all other mandatory legal requirements for the replacement of the Fund Manager have been satisfied, and, in each of the cases under paragraphs (i), (ii) and (iii), being effective on the date that the Fund Manager received notice (or ought reasonably to have received notice) of the event;

October GSM has the meaning ascribed to such term in clause 9.3;

OGM means the Ordinary General Meeting of the Customer's Shareholders;

OPCVM means undertakings for collective investment in transferable securities; meaning open-end investment funds and investment companies as defined by Art. 5 of GEO no. 32/2012;

Party means any of the Customer or the Fund Manager;

Performance Objectives has the meaning ascribed to such term in clause 9.1;

Performance Report has the meaning ascribed to such term in clause 9.4;

Portfolio means the portfolio of assets of the Customer, including uninvested cash designated from time to time by the Customer as subject to the management of the Fund Manager pursuant to this Management Agreement;

Reporting Period has the meaning ascribed to such term in clause 9.4;

RMS has the meaning ascribed to such term in Annex 2 (*Specific duties and obligations*);

Sole Director means the legal person appointed by the GSM to manage the Customer, within the limits provided by the applicable Romanian law, the Constitutive Act and the decisions of the GSM. For the purposes of this Management Agreement, any reference to the Sole Director is a reference to the Fund Manager;

Soft Dollar Practices mean arrangements under which assets or services, other than execution of securities transactions, are obtained by a fund manager from or through a broker in exchange for the fund manager directing to the respective broker trades concluded on behalf of the undertaking for collective investment managed by that fund manager;

Termination Notice means a termination notice given by the Customer or the Fund Manager, as per clause 13;

Termination Notice Date means the date when a Termination Notice is given, as per clause 13;

Trading Day means any day on which trading in shares may be carried out on Bucharest Stock Exchange, in accordance with the rules of the Bucharest Stock Exchange.

3. SCOPE OF THIS MANAGEMENT AGREEMENT

The scope of this Management Agreement is to appoint the Fund Manager as the Sole Director of the Customer and AIFM of the Customer and to establish the parties' rights and obligations in relation to each such appointment.

4. APPOINTMENT OF THE FUND MANAGER

By this Management Agreement, the Customer appoints the Fund Manager as the Sole Director of the Customer and also as its alternative investment fund manager.

5. ACCEPTANCE OF APPOINTMENT

The Fund Manager accepts its appointment as Sole Director of the Customer and as alternative investment fund manager upon the terms of this Management Agreement.

6. OBLIGATIONS OF THE FUND MANAGER, MANAGEMENT SCOPE AND OBJECTIVES

6.1. The obligations and the competencies of the Fund Manager as Sole Director and alternative investment fund manager of the Customer are set forth by the Companies Law, Law no. 297/2004, and the related regulations, as well as the Constitutive Act, the AIFM Rules (which may be subject to further amendments according to the law), and the provisions of this Management Agreement. The Fund Manager undertakes to comply at all times with all AIFM Rules and any other applicable law.

6.2. The Fund Manager shall exercise its obligations and duties in accordance with the decisions of, and under the control of, the general meeting of the shareholders and the monitoring of the BoN.

6.3. In addition to the duties provided by applicable law, the Fund Manager shall propose for the prior approval of the BoN and further, of a GSM, the general strategy in accordance with the investment policy of the Customer. The Fund Manager shall be solely responsible for the implementation of the investment policy in respect of the Portfolio and for achieving a proper balance between the profits and the risks related to the Portfolio.

6.4. The Fund Manager shall inform periodically in accordance with the applicable legislation and clause 11 of this Management Agreement the BoN on any significant changes in the activities of the Customer and within the structure of the Portfolio.

6.5. In addition to any duties or obligations imposed by any applicable law, the Fund Manager shall be liable to:

6.5.1. identify, analyse, quantify, manage and mitigate all risks affecting the Customer, the Portfolio and all other risk management functions provided by the AIFM Rules and prepare an annual report for the Customer indicating how risks affecting the Customer have been identified, analysed, quantified, managed or mitigated;

6.5.2. carry out all portfolio management functions provided in the AIFM Rules;

6.5.3. establish a reference date for shareholders entitled to vote within the GSM, under the law, and draft the text of the announcement to convene the GSM, after obtaining the prior approval of the BoN and after adding to the agenda the matters requested by the BoN;

6.5.4. upon the written request of any shareholder submitted before the date of the GSM, provide answers, after obtaining the prior approval of the BoN, in connection with the aspects concerning the business of the Customer;

6.5.5. ensure that, if requested by any of the shareholders, a copy of the minutes of the GSM shall be given to them and also, after the calling of the annual OGM is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors;

6.5.6. prepare the annual financial statements, the annual activity report, the semi-annual report, and the quarterly reports (preparing each of the foregoing in accordance with the law and regulations in force at the applicable time), the Performance Report, examine the financial auditors' report, present all such reports to the BoN before submitting such documents to the GSM for approval, and making proposals on the distribution of the profit, after obtaining the prior approval of the BoN, if required;

6.5.7. manage the relationship with the Central Depository with regard to its shareholders register functions;

6.5.8. prepare an annual report on the management and the business policy of the Customer, to be presented to the BoN for approval prior to its submission to the GSM;

6.5.9. propose for the prior approval of the BoN and further, of the GSM, the annual income and expenditure budget and business plan;

6.5.10. approve the outsourcing of certain activities, within the limits of the approved budget, respectively delegate the performance of certain activities, subject to the corporate approvals required under the Constitutive Act, to the observance of all conditions and limitations regarding delegation included in the AIFM Rules and in this Management Agreement and to the prior endorsement by the CSSF or other applicable competent authorities, where required by applicable legislation;

6.5.11. based on the proposal of the BoN, submit to the approval of the EGM any agreement / document which may create binding obligations to the Customer (including but not limited to the purchase, sale, conversion or encumbrance of the non-current assets of the Customer) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;

6.5.12. entering into any agreement / document which may create binding obligations to the Customer (the purchase, sale, conversion or encumbrance of the non-current asset of the Customer) whose value does not exceed, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables, without prior approval of the OGM or the EGM;

6.5.13. subject to the provisions of the Constitutive Act, IPS and applicable legislation, take all decisions at its sole discretion in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of the Customer;

6.5.14. propose to the GSM the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the BoN, as well as approving the procedure of internal audit and the audit plan;

6.5.15. change the location of the registered office of the Customer, with the prior notification of BoN, provided that the registered office shall at all times be registered in Romania;

6.5.16. prepare and making available to the BoN the reports, information as well as any other documents necessary for exercising the monitoring duties, as may be required by the BoN in line with the Constitutive Act and any applicable legislation including, for the avoidance of any doubt, the AIFM Act and the AIFM Rules;

6.5.17. inform at once the BoN on any litigation or infringement of legislation regarding the Fund Manager, on any operation which might be an infringement to the investment policy and about the plans/correction measures for addressing these matters;

6.5.18. ask for the calling of the GSM in order for the latter to decide whenever an issue appears on which the BoN has a disagreement with the Fund Manager, which cannot be resolved amicably by the two bodies;

6.5.19. propose to BoN the recommendation for the EGM for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a company be appointed related to the admission to trading of the Customer on another market than the Bucharest Stock Exchange;

6.5.20. duly notify the FSA or other regulatory authorities in any relevant Member State and inform the shareholders of the Customer according to the provisions of the AIFM Rules of any major holding and control of non-listed companies acquired by the Customer;

6.5.21. perform all the duties and obligations to which it is required by, and otherwise comply with, the AIFM Rules applicable to it in connection with its appointment as the AIFM of the Customer; and

6.5.22. any other responsibilities set according to the Constitutive Act and any applicable legislation.

The following activities to be carried out by the Fund Manager based on the aforementioned paragraphs qualify for the purpose of AIFM Rules as administration activities, respectively (a) legal and fund management accounting services in the case of sub-clauses 6.5.3, 6.5.6, 6.5.8, 6.5.9, 6.5.10, 6.5.11, 6.5.12, 6.5.14, 6.5.15, 6.5.18 and 6.5.19; (b) customer inquiries in the case of sub-clauses 6.5.4, 6.5.5, 6.5.16 and 6.5.17, and (c) maintenance of unit/ shareholder register in the case of sub-clause 6.5.7.

6.6. The Fund Manager shall perform its duties under this Management Agreement in line with the Customer's or the shareholders of the Customer's best interest in accordance with the AIFM Rules and the highest standards of professional conduct and integrity, including without limitation with respect to responding to public offerings or other corporate actions relating to the securities in the Portfolio.

6.7. Without limiting the generality of the foregoing (and so that none of the following provisions shall be deemed to limit the generality of any other of the following provisions), the Fund Manager undertakes to do the following:

(a) at all times make all reasonable efforts to avoid conflicts of interest, provided that the Customer understands that the services the Fund Manager provides to the Customer are not exclusive and that the Fund Manager may provide similar services to other customers. Where a conflict arises, the Fund Manager will promptly disclose this to the Customer and use all reasonable efforts to resolve the conflict fairly;

(b) will not effect any transaction in relation to the Portfolio knowingly and intentionally acting as agent for any of the Fund Manager's or other clients of its Associated Companies unless the Fund Manager shall have obtained the prior written consent of the Customer to such transaction, having given the Customer all material information relating thereto;

(c) shall comply with all applicable laws and regulations, including without limitation the AIFM Rules insofar as they are relevant to this Management Agreement, the Fund Manager's performance of its functions under it in any countries in which it performs its duties and carries out its activities pursuant to this Management Agreement and shall procure that all its employees and Delegates, and shall use all reasonable steps to procure that all its agents, shall comply with such laws, regulations and rules as are applicable to them in relation to their involvement with the affairs of the Customer;

(d) shall not enter into any transaction in relation to the Portfolio where the officers or employees by which the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 acts for the purposes of this Management Agreement are aware or ought reasonably to be aware that the Fund Manager or any Associated Company has a material interest in such transaction, unless it obtains the prior written consent of the Customer to such transaction, having first given the Customer all material information relating thereto, and for the purposes of this paragraph a "**material interest**" means a direct or indirect pecuniary interest, whether present or expected (other than a pecuniary interest consisting of a normal commission, rate or price differential or similar remuneration receivable in the ordinary course of business for effecting securities, deposit or foreign exchange transactions) which might reasonably be expected to influence a person, knowingly having that interest, to enter into or refrain from entering into such transaction;

(e) shall account to the Customer for all advantages and benefits received by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 from third parties resulting from bulk dealing involving the assets in the Portfolio and other securities and investments as are attributable (using a pro rata basis of calculation) to the assets in the Portfolio; and

(f) shall account to the Customer for all allowances, rebates, discounts and refunds received (if any) in respect of any transaction involving the assets of the Portfolio from commission brokerage or other charges which are made to the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 in any transaction and will not authorise any other person on behalf of the Customer to retain such.

6.8. The Fund Manager shall at all times use reasonable efforts to be expected of a diligent professional investment manager acting in good faith to stay informed of all facts concerning rights arising in respect of securities held in the Portfolio and in this regard shall in particular monitor on a continuing basis all sources of information reasonably available, including without limitation press reports and screen-based information services.

6.9. The Fund Manager agrees to communicate whenever necessary or desirable with the Depositary to ensure a full flow of information in respect of rights arising in relation to the securities and cash held in the Portfolio.

6.10. All foreign exchange transactions relating to the Account shall be carried out at competitive rates by the Fund Manager using a third party bank (which may include the Depositary, if a bank).

6.11. When entering into transactions on behalf of the Customer in accordance with this Clause 6, the Fund Manager will (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will) ensure that brokers' and dealers' terms of business and terms and conditions with other third parties entered into with or by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 and applicable to transactions in listed securities for the Portfolio (whether or not such terms and conditions are specifically intended to apply to transactions for the Portfolio) do not:

- (a) disapply or waive best execution or other regulatory protections normally applicable to professional clients (as defined in the EU Markets in Financial Instruments Directive) for the Customer;
- (b) confer liens, rights of retention or security over the Portfolio or any assets or monies of the Customer (except (i) in respect of margin for on exchange margined transactions or (ii) in respect of non-fulfilment of the obligations of the Customer under such agreement with brokers and dealers, but only if the part of the Portfolio subject to such liens, rights of retention or security is not disproportionate with the Customer's obligations and it is market practice to confer them or (iii) as otherwise permitted under this Management Agreement and as otherwise consented to in writing by the Customer) or as may be required by applicable laws; or
- (c) allow the Customer's monies or assets to be mixed with, set off against obligations or utilised for the benefit of any other person except where that is in accordance with standard market practice; or
- (d) give any representations or warranties on the Customer's behalf without the Customer's prior written consent other than representations or warranties given in the ordinary course of business and which the Fund Manager has reason to believe are true and correct; or
- (e) confer any onerous and unusual obligations on the Customer.

6.12. In relation to the Portfolio's management function, the Fund Manager will perform the day-to-day management of the Customer's assets in order to implement the Customer's investment objective, policy and strategy as such are described in the IPS, as well as the portfolio management duties and obligations constituting portfolio management under the AIFM Rules in each case, in consideration of the Customer's specific features including without limitation those described in Annex 2 (*Specific duties and obligations*).

6.13. Without prejudice to Clause 6.5.1, in relation to the Customer's and the Portfolio's risk management function, the Fund Manager will establish, implement, regularly (at least annually) review, and as the case may be adapt such risk management system (including the liquidity management system) which is necessary in order to identify, measure, manage and monitor appropriately all risks (including the liquidity risk) which are relevant to the Customer's investment strategy and to which the Customer is or may be exposed, as well as the risk management duties and obligations to which the Fund Manager is compelled by the AIFM Rules in view of the

Customer's specific features, including without limitation those described in Annex 2 (*Specific duties and obligations*).

6.14. In addition to the duties and obligations listed in this Clause 6, the Fund Manager will perform the duties and obligations, which are described in Annex 2 (*Specific duties and obligations*) in consideration of the Customer's specific features.

6.15. In the performance of its duties and obligations under this Management Agreement and the AIFM Rules, the Fund Manager will observe and comply with the provisions of the Constitutive Act and the IPS, as well as with any requests from the BoN or instructions contained in resolutions of the Customer's shareholders which do not conflict with the Fund Manager's duties or obligations under applicable law or any Compulsory Rules.

6.16. The Fund Manager may delegate part (but not all) of its duties under this Management Agreement, including the investment management functions, in each case in accordance with Clause 14.3 to an Associated Company duly authorised under applicable law to carry out the relevant activities.

6.17. The Fund Manager will maintain at all times the capital requirements and insurance required under AIFM Rules.

7. AUTHORIZED TRANSACTIONS

The transactions to be effected in relation to the Portfolio are subject to the legal regulations in force, including the Companies Law no. 31/1990, Law no. 297/2004, the AIFM Rules and other applicable regulations, as well as Law no. 247/2005, GEO no. 81/2007, the Constitutive Act as well as any other applicable legislation or regulation replacing, amending or completing the same.

8. ASSET CUSTODY AND THE DEPOSITARY

8.1. The Fund Manager will place the assets of the Customer in custody according to all applicable legal provisions, including without limitation the AIFM Law and the AIFM Rules. The Depositary will be appointed by the Fund Manager after consultation with the BoN, with sufficient time in advance, on the identity of the proposed Depositary and the terms and conditions of its appointment.

8.2. The relationship between the Customer (acting through the Fund Manager) and the Depositary shall be governed by a written depositary agreement and the Fund Manager shall ensure that such agreement includes clauses addressing those matters and imposing those obligations, which are required by the applicable AIFM Rules, Romanian legislation applicable to the Customer, the Constitutive Act and the IPS.

8.3. All payments due for receipt by the Customer, such as dividends, interests, sale proceeds, or any with other title, shall be paid directly to the Depositary and in the Customer's account opened at the Depositary. The Fund Manager shall not be entitled at any time and in any form to hold cash or other assets from the Portfolio belonging to the Customer in any form.

9. FUND MANAGER PERFORMANCE OBJECTIVES, ANNUAL REPORTING

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

9.2. The Fund Manager will call a BoN meeting to discuss the Discount Control Mechanism ("**DCM**") strategy if the Discount stays above 15% for more than half of the Trading Days in any financial quarter of the Customer. In addition, if the Discount stays wider than 15% for more than half of the Trading Days in any two successive financial quarters of the Customer, the Fund Manager will call a GSM (which would be held no later than the end of the next quarter) at which the Fund Manager would propose, for the Customer's shareholders' approval,

specific DCM measures pre-agreed with the BoN and which are in line with the IPS, unless such actions are already pending and soon to be implemented based on shareholder approvals obtained during the relevant preceding two quarter periods.

9.3. For the purpose of reviewing the performance of the Fund Manager each year (including, but not limited to, whether the Performance Objectives have been achieved), each year in October the Customer will hold a GSM, starting in October 2016 (the “**October GSM**”).

9.4. Not later than 30 days before the deadline for publication of the October GSM documentation as required by the law, the Fund Manager must submit to the BoN a report on activities and performance of the Fund Manager (and each Delegate) in the relevant period (the “**Performance Report**”). The first Reporting Period shall be 1 July 2015 until 30 June 2016 and every subsequent year shall be from 1 July until 30 June of the next year (the “**Reporting Period**”). The first Reporting Period will be divided in two periods of time: (a) 1 July 2015 until 31 March 2016, for which the report will reflect the activity of Franklin Templeton Investment Management Ltd. UK as fund manager of the Customer under a management agreement dated 29 April 2014 between the Customer and such entity, and (b) 1 April 2016 until 30 June 2016, for which the report will reflect the activity of Franklin Templeton International Services S.à r.l. as Fund Manager of the Customer pursuant to this Management Agreement.

9.5. The Performance Report must include, among others:

- (a) the report on the fulfilment of the Discount Objective (as such term is defined in the IPS);
- (b) the report on the fulfilment of the NAV Objective (as such term is defined in the IPS);
- (c) the report on the fulfilment of the obligations regarding DCM as mentioned above at Clause [9.2];
- (d) a summary of the regulatory issues affecting the performance during the Reporting Period;
- (e) a summary of market conditions affecting the performance during the Reporting Period;
- (f) such other matters as the Fund Manager wishes to bring to the attention of the shareholders in relation to its activities and performance in the relevant period.

9.6. Following receipt of the Performance Report, the BoN must prepare and submit for the information of shareholders at the October GSM a review of the Performance Report (the “**BoN Review Report**”), evaluating the performance of the Fund Manager, as well as any other factors that it considers to be relevant for the decision of the October GSM regarding the continuation or termination of this Management Agreement and the Fund Manager’s mandate.

9.7. The Performance Report, together with the BoN Review Report will be reviewed by the shareholders in the October GSM. The agenda of each October GSM will allow the shareholders the opportunity to vote on (i) the continuation or termination of this Management Agreement and the Fund Manager’s mandate, any proposed termination ensuring the simultaneous termination of the Fund Manager’s mandate and this Management Agreement and (ii) the procedure for the selection of a new Sole Director and Fund Manager, in case the shareholders vote for the termination of this Management Agreement and of the Fund Manager’s mandate. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its inclusion in the language of the draft resolution of the October GSM.

10. FUND MANAGER REMUNERATION AND EXPENSES

10.1. As remuneration for its services under this Management Agreement, the Fund Manager shall receive the fees set forth in Annex 1 (*Fees*). The Fund Manager shall provide the Customer with a valid certificate of tax residence for the relevant year under applicable Romanian tax provisions, before issuing any invoices to the Customer for such fees. Unless expressly stated otherwise, the fees and any other amounts payable to the Fund Manager under this Agreement are quoted exclusive of any sales, value-added, purchase or turnover tax as may be applicable in any relevant jurisdiction, including any value-added tax chargeable under or pursuant to Romanian value-added tax laws and regulations or relevant EU Directives.

10.2. Save as expressly provided otherwise in this Management Agreement, all costs and expenses incurred by the Fund Manager or the Investment Manager in the performance of their functions shall not be for the account of the Customer, but shall be borne by the Fund Manager or the Investment Manager. However, the Investment Manager may issue invoices to recharge expenses incurred by it related to any activities delegated to it pursuant to Clause 14.3 directly to the Customer, with the prior consent of the Fund Manager and of the BoN.

10.3. The Customer shall bear, or shall reimburse the Fund Manager (and in respect of the Investment Manager, for onward payment by the Fund Manager subject to Clause 10.2 above), where the Fund Manager or the Investment Manager has incurred them in advance, the following expenses:

- (a) expenses related to the payment of fees owed to the Depositary;
- (b) expenses related to intermediaries;
- (c) expenses related to taxes and fees owed to the FSA or other public authorities, according to applicable legislation;
- (d) expenses related to the financial audit performed on the Customer and any other audits or valuations required by the legislation in force applicable to the Customer;
- (e) expenses related to the admission to trading of the financial instruments issued by the Customer, and any subsequent issues or offerings; expenses with intermediaries and professional advisors in relation to arranging and maintaining the listing; expenses related to investor relations and public relations in the interest of protecting and promoting the Customer's image and that of its securities; expenses related to ongoing reporting and disclosure obligations according to legislation in force;
- (f) expenses related to the organising of any GSM and communications with the shareholders and to the payment of fees for registrar services and services related to distributions to shareholders rendered by the Central Depositary;
- (g) expenses related to the payment of taxes and fees owed to the Bucharest Stock Exchange, London Stock Exchange and any other exchange on which the financial instruments of the Customer or global depositary receipts or depositary interests corresponding to shares of the Customer shall be admitted to trading;
- (h) expenses related to the registration with the Trade Registry or documents issued by the Trade Registry;
- (i) expenses related to the payment of fees owed to the banks for banking services performed for the Customer, with the exception of the expenses mentioned in paragraph (a));
- (j) expenses related to appointing legal advisers and other advisors to act on behalf of the Customer;
- (k) expenses related to contracts with external service providers existing as of execution of this Management Agreement until the expiry or termination of the contract;
- (l) expenses related to remuneration, transport and accommodation of the members of the BoN (in relation to their services and attendance at meetings, in accordance with the Constitutive Act, the mandate agreements and any applicable internal regulations) and for independent persons (not employees of the Fund Manager or of the Investment Manager) acting as representatives of the Customer on the corporate bodies of companies in the Portfolio, where appropriate;
- (m) expenses relating to printing costs for the Customer's documentation;
- (n) expenses or charges imposed to the Customer by any tax authority related to the above expenses or otherwise applicable to the running of the business of the Customer;
- (o) other expenses with an annual value that does not exceed €100,000 related to the activity of the Customer; and
- (p) other expenses approved by the BoN for the Customer in accordance with the Constitutive Act (if their annual value exceeds €100,000).

10.4. Save as provided above, the Fund Manager (and the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3) shall be liable for the following out of pocket expenses incurred when performing its duties hereunder, including, but not limited to:

- (i) expenses in connection with mailing and telephone, except for letters to shareholders;
- (ii) expenses in connection with business travel and accommodation, except the expenses related to all investor relations activities and BoN meetings;
- (iii) expenses in connection with salaries, bonuses and all other remunerations granted by the Fund Manager (or the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3) to its employees and collaborators; and
- (iv) all other expenses necessary to the functioning of the Fund Manager (or the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3).

10.5. In performing its obligations under this Management Agreement, the Fund Manager shall not use (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will not use) Soft Dollar Practices. All transactions in connection to the Portfolio shall be consistent with the principles of best execution.

10.6. Any director's fees and other fees received by the Fund Manager's or any officers, employees, agents, representatives or delegates of any Associated Company who acts as a Delegate in accordance with clause 14.3 from any of the Portfolio companies will be either paid over to the Customer or deducted from the management fee. For the avoidance of doubt, the reference to "fees" in the previous sentence does not apply to payments by Portfolio companies to arrange commercially reasonable insurance coverage on behalf of such persons for any liabilities arising from acting as a director or officer of the Portfolio company's board and, where Portfolio companies fail to arrange such insurance, this shall be arranged by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3, acting on behalf of the Fund, at the Fund's expense. The Fund Manager undertakes to observe at all times and otherwise follow the remuneration rules and guidelines applicable in accordance with the AIFM Rules.

10.7. The Fund Manager shall not (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will not) claim any lien, right of retention, security interest or set-off over the Portfolio or any assets or moneys in it.

11. PROVISION OF INFORMATION TO THE CUSTOMER AND ITS REPRESENTATIVES

11.1. In addition to the obligations under Clause 9, the Fund Manager will provide the Customer with such analysis of performance and periodical tabular presentations in connection to the Portfolio as reasonably requested by the Customer. At least twice in a calendar year the Fund Manager will make a presentation to the Customer in respect of the Portfolio for the previous six months and the Customer may request any documents with a view to discussing market factors, the Portfolio and the operation of this Management Agreement.

11.2. The Fund Manager shall provide to the Customer, quarterly and/or upon request, written documents/presentations evidencing the transactions entered into between the Fund Manager, on behalf of the Customer, and third parties in connection with the Portfolio.

11.3. The Fund Manager shall keep accurate and detailed records of all investments, receipts, disbursements and other transactions relating to the Portfolio, which it shall send to the Customer in a monthly report.

11.4. The Fund Manager shall supply on demand to the Customer copies of all accounts entries and other records relating to the Portfolio. The Fund Manager will extend its normal working hours as and when reasonably requested by the Customer and will provide, without unnecessary delay, all necessary facilities and assistance to the Customer's auditors and other authorised representatives, including representatives of its shareholders and/or of the BoN, to audit and verify records of the Fund Manager relating to the securities, papers and other assets in the Portfolio, according to the applicable legislation. The scope of the audit shall not be limited by the Fund Manager and may include the examination of the Fund's accounting system, procedures, records, internal controls, and any other documents or information in the Fund Manager's possession to the extent relevant to the Customer (and subject to redaction to the extent required to respect the confidentiality of other clients) that the Customer or the auditor deems necessary acting reasonably to verify in order to facilitate formulation by the Customer of any opinion on the costs, both direct and indirect, or other amounts billed to the Customer and the performance of the Portfolio and the Fund Manager. The Fund Manager shall co-operate as necessary and facilitate the performance of any such audits, including securing for the aforementioned auditors and other authorised representatives assistance from the Fund Manager's compliance officer and internal auditors.

11.5. The Fund Manager shall report to the Customer within two business days of its discovery of any non-compliance with or breach of the provisions of this Management Agreement (including the Annexes) and shall take all steps required to make good such non-compliance as soon as possible.

11.6. The Fund Manager will liaise as necessary with the Depositary to enable the Depositary, on the Customer's behalf, to fulfil any obligations to disclose shareholdings in companies in which the Portfolio is invested in accordance with relevant legislation and will provide timely information to the Depositary for this purpose.

12. CONFIDENTIALITY AND ACTS WITH FISCAL CONSEQUENCES

12.1. The Fund Manager will, except only in so far as:

- (a) otherwise required by laws or regulations; or
- (b) necessary for effecting settlement and the performance of operations with the Depositary and any sub-custodian for the assets of the Portfolio; or
- (c) reasonably required for the proper performance of the services and for the enforcement of its rights and obligations under this Management Agreement; or

(d) otherwise permitted in writing by the Customer; or

- (e) necessary for the purpose of setting up foreign exchange facilities (disclosure in this case shall be limited to credit and compliance departments of the banks),

ensure that all matters relating to the Portfolio and the Customer will be kept strictly confidential. Before the Fund Manager discloses confidential information under paragraph (a) above, it shall inform the Customer to this end. The Fund Manager shall procure that the Delegate provides to the Customer a confidentiality undertaking in the relevant delegation agreement in respect of all matters relating to the Portfolio, its role as a Delegate and this Management Agreement, in form and substance acceptable to the BoN.

12.2. The Fund Manager shall not disclose information relating to the Portfolio and the Customer to other companies of the Fund Manager's Group (except for the Investment Manager in its capacity as, and to the extent required for its role as, a Delegate) who carry on to a material extent any activities other than investment management outside those members of staff engaged in investment management functions, except in circumstances permitted in Clause 12.1. (a)- (d). The Fund Manager shall (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will) in any event operate confidentiality procedures which oblige its staff only to disclose information relating to the Portfolio and the Customer within the Fund Manager (or the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3) on a "need to know" basis and to observe strictest confidentiality in relation to price sensitive information.

12.3. The Fund Manager shall not (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will not) knowingly take or omit to take any action which might prejudice the interests of the Customer with respect to the applicable tax legislation. Without prejudice to the generality of the foregoing, the Fund Manager may (i) create any new taxable presence of the Customer, (ii) subject the Customer to new tax filing or reporting obligations, or (iii) expose the Customer to any significant tax charge outside the ordinary course of business, in each case only if the Fund Manager, after due diligence and careful investigation, considers it to be in the best interests of the Customer.

13. TERMINATION

13.1 This Management Agreement may be terminated according to its provisions and the applicable legislation.

13.2. The Customer may unilaterally and at its sole discretion terminate this Management Agreement, at any time, on three months' prior written notice to the Fund Manager, based on an OGM resolution for approving the simultaneous termination of the mandate and of this Management Agreement. For the avoidance of any doubt, termination of the mandate and this Management Agreement in accordance with this Clause 13.2 will not entitle the Fund Manager to any Damages or the payment of any amounts other than the fees to be paid in accordance with Clause 13.6 below. This is without prejudice to Clause 17.4(c) but, for the avoidance of any doubt, such Clause 17.4(c) will never extend to Damages for termination in accordance with this Clause 13.2.

13.3 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director with six months' prior written notice. Not later than five business days following the Termination Notice Date, but subject to timely approval of the GSM agenda by the BoN, the Fund Manager will call the OGM having on the agenda the approval of the procedure for the selection of a new Sole Director and Fund Manager. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its submission to an OGM for approval.

13.4 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director by as much prior written notice to the Customer as is reasonably practicable, if:

- (a) the termination has been required by, or as a result of, a binding decision issued by any competent regulatory authority; or
- (b) if material obligations under this Management Agreement can no longer be fulfilled due to changes in the applicable law compared to the date of signing this Management Agreement, provided that the Fund Manager has used reasonable endeavours to comply with or (if it is not possible for the Fund Manager to do so) to propose a reasonable alternative arrangement involving an Affiliate which would comply with the relevant law, in accordance with Clause 14.4 below, but despite those efforts compliance would not be possible; or
- (c) if the Customer becomes the subject of any definitive winding up order.

13.5 In any event a Termination Notice is sent (except under Clause 13.4) or in the event of expiry of this Management Agreement, the Fund Manager shall (except to the extent otherwise required in writing by the Customer) continue to carry out all such acts as it is empowered and required to do by any part of this Management Agreement until the New Appointment Date provided that this obligation is subject to the continuing satisfaction of the following conditions:

- (a) the terms of this Management Agreement (including, without limitation, all authorisations from the Customer to the Fund Manager and all terms of remuneration and indemnity in favour of the Fund Manager) shall continue to apply;
- (b) the shareholders at GSM approve resolutions proposed by the Fund Manager to ratify and approve, to the extent legally possible:
 - (i) the Fund Manager's mandate as sole director and fund manager of the Customer, with effect until the New Appointment Date and
 - (ii) all legal acts (including decisions and contracts) concluded, adopted and issued on behalf of the Customer by the Fund Manager and any implementation acts, facts and operations based on such, including the management of the Customer under a unitary system, but, in each case, without prejudice to any grounds for termination given by the Customer in any prior Termination Notice and to any rights of the Customer under Clause 17 hereunder; for the avoidance of any doubt, the condition under this paragraph (b) will not apply in the event that the ratification from the GSM is requested for acts performed by the Manager in breach of its legal and/or contractual obligations as Fund Manager and Sole Director;
- (c) the BoN shall use all reasonable endeavours to ensure that the New Appointment Date occurs as soon as possible; and
- (d) the mandate as Sole Director does not end between the Termination Notice Date and the New Appointment Date, unless such ending is caused by deliberate actions of the Fund Manager, in which case the condition under this paragraph (d) will not apply.

13.6 Termination of this Management Agreement shall not terminate rights and obligations which are capable of surviving termination, including in particular, duties of the Fund Manager to report to the Customer, to provide information to the Customer and to keep matters confidential and for the Customer to indemnify the Fund Manager in accordance with Clause 17.4(c), which, for the avoidance of any doubt, will never extend to Damages for termination in accordance with this Clause 13. Transactions in progress shall be dealt with in accordance with the Customer's instructions or, in the absence of such instructions, having regard to the best interests of the Portfolio.

13.7 In the event a Termination Notice is sent, the Fund Manager shall be paid in respect of its services hereunder on a pro rata basis with the duration of the provision of these services in accordance with Clause 13.5 above, in compliance with the Annex 1 (*Fees*), up to the New Appointment Date. For the avoidance of doubt, in such a case, the Fund Manager's, pro rata remuneration will be for a period of at least 3 months (regardless of whether the New Appointment Date is sooner).

13.8. In case of:

- (i) fraud, wilful default or negligence by the Fund Manager in performing the obligations assumed under this Management Agreement; or
- (ii) material breach by the Fund Manager of obligations assumed under this Management Agreement that may bring a serious loss to the Customer and that, if capable of remedy, have not been remedied within 10 business days of a notice of breach, this Management Agreement may be terminated by the Customer with full right with immediate prior notice but without any court intervention.

13.9. In no circumstances shall the Fund Manager be obliged to continue its mandate as a Fund Manager and compliance with this Management Agreement beyond the date twelve months from the Termination Notice Date, unless otherwise expressly agreed in writing by the Parties or required by law.

14. AMENDMENT OF THIS MANAGEMENT AGREEMENT, ASSIGNMENT OF RIGHTS AND DELEGATION

14.1. This Management Agreement may be amended at any time by an addendum signed by the legal representatives of the Fund Manager and of the Customer, with the prior approval of the GSM and the endorsement of the FSA, if required by applicable law.

14.2. This Management Agreement is concluded in consideration of the person of the Fund Manager and is personal to the Fund Manager. The Fund Manager shall not be entitled to assign or to transfer any of its rights or obligations hereunder save as expressly provided in this Management Agreement.

14.3. (a) The Fund Manager may delegate to an Associated Company including the Investment Manager, performance on its behalf of the portfolio management functions as well as administration and marketing activities which the Fund Manager has agreed to render to the Customer, subject in each case to entering into a delegation agreement, which has received the prior approval of the BoN and which the Fund Manager has ensured that it is in compliance with the AIFM Rules. The performance of each Delegate of the delegated obligations and duties shall be on the terms and be subject to the conditions contained in this Management Agreement, and shall be without prejudice to the obligations and responsibilities of the Fund Manager to the Customer under this Management Agreement.

(b) The Fund Manager shall be responsible for the acts or omissions of the Investment Manager (and each other Delegate, if any) in performing such functions, activities and services, and despite any such delegation, shall remain primarily liable for its obligations under this Management Agreement. Any such delegation by the Fund Manager shall not involve any additional cost to the Customer, unless expressly authorised in writing by the Customer, and the appointment of each Delegate shall be subject to the prior written approval of the BoN and the prior endorsement of any regulatory authority required by applicable legislation.

(c) The Fund Manager shall not delegate functions so that it is no longer the Customer's manager and to the extent that it becomes a letter-box entity within the meaning of AIFM Rules.

(d) The Fund Manager shall procure that each Delegate does not delegate any functions delegated to it according to this Management Agreement without the BoN's prior written approval and the endorsement of any regulatory authority required by applicable law. This Clause 14 shall apply, *mutatis mutandis*, to any such delegation by a Delegate, and the Fund Manager shall continue to remain liable towards the Customer with respect to any such further delegation.

14.4 To the extent that changes in applicable law or regulation following the signing of this Management Agreement impose requirements on the Fund Manager in the performance of this Management Agreement with which the Fund Manager cannot comply, the Fund Manager undertakes to use reasonable endeavours to continue performance of the services to the extent legally possible and, to the extent not legally possible, to procure that a reputable Affiliate shall agree to provide the same services on substantially the same terms to the Customer. For the avoidance of any doubt, the appointment of such Affiliate, as well as the implementation of any amendments to this Management Agreement or any other alternative arrangement proposed by the Fund Manager are subject to

consent by the Customer, at its full discretion and nothing in this Management Agreement shall be construed as an expressed prior consent in this respect.

15. DURATION OF THIS MANAGEMENT AGREEMENT

15.1. Subject to the provisions of Clause 13, the duration of this Management Agreement and of the Fund Manager and the Sole Director mandates contained in this Management Agreement is for a period of **two years**, simultaneously starting on 1 April 2016.

16. COMMUNICATIONS, INSTRUCTIONS, NOTIFICATIONS

16.1. Subject to a GSM resolution to the contrary, as regards the relationship between the Customer and the Fund Manager/ Sole Director under or in relation to this Management Agreement, any reference in this Management Agreement to the Customer shall be deemed a reference to the BoN acting as the representative of the Customer towards the Fund Manager/ Sole Director. For the avoidance of doubt, any right or benefit of the Customer under this Management Agreement in relation to or against the Fund Manager/ Sole Directors shall be exercised by the BoN acting in the name and on behalf of the Customer.

16.2. All notifications and other communications from the Customer shall be made by BoN to the Fund Manager.

16.3. For the purpose of any communication between the Customer and the Fund Manager in relation to this Management Agreement, the Customer shall be represented by BoN.

16.4. The Fund Manager shall be entitled to rely on any notification or communication given by the BoN above without further enquiry, provided the instruction, notification or communication is given in one of the ways permitted in this Management Agreement and provided that oral instructions may not be relied upon by the Fund Manager.

16.5. All notices or any other communication to be given under this Management Agreement must be in writing, in Romanian or English, and must be: (i) personally delivered; (ii) delivered by fax; (iii) sent by courier with return receipt; or (iv) by e-mail.

16.6. The Parties details for transmitting notifications or any other communications related to the present Management Agreement are the following:

- (a) If addressed to the Fund Manager:
Address:
Premium Point Building
78-80 Buzeşti Street, 7th -8th floor, Bucharest
District 1, Postal Code 011017
Fax: (021) 200 96 31/32
To the attention of: Mr. Grzegorz Maciej Konieczny
- (b) If addressed to the Customer:
At the contact details provided by the representative of the Customer.

17. PARTIES' LIABILITIES

17.1. The Fund Manager is liable for any Damages suffered by the Customer as a result of:

- (a) infringement of the applicable legislation;
- (b) infringement of the Customer's internal rules, including the investment restrictions under the IPS;
- (c) fraud;
- (d) wilful default in performing this Management Agreement;
- (e) negligence in the performance of this Management Agreement's obligations; or
- (f) material breach of this Management Agreement.

For avoidance of doubt, the Fund Manager's liability under this clause 17.1 shall not exclude or limit its liability for death or personal injury caused by the Fund Manager's negligence; or fraud or fraudulent misrepresentation.

17.2. The Fund Manager's liability towards the Customer and its investors shall not be affected by any delegation. The Fund Manager shall also be liable for the negligence, wilful default, fraud or material breach of this Management Agreement by its Delegates, or its or their employees. The Fund Manager shall exercise all due care in its selection, use and monitoring of Delegates and shall indemnify and hold harmless the Customer from and against any Damages suffered or incurred by the Customer and caused by any failure to exercise all due care. The Fund Manager shall make reasonable efforts to resume normal performance of the services following, and to mitigate the consequences of, an event beyond its and its Delegates' reasonable control.

17.3. The Fund Manager shall not be liable for the actions of brokers (not being Associated Companies of the Fund Manager) save to the extent that the Fund Manager has acted negligently in selecting, contracting or monitoring or using such persons. Without prejudice to clause 6.11 above, in selecting a broker for a particular transaction, the Fund Manager shall attempt to obtain best execution for the Customer. Notwithstanding this responsibility, the Fund Manager will pursue counterparties on the Customer's behalf and account to the Customer for all recoveries against such counterparties.

17.4. (a) The Fund Manager agrees to indemnify and hold harmless each Indemnified Party from and against any and all Damages, to which the Indemnified Party may become subject under law, including allegations of negligence or breach of fiduciary duty, or otherwise, insofar as such Damages are caused by or arise out of: (i) the wilful misconduct of the Fund Manager or any of its Delegates (or its or their employees); (ii) the breach by the Fund Manager or any of its Delegates (or its or their employees) of any representation or warranty made to the Customer relating to the services hereunder or in respect of any AIFM Rules; (iii) the breach or non-fulfilment by the Fund Manager or any of its Delegates (or its or their employees) of any obligation pursuant to this Management Agreement or the investment restrictions under the IPS; (iv) any untrue statement of a material fact contained in information furnished to an Indemnified Party by the Fund Manager or any of its Delegates (or its or their employees) or the omission to state a material fact necessary in order to make the statements not misleading in light of the circumstances under which they were made; (v) the breach by the Fund Manager or any of its Delegates (or its or their employees) of any fiduciary duty or infringement of applicable law.

(b) The Fund Manager shall indemnify and shall hold harmless each Indemnified Party for all Damages incurred by an Indemnified Party, in connection with any investigation, claim, action, suit, proceeding, demand or judgment, which is subject to any of the indemnities in this Clause 17.

(c) Save to the extent arising from Fund Manager's or its employees' negligence, fraud, wilful default or breach of this Management Agreement, the investment restrictions under the IPS or the applicable legislation or that of any of its employees or Delegates, Associated Companies or their respective employees, the Customer agrees to indemnify the Fund Manager from and against Damages arising from following the Customer's specific instructions (including, for the avoidance of doubt, informed decisions of the GSM in addition to instructions from the BoN), provided that:

- (i) the Fund Manager notifies the Customer in writing by fax or email (to such fax or email address as the BoN shall have notified the Fund Manager), as soon as reasonably practicable, but no later than 3 business days after becoming aware of the relevant Damage;
- (ii) the Fund Manager does not make any admission of liability or agree to any settlement or compromise of any claim for which indemnity is sought without the prior written consent of the Customer;
- (iii) on a prompt and timely basis the Fund Manager shall have provided all such documents, information and assistance and have done all such acts and things as the Customer may have reasonably required in order to assist the Customer in relation to such claims; and
- (iv) the Fund Manager will provide evidence that it has taken all reasonable steps necessary to mitigate such Damages, including by advising the Customer in writing against such instructions, prior to the notification mentioned at point (i) above.

17.5. Subject to observance of clause 6.17, the Fund Manager will maintain the following insurance:

- (a) Professional Liability to provide against, any failure to duly perform this Management Agreement if that failure is due to a wrongful act, negligent act, error, omission for an insured amount of at least €50 million;

(b) Fidelity Bond to provide against any failure to account to the Customer for any money or investments if that failure is due to: (i) dishonest or fraudulent act of any employee; (ii) forgery of instructions, cheques, security or currency and damage caused to office premises and contents due to burglary or vandalism; and (iii) electronic and computer crime for an insured amount of at least €50 million.

17.6. Upon request of the Customer, the Fund Manager shall provide to the Customer evidence that the premium for each insurance described in Clause 17.5 above has been paid.

17.7. The Fund Manager's liability towards the Customer and the shareholders shall not be affected by the fact that the Fund Manager has delegated functions to a third party, or by any further sub-delegation.

18. FORCE MAJEURE

18.1 If a party (the "**Affected Party**") is, or could reasonably be expected to be, materially prevented, hindered or delayed from performing any of its obligations under this Management Agreement by reason of a Force Majeure Event, such obligations of the Affected Party and any corresponding or related obligations of the other party shall remain in effect but shall be suspended without liability and without there having occurred by virtue of the Force Majeure Event a breach of this Management Agreement for a period equal to the duration of the Force Majeure Event, provided that:

(i) as soon as reasonably practicable after the start of the Force Majeure Event, to the extent permitted by the applicable law, the Affected Party notifies the other party in writing of the act, event or circumstance relied on, the date on which such act, event or circumstance commenced and the effect of the Force Majeure Event on the Affected Party's ability to perform its obligations under this Management Agreement; and

(ii) the Affected Party makes all reasonable efforts to mitigate the effects of the Force Majeure Event on the performance of its obligations under this Management Agreement and to the extent permitted by the applicable law furnishes written reports every 10 Business Days to the other party on its progress in doing so, and to the extent permitted by the applicable law provides any information relating to the Force Majeure Event and its effects that the other party may reasonably request.

18.2 Immediately after the end of the Force Majeure Event, the Affected Party, to the extent permitted by the applicable law, shall notify the other party in writing that the Force Majeure Event has ended and shall resume performance of its obligations under this Management Agreement.

18.3 No party shall be released from any of its obligations under this Management Agreement as a result of a Force Majeure Event, including, without limitation, the Customer's obligations to any counterparty or broker for any transaction effected by the Fund Manager pursuant to this Management Agreement, and this Management Agreement shall remain in effect for the duration of the Force Majeure Event.

18.4 If any Force Majeure Event shall substantially impair the ability of the Fund Manager to carry out its duties under this Management Agreement, the Customer shall be entitled to appoint a replacement manager until such event is rectified. If the Fund Manager remains unable to deliver (whether through Delegates or outsourcees or otherwise) substantially all its services under this Management Agreement after three months from the appointment of the relevant replacement manager have elapsed, the Customer shall be entitled to terminate the appointment of the Fund Manager on immediate notice.

18.5 For the avoidance of doubt, no Party may rescind, terminate or treat as void, voidable or unenforceable this Management Agreement on the basis of any non-performance by any other Party arising from a Force Majeure Event.

19. APPLICABLE LAW AND JURISDICTION

19.1. This Management Agreement is governed by and shall be construed in accordance with the laws of England & Wales.

19.2. Dispute Resolution

(a) Any dispute or difference arising out of or in connection with this Management Agreement, including without limitation any disputes regarding its valid conclusion, existence, interpretation, nullity, breach,

amendment, termination in any way of this Management Agreement (each a “**Dispute**”), that cannot be resolved by amicable negotiations within a reasonable period of time from the notice served by any of the Parties relating to the potential Dispute shall be finally resolved by the LCIA (London Court of International Arbitration) under the LCIA Rules of Arbitration. The Party requesting the initiation of the arbitration proceedings shall serve the other Party with a written notice that such proceedings will be initiated.

(b) The place of the arbitration shall be London, the language of the arbitration shall be English, and the tribunal shall consist of three (3) arbitrators appointed in accordance with the LCIA Rules.

(c) Any award of the arbitral tribunal rendered in accordance with this clause shall be final and binding on the Parties.

(d) The award shall be voluntarily executed by the Parties in any jurisdiction, or else award enforcement proceedings may be instituted in any court in the country where the recognition of such arbitration award is requested.

(e) In the event of a Dispute, the Party prevailing in such Disputes shall be entitled to recover all expenses, including without limitation reasonable legal fees and expenses and arbitral and court-related costs, incurred in ascertaining such Party’s rights under this Management Agreement and preparation of application and enforcement of such Party’s rights, as determined by the arbitration tribunal, whether or not it was necessary for such Party to institute any enforcement proceedings to achieving the enforcement of its rights.

19.3. Notwithstanding the above, the Fund Manager acknowledges that any decision of the Customer to terminate the Fund Manager’s mandate as Sole Director will take effect pursuant to the provisions of Clause 13. above.

20. REPRESENTATIONS AND WARRANTIES

20.1. The Fund Manager represents and warrants to the Customer that at all times:

(i) the Fund Manager has full power and authority to execute, deliver and to carry out the terms of this Management Agreement and that this Management Agreement constitutes a legal, valid and binding obligation of the Fund Manager;

(ii) the Fund Manager is duly incorporated in Luxembourg and has received relevant authorisations to passport its investment management services into Romania in accordance with the AIFMD and it has at the time of entering into this Management Agreement at least the minimum level of capital and own funds required under the AIFM Rules;

(iii) the Fund Manager has the legal capacity, as per the law applicable in its home country and Romania, as the case may be, and has received all relevant authorisations and approvals by each relevant authority to provide investment management and other services of the type contemplated under this Management Agreement to an entity such as the Customer;

(iv) the Fund Manager has special knowledge and skill relevant to the services for which it is engaged under this Management Agreement;

(v) neither the Fund Manager, the Investment Manager nor any Associated Company who acts as a Delegate in accordance with clause 14.3 is the subject of any regulatory or governmental actions, claims or investigations relevant to its investment management activities which could impair its ability to carry out the terms of this Management Agreement;

(vi) neither the Fund Manager nor any of its subsidiaries, Associated Companies, divisions or other affiliates involved with the affairs of the Customer has ever had its registration revoked, suspended or its activities restricted;

(vii) each of the Fund Manager, the Investment Manager and any Associated Company who acts as a Delegate in accordance with clause 14.3 maintains adequate back up and disaster recovery systems and procedures, conflicts of interest policies, risk management policies and any other policies or procedures required by the applicable legislation with respect to the activity carried out by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 as regards the Customer;

(viii) each of the Fund Manager, the Investment Manager and any Associated Company who acts as a Delegate in accordance with clause 14.3 takes investment decisions solely with reference to the interests of the respective funds it manages;

(ix) its financial statements and the financial statements of the Investment Manager are subject to regular audit by financial auditors; and

(x) to the best of the Fund Manager's knowledge, neither the execution, delivery, nor performance of this Management Agreement by the Fund Manager will violate any law, statute, order, rule, or regulation of, or judgment, order or decree by, any federal, state, local, or foreign court or governmental authority, domestic or foreign, to which the Fund Manager is subject nor will the same constitute a breach of, or default under, provisions of any agreement or contract to which it is a party or by which it is bound.

The Fund Manager shall notify the Customer forthwith of any event or matter, which would, if these warranties were repeated, render them untrue, inaccurate or misleading.

20.2. Subject to Clause 22.2., the Fund Manager shall promptly notify the Customer in writing of changes in the Portfolio managers primarily responsible for the Portfolio or in senior staff responsible for setting the investment and business policy of the Fund Manager and of the Investment Manager. The Fund Manager will provide on annual basis, within 30 days from the beginning of the calendar year, a list with portfolio managers, the main persons with responsibilities in respect to the Portfolio, and senior staff responsible for setting the business and investment policy within the Fund Manager and the Investment Manager. In case of a need to change a portfolio manager or a main person with responsibilities in respect of the Portfolio, the replacement shall have equal or superior qualifications and professional experience and similar time allocation for the Customer.

20.3 By this Management Agreement, the Customer represents and certifies that it is the legal owner of the assets comprised in the Portfolio, as at the signing date of this Management Agreement.

20.4. The Customer warrants that on the date this Management Agreement is signed, the Portfolio is free from any charge, lien, pledge or encumbrance other than those resulting from normal custody and settlement arrangements or through action or omission of the Investment Manager under its previous mandate as fund manager with the Customer. If the Customer shall create in the future or be informed about the creation of any charge, lien, pledge or encumbrance (other than through action of the Fund Manager) which may affect the Fund Manager's freedom to trade in such securities, it undertakes that it will inform the Fund Manager of such action as soon as reasonably practicable.

20.5. The Customer, in the form of its BoN and shareholders, represents that it took all reasonable steps to approve and execute all such documents and to give all authorizations and consents as are reasonably necessary to have the necessary capacity and authority to enter into this Management Agreement. This representation is subject to all information publicly available as regards the corporate decisions taken by the Customer as of its incorporation.

21. DATA PROTECTION

21.1 The Fund Manager stores on its computer system and processes personal data in connection with the implementation of its mandate. The Customer authorises the Fund Manager to perform such data processing and recognises that the Fund Manager is free to use the data, but only for the purposes of performing this Management Agreement and of the implementation of its mandate in accordance with the law.

21.2. The Fund Manager will act as data controller within the meaning of the Data Protection Laws in relation to any personal data supplied to it in connection with this Management Agreement and for the purposes indicated in Clause 21.1 above. Each Party undertakes to comply with its obligations under the Data Protection Laws in relation to such personal data it processes in relation to this Management Agreement including amongst others, to observe all the applicable formalities concerning notifying the competent data protection authority, as well as concerning informing and obtaining the relevant consent from the data subjects, where required and as incumbent upon it under the Data Protection Laws. Notwithstanding the generality of the foregoing, the Customer acknowledges and agrees that personal data relating to its investors being natural persons may be transferred to

the Fund Manager and may be processed as imposed by the applicable legal provisions by the Fund Manager as if such data related to the Customer itself, with the exception that in this particular case the Customer shall be the data controller (within the meaning of the Data Protection Laws) acting in accordance with the notification registered by it with the National Supervisory Authority for Personal Data Processing under no. 18668, as such would be amended from time to time, whilst the Fund Manager shall ~~only~~ act as its data processor (within the meaning of the Data Protection Laws). In this particular case, the Fund Manager undertakes to only act based on the Customer's instructions and to observe and apply the security measures provided by the Data Protection Laws (including to apply the adequate technical and organizational measures in order to protect the data against accidental or unlawful destruction, loss, alteration, disclosure or unauthorized access, notably if the respective processing involves the data's transmission within a network, as well as against any other form of illegal processing).

21.3. Subject to applicable provisions of the Data Protection Laws, the data provided to the Fund Manager acting as data processor shall not be shared by the Fund Manager with third-parties other than the persons designated by the Customer and the companies or persons whose involvement is necessary to carry out all or part of the Fund Manager's duties and obligations contemplated under this Management Agreement (consisting in the Fund Manager's "parent" company, the Investment Manager, and the Fund Manager's Affiliates, any Delegates, subcontractors and/or outside service providers) and in accordance with the Fund Manager's internal procedures. In this context, the Customer acknowledges and agrees that personal data related to it or the investors may be transmitted, stored and processed on systems located outside of Romania, in the European Union, which systems are or may be operated by the Fund Manager or third parties indicated above in this Clause 21.3. In case such data will be envisaged to be transmitted, stored and processed in other countries than those mentioned in this clause, the Fund Manager shall observe the applicable provisions of the Data Protection Laws, including, if necessary, the registration of this transfer with the National Supervisory Authority for Personal Data Processing, before any transmission, storage and pocessing in the said additional countries takes place.

21.4. Data is kept for the duration of the contractual relationship and may be kept for the maximum period legally possible, if any, following the termination of this relationship.

22. TRANSITORY AND FINAL PROVISIONS

22.1. If any of the provisions of this Management Agreement is held to be invalid or unenforceable, or impossible to perform, such invalidity, unenforceability or impossibility shall not affect any other provisions of this Management Agreement, and this Management Agreement shall be construed and enforced as if such invalid, unenforceable or impossible to perform provisions had not been included.

22.2. For the duration of this Management Agreement and irrespective of any replacement of the Fund Manager to which the Customer may consent, the Fund Manager undertakes (and must ensure that any entity in the Fund Manager's Group with which the Fund Manager may be replaced undertakes) that Mr. Grzegorz Maciej Konieczny, in his capacity as the Investment Manager's legal representative with respect to the Customer and Permanent representative of the Fund Manager, (i) will be not, without the prior express written approval of the BoN, changed, replaced or dismissed, save as a result of his misconduct, nor will the Fund Manager do any similar acts or things or do anything which may have a similar effect, and (ii) it will use all reasonable efforts to procure that Mr. Grzegorz Maciej Konieczny must, for the duration of his role (or any replacement to whom investment discretion is allocated) in the course of this Management Agreement, devote the necessary time for the management of the Portfolio, subject to compliance at all times with the conflict of interest provisions set forth under the AIFM Rules.

23. SIGNATORIES

This Management Agreement will be signed in the English and Romanian language and executed in 3 originals, one for the Fund Manager and two for the Customer.

This Management Agreement is executed as of the date mentioned on its cover page:

by FONDUL PROPRIETATEA SA as duly represented by:

Name: **Sorin Mihai MINDRUTESCU**

Position: **Chairman of the Board of Nominees**

Execution date: ____ / ____ / ____

on the one part;

and by FRANKLIN TEMPLETON INVESTMENT SERVICES S.À R.L. as represented by:

Name: **Grzegorz Maciej KONIECZNY**

Position: **Attorney-in-Fact**

Execution date: ____ / ____ / ____

on the other part.

Annex 1 - Fees

The fees due to the Fund Manager in accordance with Clause 10 of this Management Agreement shall be calculated in RON and invoiced and paid in Euro by the Customer in compliance with the following: the amount calculated in RON will be converted into Euro using the official exchange rate for RON to Euro published by National Bank of Romania for the last day of the period invoiced.

The fees shall be calculated as (i) a Base Fee, and (ii) a Distribution Fee, in each case as set out below and in respect of each Calculation Period.

1. Base Fee

A base fee (the “**Base Fee**”) shall be calculated as follows:

Base Fee Rate *multiplied by* the notional amount, *multiplied by* the number of calendar days during the applicable Calculation Period *divided by* 365,

where:

the “**Base Fee Rate**” = 60 basis points per year;

1 basis point = 0.0001; and

the “**notional amount**” is the market capitalization of the Customer, which is defined as:

- (a) the number of the Customer’s paid shares considered on daily basis, *minus*
- (b) the weighted average over the applicable Calculation Period of the number of the Customer’s - settled own shares together with the number of the Customer’s equivalent ordinary shares represented by Global Depositary Receipts (“**FP GDRs**”), in each case where those shares or FP GDRs are held by the Customer as treasury shares,
- (c) then multiplying the resulting number by the weighted average market price of the Customer’s shares calculated for the applicable Calculation Period. The “**weighted average market price**” shall be computed based on the daily average market prices of the Customer’s shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section.

If the number of shares relevant for the computation of the Base Fee described above in (a) and (b)[changes over the Calculation Period, the Base Fee will be an aggregation of the computation for each sub-period.

For each day in a Calculation Period for which the Base Fee is to be calculated, when the Discount is below or equal to 20%, but above 15%, an additional Base Fee Rate of 5 basis points per year shall become payable (i.e. the Base Fee Rate referred to in the calculation above shall become 65 basis points per year for the applicable days in the relevant period).

For each day in a Calculation Period for which the Base Fee is to be calculated, when the Discount is equal or below 15%, a further additional Base Fee Rate of 5 basis points per year shall become payable (i.e. the Base Fee Rate referred to in the calculation above shall become 70 basis points per year for the applicable days in the relevant period).

As the Base Fee (including any additional fee determined under the previous two paragraphs) is computed using the number of days in a calendar year (365 days), the Base Fee Rate used for non-trading days will be the rate applied for the prior trading day.

2. Distribution Fee

It is recognized that distributions beneficial to shareholders would reduce the notional amount upon which the Base Fee is calculated. To reward the Fund Manager for arranging such distributions, a fee shall be calculated as follows (an amount so calculated in respect of a particular period, a “**Distribution Fee**”):

- (a) 200 basis points of the total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of FP GDRs and returns of share capital) made available up to and including 31 March 2017;
- (b) 150 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of FP GDRs and returns of share capital) made available from 1 April 2017 up to and including 30 September 2017; and
- (c) 100 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of FP GDRs and returns of share capital) made available from 1 October 2017 up to and including 1 April 2018.

Reference is made to distributions being “**made available**” to clarify that any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of, these distributions will not result in any adjustment of the calculation of the Distribution Fee due to the Fund Manager. The calculation of the Distribution Fee shall be made when such distributions become available to shareholders (e.g. payment start date). In case of a repurchase of own shares or of FP GDRs, the calculation of the Distribution Fee shall be made at the date when the own shares repurchase transactions or FP GDRs transactions are settled. For FP GDRs transactions, the Distribution fee will be computed taken into account the official exchange rate published by the National Bank of Romania for the date of settlement of FP GDRs transactions.

3. Payments

- (a) The Base Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is to be made.
- (b) The Distribution Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which the Distribution Fee was calculated.
- (c) The invoices for the Base Fee and the Distribution Fee shall be submitted to the Depositary.
- (d) The Fund Manager shall provide to the BoN quarterly and on an annual basis and upon reasonable request of the BoN a detailed report regarding the fees collected under this Management Agreement, in the form reasonably required by the BoN.
- (e) The payment of each fee shall be done within 30 business days of the receipt of the applicable invoice.

4. Verification

The payment of the Base Fee and the Distribution Fee shall be arranged by the Fund Manager only after the verification and certification by the Depositary of the correctness of the following amounts used in the calculation of those fees: the notional amount, the value of distributions, and all the other items used in calculation of the fees, as well as the methods for determining the fees.

Annex 2 – Specific duties and obligations

Without prejudice to the obligations of the Fund Manager specified in the Management Agreement, the below is a non-exhaustive list of additional specific duties and obligations the Fund Manager undertakes to provide.

- Portfolio Management services

The Fund Manager shall provide portfolio management services to the Customer as mentioned in Clause 6 of the Management Agreement.

- Risk Management services

The Fund Manager shall provide risk management services to the Customer in order to assess the exposure of the Customer to market, liquidity and counterparty risks and the exposure of the Customer to all other relevant risks, including operational risks which may be material for the Customer, subject to and in accordance with the terms and provisions of this Management Agreement, the applicable AIFM Rules and any applicable circular to be issued by the CSSF (the "**CSSF Circular**"), and the risk management systems implemented by the Fund Manager, as may be amended and supplemented from time to time (the "**RMS**").

The Fund Manager shall have and perform the following powers and duties:

1. in addition to the obligations in Clause 6 of the Management Agreement, to prepare, in the manner and with the level of detail prescribed by the AIFM Rules, the CSSF Circular and the AIFM Law, for submission to the Customer compliance reports at regular intervals in relation to the RMS in accordance with procedures agreed from time to time between the Customer and the Fund Manager;
2. to provide to the Customer in the frequency and the form stipulated in the RMS from time to time by the Customer, such information as is required by the Customer to comply with the risk management process requirements of the applicable law.

In addition, the Fund Manager shall at least:

- i. implement an appropriate, documented and regularly updated due diligence process when investing on behalf of the Fund, according to the investment strategy, the objectives and risk profile of the Fund;
- ii. ensure that the risks associated with each investment position of the Customer and their overall effect on the Customer's portfolio can be properly identified, measured, managed and monitored on an on-going basis, including through the use of appropriate stress testing procedures;
- iii. ensure that the risk profile of the Customer shall correspond to the size, portfolio structure and investment strategies and objectives of the Customer as laid down in the applicable legislation, Constitutive Act and IPS.

The Fund Manager shall set a maximum level of leverage which it may employ on behalf of the Customer as well as the extent of the right to reuse collateral or guarantee that could be granted under the leveraging arrangement (if any), taking into account all elements as required by the applicable legislation including the AIFM Rules, Constitutive Act and IPS.

- Administration Functions

The Fund Manager shall have and perform the following duties:

1. Managing the relationship with the Central Depository with regard to its shareholders register functions – the only entity that has the right to keep the register of shareholders under Romanian legislation.

2. Keeping all the books, records, agreements, forms, papers, files and other corporate documents required by Romanian law.
3. Determining and issuing the net asset value of the Fund as well as the net asset value per share of the Fund.
4. Monitoring the compliance with the regulations in force.
5. Receiving any and all notices, correspondence, telegrams, telex messages, telephonic advice or other representations and communications received for account of the Fund.
6. Keeping with due diligence and caring any and all such Fund documents and information entrusted to it.
7. Providing and supervising facilities and services for the preparation and dispatch of statements, reports, notices, announcements, proxies, minutes and other documents to the shareholders and the BoN.
8. Co-operating at the drafting of the entire documentation for calling the General Meeting of Shareholders of the Fund.
9. Drafting the annual budget.
10. Drafting the Investment Policy Statement.
11. Proposing the conclusion of the financial audit agreement.
12. Proposing the change of the location of the registered office of the Fund.
13. Providing appropriate conference rooms for meetings of the BoN and the shareholders of the Fund.
14. Providing for any legal filing and publications and file any tax returns.
15. Maintaining contacts with all supervisory, regulatory, tax or other state authorities or Fund-related professional organisations in Romania, complying with any information request from these authorities and advising the Fund thereof (including the current reports).
16. Co-operating at the establishment of the annual reports, accounts, financial reports, financial statements and of any other documents, which have to be sent to Investors or to the relevant authorities in accordance with applicable laws, regulations or the Constitutive Act.
17. Dealing with investor queries and sending correspondence and all other documents to the investors.
18. Public Relations activities.

The Fund Manager, in its capacity as Sole Director, shall undertake in the name of the Customer the necessary administrative work required by the applicable legislation and the Constitutive Act and the IPS. The Fund Manager, in its capacity as Sole Director, shall have and perform the following powers and duties:

- i. to establish the books and records of the Customer in compliance with the legal provisions and the accounting practices in force at the relevant time in Romania and to keep them in Romania where all accounting documents shall be available at any time;
- ii. to determine the net asset value of the Customer as well as the net asset value per share of the Customer in accordance with Romanian legal provisions in force and the relevant provisions of the Constitutive Act;
- iii. to properly fulfil its legal obligations regarding the establishment of the annual accounts, financial reports and of any other documents which have to be sent to shareholders or to the relevant authorities in accordance with applicable laws, regulations or the Constitutive Act;
- iv. to take care, at the expenses of the Customer, of the dispatch of the correspondence, the financial reports and all other documents to the shareholders and to the relevant authorities;
- v. to prepare the financial statements and reports in accordance with the provisions of Romanian regulations and of the countries where the Customer is registered;
- vi. to co-operate, as necessary, with the Customer's auditors, the Romanian authorities and the authorities in the countries where the Customer is registered.

- **Marketing**

The Fund Manager is in charge of marketing the shares of the Customer globally. For the avoidance of doubt, the Fund Manager must carry out any notification or other formalities contemplated in Articles 29 and 30 of the AIFM Act or the equivalent provisions in legislation in another relevant Member State, where required in view of the marketing of the Customer's shares in any Member State which has implemented the AIFMD, as defined in the AIFM Act.

Annex 6

CONSTITUTIVE ACT IN FORCE AS AT 31 DECEMBER 2016

CHAPTER I

Name of the company, legal form, headquarters and duration

ARTICLE 1

Name of the Company

- (1) The name of the Company is "Fondul Proprietatea" - S.A.
- (2) All invoices, offers, orders, tariffs, prospectuses and other documents used in business, issued by the Company shall indicate the name, the legal form, the registered office, the registration number with the Commercial Registry and the sole registration code (CUI), the subscribed share capital, and the paid share capital".

ARTICLE 2

Legal form of the company

- (1) "Fondul Proprietatea" - S.A., hereinafter referred to as Fondul Proprietatea, is a Romanian legal person, set up as a joint-stock company.
- (2) Fondul Proprietatea is organized, operates and ceases its activity under the provisions of Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed, and of Company Law No. 31/1990, republished, as further amended and completed.
- (3) Fondul Proprietatea is set up as an undertaking for collective investment (A.O.P.C.), of the closed-end-type, as defined by Art. 114 (1) letter b) of Law No. 297/2004, as further amended and completed and qualifies as an Alternative Investment Fund as defined by Law no. 74/2015 regarding the alternative investment fund managers that implemented in Romania Directive 2011/61/EU on alternative investment fund managers, as amended.

ARTICLE 3

Company headquarters

- (1) The registered office of Fondul Proprietatea is located in Bucharest, 78-80 Buzesti Street, floor 7th, Sector 1; the headquarters may be changed to any other location in Romania, by decision of the asset management company (Alternative Investment Fund Manager), according to article 21 paragraph (3) xii).
- (2) The Company may set up secondary headquarters such as branches, representative offices, working points or other units with no legal personality, under the terms provided by law.

ARTICLE 4

Company duration

The duration of Fondul Proprietatea is unlimited.

CHAPTER II

Purpose and business object of the company

ARTICLE 5

Company purpose

The purpose of Fondul Proprietatea is the management and administration of the portfolio.

ARTICLE 6

Business object

- (1) Fondul Proprietatea has as main object of activity the management and administration of the portfolio.
- (2) The main domain of activity of Fondul Proprietatea is the one described by CAEN Code 643 – mutual funds and other similar financial entities, and the main activity is financial investments - CAEN Code 6430.
- (3) The business object of Fondul Proprietatea is the following:
 - a) management and administration of the portfolio;
 - b) other additional and adjacent activities, according to the regulations in force.

CHAPTER III

Share capital, shares

ARTICLE 7

Share capital

- (1) The subscribed share capital of Fondul Proprietatea is in amount of RON 9,168,314,116.70, divided in 10,786,251,902 ordinary, nominative shares, having a nominal value of RON 0.85 each. The capacity as shareholder of Fondul Proprietatea is attested by a statement of account issued by Depozitarul Central SA.
- (2) The identification data of each shareholder, the contribution to the share capital of each shareholder, the number of shares to which a shareholder is entitled to and the participation quota out of the total share capital are included in the shareholders' register kept by a computerized system by the Central Depository.

ARTICLE 8

Share capital increase and decrease

- (1) The extraordinary general meeting of the shareholders shall decide, under the conditions of the law, on the share capital increase and decrease of Fondul Proprietatea, in accordance with the provisions of art. 12 (3) letter c) and d) of this constitutive act.
- (2) The share capital may be increased, in accordance with the provisions of the law, by:
 - a) by issuing new shares in exchange for cash contributions;
 - b) incorporating reserves, except for the legal reserves and of the reserves created out of the re-evaluation of the patrimony, as well as of the benefits and issuing premiums.
- (3) The share capital increase stated for in paragraph 2 shall be registered at the Trade Register Office, on the basis of the decision made by the General Meeting of the Shareholders of Fondul Proprietatea,
- (4) Any share capital decrease shall be performed in accordance with the provisions of the law.
- (5) The share capital may be decreased by:
 - a) decreasing the number of shares;
 - b) decreasing the nominal value of shares; and
 - c) other means provided by the law.

- (6) In case the Alternative Investment Fund Manager notices that, due to accrued losses, the amount of the net assets, established as the difference between the total assets and total liabilities of Fondul Proprietatea, is less than half of the value of the subscribed share capital, Fund Manager is bound to call the extraordinary general meeting of the shareholders, which will decide if Fondul Proprietatea requires to be dissolved. In case the extraordinary general meeting of the shareholders does not decide the dissolution of Fondul Proprietatea, then Fondul Proprietatea is bound to proceed, at the latest by the termination of the fiscal year subsequent to the one in which the losses were determined, to a share capital decrease with an amount at least equal to that of the losses which could not be covered by reserves, in case in this time the net assets of Fondul Proprietatea were not reconstituted up to a value at least equal to half of the share capital.
- (7) Share capital decrease shall be performed only after two months as of the publication in the Official Gazette of Romania, Part IV, of the resolution of the extraordinary general meeting of the shareholders.

ARTICLE 9

Shares

- (1) The shares of Fondul Proprietatea are nominative, of equal value, issued in dematerialized form, established by registration in the account, and grants equal rights to their holders under the conditions provided by art. 11.
- (2) The nominal value of a share is RON 0.85.
- (3) The shares are indivisible with respect to Fondul Proprietatea, acknowledging only one holder for each share. In case a share becomes the property of more persons, Fondul Proprietatea / the Central Depository is not bound to register the transfer as long as those persons will not appoint a sole representative to exercise the rights arising from the share.
- (4) The partial or total transfer of the shares amongst the shareholders or third parties is done according to the terms, conditions and procedure provided by law.
- (5) Fondul Proprietatea may buy back its own shares in accordance with the conditions laid down in legislation in force.
- (6) The right to dividends are held by the shareholders registered in the shareholders' register, according to the provisions of Law No. 297/2004, as further amended and completed, as well as the regulations issued for the implementation thereof.

ARTICLE 10

Bonds

Fondul Proprietatea is authorized to issue bonds in accordance with the provisions of the law. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

ARTICLE 11

Rights and obligations arising from shares

- (1) Each share fully paid by the shareholders, according to the law, grants them the right to vote in the general meeting of the shareholders, according to the provisions of paragraph (2), the right to elect and to be elected in the management bodies, the right to take part in the profit distribution, according to the provisions of this constitutive act and the legal dispositions, respectively other rights provided by the constitutive act.
- (2) The shares issued by Fondul Proprietatea grant the right to vote, each share grants one voting right.
- (3) Holding one share implies the rightful adhesion to this constitutive act.
- (4) The rights and obligations follow the shares in case ownership thereof passes to another person.

CHAPTER IV
General meeting of the shareholders

ARTICLE 12
General meetings of the shareholders

- (1) The general meeting of the shareholders may be ordinary and extraordinary.
- (2) The ordinary general meeting of the shareholders has the following competencies, duties and functions:
- a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Alternative Investment Fund Manager and financial auditor;
 - b) to establish the distribution of the net profit and to establish the dividends;
 - c) to appoint the members of the Board of Nominees ("BoN") and to cancel their appointment;
 - d) to appoint the Alternative Investment Fund Manager in accordance with the law and to cancel its appointment;
 - e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;
 - f) to set the level of the remuneration of the members of the Board of Nominees, the Alternative Investment Fund Manager and of the financial auditor for financial audit services for the ongoing fiscal year;
 - g) to rule over the management of the Alternative Investment Fund Manager and to evaluate his/her performances and to discharge him/her from its management,
 - h) to decide on the action in a court of law against the Alternative Investment Fund Manager or, as the case may be, against the financial audit, for damages caused to Fondul Proprietatea;
 - i) to approve the strategies and the development policies of Fondul Proprietatea;
 - j) to establish the annual income and expenditure budget for the following financial year;
 - k) to decide upon the pledge, lease or the creation of the movable securities or mortgages on the assets of Fondul Proprietatea;
 - l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.
- (3) The extraordinary general meeting of the shareholders is entitled to decide on the following:
- a) set-up or closing of some secondary units: branches, agencies, representative offices or other such units with no legal personality;
 - b) share capital increase;
 - c) share capital decrease or re-completion thereof by issuing new shares;
 - d) conversion of shares from one category to another;
 - e) conversion of a category of bonds to another category or to shares;
 - f) issue new bonds;
 - g) approves the admission for trading and nominates the regulated market on which the shares of Fondul Proprietatea will be traded;
 - h) execution of any agreement / legal document which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
 - i) change of the management system of Fondul Proprietatea;
 - j) limitation or cancellation of the preference right of the shareholders;
 - k) approves the Investment Policy Statement;

- l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general meeting of the shareholders, according to applicable law or to this Constitutive Act.

ARTICLE 13

Summoning the general meeting of the shareholders

- (1) The general meeting of the shareholders is called by the Alternative Investment Fund Manager whenever required. Prior to the convocation of the general meeting of the shareholders, the Alternative Investment Fund Manager shall communicate to the Board of Nominees the intention to call the general meeting and shall introduce on the list of matters for the meeting all matters requested by the Board of Nominees.
- (2) The ordinary general meeting of the shareholders meets at least once a year, within 4 months from the end of the financial year.
- (3) The date of the meeting may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.
- (4) The general meeting of the shareholders, either ordinary or extraordinary, shall be called whenever required, according to the legal provisions in force and with the dispositions of the constitutive act, by publication of the calling notice in the Official Gazette of Romania, Part IV, and a national daily newspaper or in a local newspaper largely read in the locality where the HQ of the company resides at least 30 days prior to the proposed date of meeting.
- (5) One or more shareholders, individually or jointly, representing at least 5% of the share capital of Fondul Proprietatea, may request the Alternative Investment Fund Manager by a written address signed by the holder(s) to introduce in the agenda new matters, within 15 days of the publication of the calling notice.
- (6) The calling notice, any other matter added to the agenda at the request of the shareholders or of the Board of Nominees, the annual financial statements, the annual report of the Alternative Investment Fund Manager, the report of the Board of Nominees as well as the proposal to distribute dividends are made available to the shareholders, at the headquarters of Fondul Proprietatea at the date of convocation of the general meeting, and are also published on the internet page, for free access to information by the shareholders. Upon request, copies of these documents shall be issued to the shareholders.
- (7) The calling notice includes the place, hour and date of the general meeting of the shareholders, as well as the agenda, expressly mentioning all matters that will be subject to debate and all matters required by the applicable law.
- (8) In case the agenda includes proposals to amend the constitutive act, the notice shall include the full text of the proposals. In case the agenda includes the appointment of the members of the Board of Nominees, the notice shall mention that the list including information regarding the name, the residence and professional training of the persons proposed for the position of member of the Board of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.
- (9) The notice for the first general meeting of the shareholders may provide also the day and hour of the second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting cannot take place if the quorum is not being met.
- (10) The general meeting of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.
- (11) The Board of Nominees may request to the Alternative Investment Fund Manager the calling of the general meeting, and if the Fund Manager does not observe the written request of the Board of Nominees within 5 working days from receiving it, the Board of Nominees may call upon the general meeting of the shareholders by following the same procedures as set out in this Article.
- (12) The chairperson of Board of Nominees may request to the Alternative Investment Fund Manager the calling of the general meeting according to article 16 paragraph (4) second sentence.
- (13) The Alternative Investment Fund Manager immediately call the general meeting of the shareholders, upon written request of the shareholders, individually or jointly, representing at least 5% of the share capital, in case the request includes dispositions that fall under the responsibility of the general meeting of shareholders.

- (14) In the case provided by paragraph (13), the general meeting of the shareholders shall be called within at most 30 calendar days and shall meet within at most 60 calendar days as of the date when the Alternative Investment Fund Manager received the request of the shareholders.
- (15) In the situation provided by paragraphs (13) and (14), in case the Alternative Investment Fund Manager does not call the general meeting of shareholders, the shareholders who requested the calling of the general meeting may request the same to the Board of Nominees. Should the Board of Nominees is also not responding to their request in 10 working days from the receipt of the request, the court of law from the headquarters of Fondul Proprietatea, by summoning the Alternative Investment Fund Manager, may authorize the calling of the general meeting by the shareholders which formulated the request

ARTICLE 14

Organization of the general meeting of the shareholders

I. Quorum and voting rights

- (1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is required that the shareholders representing at least a fourth of the total shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with the majority of votes.
- (2) In case the ordinary general meeting of the shareholders cannot operate due to lack of quorum under paragraph (1), the meeting that will meet upon a second convocation may deliberate on the items included in the agenda of the first meeting, irrespective of the met quorum, taking decision by majority of the expressed votes.
- (3) For the validity of the deliberations of the extraordinary general meeting of the shareholders the following are required:
- a) upon the first convocation, the attendance of the shareholders representing at least a fourth of the shares having voting rights, and the decisions are taken with majority of votes held by the shareholders attending or being represented;
 - b) upon the second convocation, the general meeting of the shareholders may deliberate on the items included in the agenda of the first meeting in the presence of the shareholders representing at least one fifth of the total number of the shares having voting rights, taking decisions by majority of votes held by the shareholders attending or being represented.
- (4) The attendance of shareholders representing at least 50% of the total number of the voting rights, both at the first and the second convocation, is required for the validity of deliberations of the extraordinary general meeting of the shareholders to adopt a decision regarding:
- (i) a share capital increase,
 - (ii) the anticipated dissolution of Fondul Proprietatea, made under the conditions of the law.
- (5) For the validity of the deliberation of the extraordinary general meeting of shareholders regarding a share capital decrease, the attendance of the shareholders representing:
- (i) at least a fourth of the shares having voting rights upon the first convocation, and
 - (ii) at least one fifth of the total number of the shares having voting rights, upon the second convocation is required.
- (6) The decision to amend the main business object of Fondul Proprietatea, to decrease or increase the share capital, to change the legal form, to merge, de-merge or dissolve, is taken with a majority of at least two thirds of the voting rights related to the shares having voting rights of the shareholders attending or being represented.

II. Procedure of the meetings

- (7) On the day and hour established in the convocation, the general meeting of the shareholders shall be opened by the permanent representative of the Alternative Investment Fund Manager or, in its absence, by the one holding its place. A legal representative of the Alternative Investment Fund Manager or a person appointed by

the legal representative of the Fund Manager shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.

- (8) The general meeting shall elect, from amongst the attending shareholders, 1 up to 3 secretaries, who will check the attendance list of the shareholders, indicating the share capital represented by each of them, the minutes drawn up by the technical secretary to determine the number of the submitted shares and the fulfillment of the formalities requested by law and by the constitutive act for holding the general meeting of the shareholders.
- (9) A minute of the meeting, signed by the president and by Secretaries, shall determine the fulfillment of the calling formalities, the date and place of the general meeting of the shareholders, attending shareholders, the members of the Board of Nominees present, the number of shares, a summary of the debates, the decisions taken, and upon request of the shareholders, the statements made thereby in the meeting.
- (10) The documents referring to the convocation and the shareholders' attending list shall be attached to each minute.
- (11) The permanent representative of the Alternative Investment Fund Manager may appoint, from amongst the employees of the Alternative Investment Fund Manager, one or more technical secretaries, to fulfill their duties according to the legal provisions.
- (12) The decisions of the general meetings of the shareholders are drawn-up based on the minutes and is signed by the permanent representative of the Alternative Investment Fund Manager or by a person appointed thereby. The minutes shall be recorded in the general meetings of the shareholders' register.
- (13) Considering the extremely large number of shareholders of Fondul Proprietatea the shareholders may participate in person, by proxy with a special power of attorney or may express their voting right by correspondence or by electronic voting; the procedures and forms for the proxy, correspondence and electronic voting shall be set by the Alternative Investment Fund Manager, in accordance with the applicable legislation and are made available to the shareholders at least by the date of publishing of convening notice for general meeting of shareholders.
- (14) Considering the introduction of the voting right by correspondence, which right may be exercised and it is recommended to be exercised by any of the shareholders, the statutory quorum that needs to be met for the valid holding of any type of general meeting of the shareholders is calculated by including the votes deemed validly sent by correspondence.
- (15) Also in the case of the vote by correspondence, each shareholder is entitled to pronounce himself in writing, with respect to the issues included in the agenda, casting a vote "for", "against" or "abstained". The expressed votes that are not cancelled are considered.
- (16) All shareholders who, at the reference date, are registered in the shareholders' register, kept according to the law, have the right to participate to the general meetings of the shareholders.
- (17) In order to ensure the effective and real possibility of all shareholders to be informed on the contents of the documents and the proposals of the ones requiring the organization of the general meeting of the shareholders, by care of the Alternative Investment Fund Manager, such will be available, at the headquarters of Fondul Proprietatea, as well as on the internet page of Fondul Proprietatea, at least 30 days prior to the date provided for holding the meeting. In the case the calling of the general meeting is made by the Board of Nominees, the Alternative Investment Fund Manager has the obligation to fulfil all the above-mentioned formalities at the request of the Board of Nominees. In case the communication with the shareholder is not realized in this way, for objective reasons, the Board of Nominees may announce in the calling notice a different address than the registered address of Fondul Proprietatea, where the above-mentioned documents will be made public on the website of Fondul Proprietatea, in accordance with the applicable legislation.
- (18) In the ads informing on the convocation of the general meeting of shareholders of Fondul Proprietatea it will be indicated, by the Alternative Investment Fund Manager the reference date in relation to which the shareholders will be entitled to participate and vote. Also, the date by when the shareholders may send their votes, as well as the procedure for voting by correspondence, regarding any of the issues subject to approval shall also be set. If the calling of the general meeting is made at the request of the Board of Nominees the above mentioned duties shall be fulfilled by the Board of Nominees. The deadline by when votes by correspondence may be registered at least 5 working days subsequent to the date of publication of the informative material and is prior to the convocation date of the general meeting of the shareholder by at least 48 hours.

- (19) The votes of the shareholders will be sent electronically or by letter to the headquarters of Fondul Proprietatea, in a clear and precise form, noting "for", "against" or "abstained" in relation to each issue subject to approval for which the shareholder intends to cast a vote.
- (20) The votes transmitted electronically shall be cancelled if they do not observe the procedure set by the Alternative Investment Fund Manager drawn up according to the Financial Supervisory Authority regulations and such votes will not be taken into consideration in calculating the attending quorum.

III. Exercising the voting right in the general meeting of the shareholders

- (21) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.
- (22) The decisions of the general meetings of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.
- (23) Only the shareholders registered in the company shareholders' register at the reference date established by the Alternative Investment Fund Manager or the Board of Nominees, as the case may be, when calling the general meeting of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.
- (24) Secret vote is compulsory for electing and revoking the Alternative Investment Fund Manager, the members of the Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Alternative Investment Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.
- (25) The procedures referring to the secret vote, where applicable will be approved by the Alternative Investment Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.
- (26) The decisions of the general meeting of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.
- (27) The shareholders who do not have capacity to act, as well as the legal entities may be represented by their legal representatives who, in their turn, may grant power of attorney to other persons for that particular general meeting of the shareholders.

CHAPTER V

The Board of Nominees

ARTICLE 15

Organisation

- (1) The ordinary general meeting of the shareholders shall appoint the Board of Nominees, formed of 5 members, and shall establish their remuneration.
- (2) Any shareholder will have the right to make proposals on the members of the Board of Nominees. The members of the Board of Nominees may be shareholders of Fondul Proprietatea or other persons designated by the shareholders and they must have the proper experience and knowledge in order to be able to receive the Alternative Investment Fund Manager reports and of the consultants and, based on the information received, judge the merits of the management of Fondul Proprietatea within the limits of the objectives and principles set by the investment policy as well as by the applicable laws and regulations. Also, the members of the Board of Nominees have to be qualified properly in order to decide (if there is need with the support of an independent consultant) if the transactions proposed by the Alternative Investment Fund Manager needing the approval of the Board of Nominees are made to the advantage of the shareholders.
- (3) The mandate of the members of the Board of Nominees is of 3 years, period to be extended by right, by the first meeting of the General Meeting of the Shareholders.
- (4) The Board of Nominees elects from amongst its members a chairman of the Board.

ARTICLE 16

Functioning

- (1) The meetings of the Board of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Board of Nominees is made by the chairman, any of its members or upon the request of the Alternative Investment Fund Manager. The Board of Nominees shall meet in at most 7 days as of the calling.
- (2) The Chairperson of the Board of Nominees or, during his absence, a member of the Board of Nominees appointed through vote by the other members to chair the meeting, ensures the proper development of the meetings. The meetings of the Board of Nominees shall be held at the headquarters of Fondul Proprietatea or at such other location as may be agreed among the members of the Board of Nominees.
- (3) The Board of Nominees takes valid decisions provided the absolute majority of its members. The members of the Board of Nominees may be represented to the meetings of the Board of Nominees only by other members of the Board of Nominees on the basis of a special written empowerment, presented in its original form at the beginning of the meeting. One member of the Board of Nominees may represent only one absent member. The decisions of the Board of Nominees shall be taken with the absolute majority of the votes of its members and are signed by all the members which participated to the meeting. If some of the members of the Board of Nominees have been represented, the empowerment will be annexed to the minute of the meeting.
- (4) If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision, the chairperson of the Board of Nominees shall give notice for a second meeting of Board of Nominees, having the same agenda as the first, in order to discuss this agenda. If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision for three consecutive times, the chairperson of the Board of Nominees shall ask the Alternative Investment Fund Manager to convoke the general meeting of the shareholders in order to properly decide on the respective decisions; in case that the Alternative Investment Fund Manager does not convoke it, any of the members of the Board of nominees will be in his right to convoke the general meeting.
- (5) In case of vacancy of the seat of one or more members of the Board of Nominees, the general meeting of the shareholders shall immediately convoke for the appointment of new members. For the period in time by the decision of the general meeting, the other members of the Board of Nominees will nominate members ad interim to fulfil the vacant positions. The decision of the Board of Nominees on nominating members ad interim will be communicated to the Alternative Investment Fund Manager, the auditor and will be filed with the Trade Register.

ARTICLE 17

Attributions of the Board of Nominees

The Board of Nominees has the followings duties and functions:

- (1) Following the information received from the Alternative Investment Fund Manager with regard to the summoning of the ordinary and/or extraordinary general meeting of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general meeting of shareholders;
- (2) Receives from the Alternative Investment Fund Manager the information in connection with the answers to the written requests submitted before the date of the general meeting of the shareholders, by the shareholders on topics regarding Fondul Proprietatea' s activity;
- (3) Receives from the Alternative Investment Fund Manager the annual financial statements, the annual activity report presented by the Alternative Investment Fund Manager and the financial auditors' report, before being made available to the shareholders and analyses them, being able to formulate an opinion to be presented to both the Alternative Investment Fund Manager and the general meeting;
- (4) Receives from the Alternative Investment Fund Manager for analysis the annual report and the management policy of Fondul Proprietatea and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders regarding such;
- (5) Receives from the Alternative Investment Fund Manager for analysis the yearly income and expenditure budget before it is submitted to the approval of the general meeting of shareholders and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders regarding such;

- (6) Receives from the Alternative Investment Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (7) Receives from the Alternative Investment Fund Manager for analysis and approves the framework for carrying out Fondul Proprietatea's operations, as well as any other Fondul Proprietatea's regulations issued by Alternative Investment Fund Manager according to legal provisions in force, capital market rules and regulations;
- (8) Receives from the Alternative Investment Fund Manager for analysis the proposal to the ordinary general meeting of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary meeting;
- (10) Receives the report of the internal auditor and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (11) Monitors the following, based on information and reports received from the Fund Manager:
 - the list of all portfolio investments and percentage breakdown by each investment type;
 - a list of major transactions occurring in the Fondul Proprietatea portfolio for the period under review;
 - the total profit of the portfolio and comparison of profit with the appropriate market benchmark;
 - comparison of the obtained profit with the initial objective;
 - the extent of compliance with the investment policy, including, specifically, the degree to which any performance objectives set out therein are achieved, as well as any variations and actions taken to achieve such objectives and improve investment results;
 - the performance evaluation report.

The Board of Nominee shall draft and present to the general meeting of the shareholders an annual report regarding the monitoring activity performed or a monitoring report for another period agreed by the general meeting of shareholders;

- (12) Represents the general meeting of the shareholders in relation with the Alternative Investment Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by this constitutive act as a direct communication between the general meeting and the Alternative Investment Fund Manager;
- (13) Verifies the report of the Alternative Investment Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Alternative Investment Fund Manager, and verifies if the operations carried on by the Alternative Investment Fund Manager are in compliance with the applicable law, the constitutive act and/or with any relevant decision of the general meeting of the shareholders;
- (14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general meeting of the shareholders;
- (15) Participates to the meetings of the general shareholders' meetings and presents in this meeting reports in all cases provided by this constitutive act or with regard to any issue it deems to be relevant for the shareholders;
- (16) Proposes to the general meeting of the shareholders the prior approval or rejection of any contract/document which may create binding obligations to Fondul Proprietatea, including without limitation buying, selling, exchanging, pledging of non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
- (17) Recommends to the General Meeting of the Shareholders the termination of the management contract for the case when the Board of Nominees is considered is to the benefit of the shareholders.
- (18) Recommends to the general meeting of the shareholders on any other issues the Board of Nominees is considered relevant to the shareholders.

- (19) Following of proposal of Alternative Investment Fund Manager, recommends to the Extraordinary General Meeting of the Shareholders the appointment of the public offer intermediate, as well as on his remuneration , when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.
- (20) Approves the delegation by the Alternative Investment Fund Manager of certain activities. The delegation shall be effective in accordance with the legal provisions in force.
- (21) Is responsible for monitoring the Alternative Investment Fund Manager performance of the Investment Management Agreement.

ARTICLE 18

The obligations of the members of the Board of Nominees

- (1) The members of the Board of Nominees have diligence and loyalty duties towards the shareholders of Fondul Proprietatea.
- (2) The members of the Board of Nominees are held liable towards the general meeting of the shareholders of Fondul Proprietatea, in accordance with the mandate rules. The decisions of the members of the Board of Nominees will be taken after due enquiries into the relevant circumstances existing at the specific moment at which such decisions have been taken.
- (3) The members of the Board of Nominees cannot disclose the confidential information and the commercial secrets of Fondul Proprietatea, to which those persons have access. Such obligation remains in force as well as after the termination of the mandate.
- (4) If a member of the Board of Nominees has, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, in a certain operation, that member must give notice of such situation to the other members and to the internal auditors and not take part in any deliberation regarding that operation.
- (5) The same obligation must be observed by the member of the Board of Nominees, who acknowledges that in a certain operation, his/her wife or husband, relative or related persons by the 4th grade inclusive are interested.
- (6) The prohibitions stipulated in paragraphs (4) and (5) regarding the participation, deliberation and voting of the members of the Board of Nominees, are not applicable if the vote refers to:
- a) the offer of shares or obligations of Fondul Proprietatea for subscription, to a member of the Board of Nominees or to the persons mentioned in paragraph (5);
 - b) the granting by a member of the Board of Nominees or by the persons mentioned in paragraph (5) of a loan or establishing a guarantee in favour of Fondul Proprietatea.
- (7) The member of the Board of Nominees not observing the provisions of paragraphs (4) and (5) is held liable for the damages caused to Fondul Proprietatea.
- (8) It is forbidden the crediting by the Fondul Proprietatea of the members of the Board of Nominees, through operations such as:
- a) granting loans;
 - b) granting financial facilities for or after the conclusion by Fondul Proprietatea with the members of delivery operations of goods, providing of services or performance of works;
 - c) direct or indirect guarantee, in whole or in part, of any loans granted to the member of the Board of Nominees, concomitant or after granting the loan;
 - d) direct or indirect guarantee, in whole or in part, of performance by the members of any other personal obligation of those towards third parties;
 - e) direct or indirect guarantee, in whole or in part, of any receivables having as object a loan granted by a third party to the members of the Board of Nominees or other personal service of those members.
- (9) The provisions of paragraph (8) are applicable and the operations in which the husband or wife, relatives or related persons by the 4th grade inclusive of the members of the Board of Nominees are interested; also, if the operation concerning a civil or a commercial company at which one of the persons above mentioned is director or holds, solely or together with one of the persons above mentioned, a quota of at least 20% of the value of the subscribed share capital.

- (10) The provisions of paragraph (8) are not applicable for the case when the operation is concluded by Fondul Proprietatea during its current business, and the clauses of the operations are not more favourable to the persons specified in paragraphs (8) and (9) than the ones usually practiced by Fondul Proprietatea towards third parties
- (11) The Board of Nominees shall promptly decide on all requests for approval from the Alternative Investment Fund Manager within a reasonable time frame to allow the Alternative Investment Fund Manager to comply with its own obligations.

CHAPTER VI

Provisions regarding the company's management

ARTICLE 19

Organisation

- (1) Fondul Proprietatea has appointed FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l., a société à responsabilité limitée qualifying as an alternative investment fund manager under Article 101-1 of the Luxembourg Act of 17 December 2010 concerning undertakings for collective investment, as amended from time to time, whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 36.979, as its alternative investment fund manager, referred to throughout this document as the Alternative Investment Fund Manager. In addition, FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l. is also Fondul Proprietatea's Sole Director and is represented in its capacity as sole director in Romania by the individuals as permanent representatives (in Romanian language "reprezentanti permanenti persoane fizice") appointed by FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l., upon its appointment as Fund Manager by the shareholders, and in accordance with Article 15313 of Companies' Law no. 31/1990.
- (2) The Alternative Investment Fund Manager is elected by the general meeting of the shareholders, with the observance of the legal provisions and of this constitutive act.
- (3) The mandate of the Alternative Investment Fund Manager is of 2 years. The Alternative Investment Fund Manager will call an Ordinary General Meeting of the Shareholders to be held at least 6 months before the termination of the duration of the mandate of the Alternative Investment Fund Manager with the agenda of approving the renewal of the Alternative Investment Fund Manager's mandate or starting the selection process of a new Alternative Investment Fund Manager and the negotiation of the management agreement to be concluded with the selected candidate. After the selection of the candidate, the Alternative Investment Fund Manager will immediately call an Ordinary General Meeting of the Shareholders with the agenda of appointing the selected candidate as Alternative Investment Fund Manager and authorizing the execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorization and legal completion of such appointment.
- (4) The legal entity appointed as Alternative Investment Fund Manager of Fondul Proprietatea must expressly accept such position, by executing the management agreement and must have in place professional liability insurance.
- (5) The Investment Management Agreement can be modified or replaced in accordance with article 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the Investment Management Agreement will be signed on behalf of Fondul Proprietatea by the chairman of the Board of Nominees or by a member of the Board of Nominees empowered by the chairman.

ARTICLE 20

Functioning

The Alternative Investment Fund Manager shall appoint a natural person as its permanent representative. The Alternative Investment Fund Manager can change the permanent representatives in accordance with the applicable law. All changes will be registered with the Trade Registry.

ARTICLE 21

Attributions of the Alternative Investment Fund Manager

- (1) The management of Fondul Proprietatea is ensured by the Alternative Investment Fund Manager, which fulfils the necessary and useful operations for the fulfilment of the company's business object, except of the operations reserved by the law for the general meeting of the shareholders and has all the obligations attributed to it by the applicable law.
- (2) The Alternative Investment Fund Manager exercises its attributions under the control of the general meeting of the shareholders and the monitoring of the Board of Nominees, according to article 17.
- (3) In addition to the duties provided by the applicable law, the Alternative Investment Fund Manager shall propose for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea and it is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio. The Alternative Investment Fund Manager undertakes to inform the Board of Nominees regularly, and as and when required by the Board of Nominees, about any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio.
- (4) In excess of the duties provided by the applicable law, the Alternative Investment Fund Manager shall be liable to:
 - i) establish a reference date for shareholders entitled to vote within the general meeting, under the law, and draft the text of the announcement on the convocation of the general meeting, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;
 - ii) upon the written request of any shareholder submitted before the date of the general meeting of the shareholders, to give responses after obtaining the prior approval of the Board of Nominees, regarding the aspects concerning the business of Fondul Proprietatea;
 - iii) ensure that, if requested by any of the shareholders, a copy of or extract of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general meeting of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors,
 - iv) prepare the annual financial statements, draft the annual activity report, examine the financial auditors' report, present them to the Board of Nominees before submitting such documents to the general meeting of the shareholders and make proposals on the distribution of the profit to the general meeting of the shareholders, after obtaining the prior approval of the Board of Nominees;
 - v) manages the relationship with the Central Depository with regard to its shareholders register functions,
 - vi) prepare an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general meeting of the shareholders;
 - vii) proposes for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders, of the yearly income and expenditure budget and business plan;
 - viii) approves the outsourcing of certain activities, within the limits of the approved budget, respectively the delegation of the performance of certain activities, subject to the observance of the applicable legislation;
 - ix) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of the shareholders any agreement / document which may create binding obligations to Fondul Proprietatea, including but not limited to the purchase, sale, conversion or encumbrance of the non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
 - x) to enter into any agreement / document which may create binding obligations to Fondul Proprietatea, including the purchase, sale, conversion or encumbrance of the non-current assets of Fondul Proprietatea whose value does not exceed, either individually or cumulated, during a financial year, 20% of the total value of the non-current assets, less any receivables, without the approval of the ordinary or extraordinary general shareholders meeting;

- xi) propose to the ordinary general meeting of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approve the procedure of internal audit and the audit plan;
 - xii) decide the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;
 - xiii) make available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);
 - xiv) inform at once the Board of Nominees of any litigation or infringement of legislation regarding Alternative Investment Fund Manager, any operation which might be an infringement to the investment policy and about the plans/ correction measures for approaching these matters;
 - xv) ask for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Alternative Investment Fund Manager, which cannot be resolved amiably;
 - xvi) proposes to Board of Nominees the recommendation for the Extraordinary General Meeting of the Shareholders for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration , when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.
- (5) For the avoidance of any doubt, in fulfilling the obligations listed under paragraph (4) of this Article 21, the Alternative Investment Fund Manager acts mainly in its capacity as sole director according to the applicable Romanian legislation.

ARTICLE 22

The obligations of the Alternative Investment Fund Manager

- (1) The Alternative Investment Fund Manager has a diligence and loyalty duty towards Fondul Proprietatea. Such duty is exercised taking into consideration the interest of the shareholders generally, and not of some of them.
- (2) The Alternative Investment Fund Manager is held liable towards Fondul Proprietatea, according to the law. The decisions of the Alternative Investment Fund Manager are taken after due enquiries regarding the relevant circumstances existing at the moment of which those decisions are taken.
- (3) The Alternative Investment Fund Manager cannot disclose confidential information or commercial secrets of Fondul Proprietatea, to which it has access. Such obligation remains also after the termination of the mandate.
- (4) If the Alternative Investment Fund Manager, respectively its permanent representative and its employees, have in a certain operation, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, the Fund Manager must give notice to the internal auditors and Board of Nominees of this issue and not take part in any deliberation concerning the specific situation.
- (5) The same obligation must be observed by the Alternative Investment Fund Manager, respectively by its permanent representative and its employees if, in a certain operation, is being aware that an affiliate of the Alternative Investment Fund Manager or the wife or husband, relatives or related persons by the 4th grade inclusive of the representative and its employees, are interested.

ARTICLE 23

Representation of Fondul Proprietatea

- (1) In relations with third parties, Fondul Proprietatea is represented by the Alternative Investment Fund Manager, respectively by its permanent representative.
- (2) The Alternative Investment Fund Manager may delegate the representative powers, in accordance with the applicable law.

CHAPTER VII
The audit of Fondul Proprietatea

ARTICLE 24
The internal auditors and the financial audit

- (1) The financial statements of Fondul Proprietatea are subject to financial audit. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.
- (2) An internal audit department shall be organised within Fondul Proprietatea, having attributions of objective examinations of the company's aggregate business, for the purpose of providing an independent evaluation of the risk management, control and leading development of the company. The Alternative Investment Fund Manager can decide that internal audit work can be outsourced, in which case it will run on a contractual basis, according to article 3 of Decision of Romanian Chamber of Auditors no. 88/2007, with subsequent amendments.
- (3) The internal audit is independent of the management of Fondul Proprietatea, and the internal auditors shall objectively exercise this activity.
- (4) The internal audit shall evaluate and shall propose the improvement of the risk management, the control and internal rules within Fondul Proprietatea.
- (5) The internal auditors shall not be subject of any interference in determining the purpose of the internal audit and in exercising their activity.
- (6) The internal auditors shall have an impartial, correct attitude and shall avoid the conflicts of interest.
- (7) The internal audit shall transmit the plans of the internal audit activity and the necessary resources, inclusive the significant interim changes, to the Board of Nominees for information, as well as to the Alternative Investment Fund Manager for approval within the limits of its competencies.
- (8) The internal audit shall establish the policies and procedures for exercising the internal audit activity within Fondul Proprietatea, comprising amongst others, the analysis of the decisions taken by the company's management and the control of their compliance with the statutory requirements and/or with other documents approved by the general meeting of the shareholders.
- (9) The internal audit shall coordinate its activity with the financial auditor, in order to ensure the proper fulfilment of the audit objectives and to minimize any duplication of attributions.
- (10) The internal audit shall give quarterly reports to the Board of Nominees of Fondul Proprietatea and the Alternative Investment Fund Manager regarding the purpose of the internal audit activity, authority, responsibility and performance according to its plan. The reports shall include also the significant risks and aspects of the control and management, as well as other necessary problems or as requested by the Board of Nominees and the Alternative Investment Fund Manager.
- (11) The internal audit shall verify if the management of Fondul Proprietatea has taken appropriate measures concerning the reported significant risks or if the Alternative Investment Fund Manager has accepted the risk of not taking any measure and shall inform the Board of Nominees and the general meeting of the shareholders if the Alternative Investment Fund Manager has accepted the reported significant risks.
- (12) The internal audit shall establish the procedures for monitoring the implementation of the measures taken by the management of Fondul Proprietatea.
- (13) The internal auditors shall notify the Board of Nominees and the Alternative Investment Fund Managers with respect to any flaws in the management or breaches of the legal provisions or of the constitutive act, where such are identified by the internal auditors; the significant cases shall be notified to the general meeting of the shareholders.
- (14) The internal auditors shall take into consideration the complaints of the shareholders when drafting the reports addressed to the general meeting of the shareholders.
- (15) The attributions, duties and the functioning way of the internal auditors, as well as their rights and obligations are completed with the legal provisions in this area.

CHAPTER VIII
Business of Fondul Proprietatea

ARTICLE 25
Financing its own business

For the fulfilment of the business object and in accordance with the attributions established, Fondul Proprietatea uses the financial sources established pursuant to the law, banking credits and other financial sources. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

ARTICLE 26
Financial year

The financial year begins on 1st of January and terminates on 31st December of each year.

ARTICLE 27
Accounting evidence and annual financial statements

- (1) The accounting is kept in Romanian language and in national currency.
- (2) Fondul Proprietatea must draft the annual financial statements according to legal provisions in force.

ARTICLE 28
Calculation and distribution of the profit

- (1) The result of the financial year is determined at the end of the year and represents the final balance of the profit and loss account.
- (2) The profit of Fondul Proprietatea after the payment of the profit tax shall be distributed according to the decision of the general meeting of the shareholders and to the legal provisions in force.
- (3) Fondul Proprietatea creates legal reserves and other reserves, pursuant to the law.
- (4) The payment of dividends owed to the shareholders is made by Fondul Proprietatea, according to the law.
- (5) The dividends are distributed between the shareholders proportional with the number of held shares.
- (6) In case of loss of the net asset, the general meeting of the shareholders shall analyse the causes and decide properly, according to the law.

ARTICLE 29
Registries

Fondul Proprietatea shall maintain, by care of the Alternative Investment Fund Manager and internal auditors, all registries provided by the law. The shareholders registry is kept by the Central Depository.

CHAPTER IX
Association, change of the legal form, dissolution and liquidation, litigation

ARTICLE 30
Association

- (1) Fondul Proprietatea may set-up, solely or together with other Romanian or foreign natural persons or legal entities, other companies or legal entities, according to the law and to this constitutive act.
- (2) The conditions for the participation of Fondul Proprietatea at the setting-up of new legal entities shall be regulated by the constitutive acts, which to be approved by the general meeting of the shareholders.

ARTICLE 31

Dissolution

- (1) The dissolution of Fondul Proprietatea shall take place in the following cases:
 - a) impossibility of performing the company's business object;
 - b) declaring the company's nullity;
 - c) by decision of the extraordinary general meeting of the shareholders, in accordance with article 14 paragraphs (4) and (5);
 - d) as consequence of losses, if the net asset value, determined as difference between the total asset and company's debts, represents less than half of the value of the subscribed share capital and if, not later than the termination of the financial year subsequent to the one during which the losses have been ascertained, the general meeting of the shareholders fails to decrease the share capital with an amount at least equal with the one of losses which could not be covered from reserves or to reconstitute the company's net asset up to the value at least equal with half of the subscribed share capital.
 - e) opening of the bankruptcy procedure;
 - f) the number of shareholders reduces under the legal minimum;
 - g) other causes provided by the law or by this constitutive act.
- (2) The dissolution of Fondul Proprietatea cannot take place before the finalisation of the procedures for granting indemnities to the rightful persons.
- (3) The dissolution decision of Fondul Proprietatea must be registered with the commercial registry and published in the Official Gazette of Romania, Part IV.

ARTICLE 32

Liquidation

- (1) The dissolution of Fondul Proprietatea has as consequence the opening of the liquidation procedure.
- (2) The liquidation of Fondul Proprietatea and distribution of the patrimony are made in accordance with the law.

ARTICLE 33

Calculation method of the net asset

The calculation method of the net asset is made according to the legal provisions in force.

ARTICLE 34

Prudential rules concerning the investment policy

- (1) The investment policy is established by the Alternative Investment Fund Manager, with the observance of the investment limitation provided by the legal provisions in force and of this Constitutive Act.
- (2) Fondul Proprietatea shall be subject to the investment restrictions provided under Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed as well as any other applicable law or regulation.
- (3) Subject to the terms of this Constitutive Act, of the IMA and the applicable law, all decisions in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of Fondul Proprietatea shall be at the sole discretion of the Alternative Investment Fund Manager.
- (4) Prudential rules concerning the investment policy will be by approved by the shareholders through Investment Policy Statement.

ARTICLE 35

Conditions for the replacement of the depository

- (1) Fondul Proprietatea shall conclude a deposit agreement with a depository legal entity authorised and supervised by the Financial Supervisory Authority, which performs the deposit operations of securities, as well as any operations in connection with those. The activities to be developed by the depository and the conditions for its replacement shall be provided in the deposit agreement.
- (2) The deposit agreement shall mandatorily include clauses related to the replacement of the depository and rules for ensuring shareholders' protection in such situations, as well as other mandatory clauses in accordance with the applicable regulations.

ARTICLE 36

Identity, requirements regarding the qualification, professional experience and integrity of the management members

- (1) The Alternative Investment Fund Manager, respectively its permanent representative shall cumulatively fulfil with the minimum requirements regarding the integrity, qualification and professional experience provided in the legislation and in other specific provisions; the identity of the Alternative Investment Fund Manager is the one registered with the National Office of Trade Registry, based on the decision of the general meeting of the shareholders regarding its election.

ARTICLE 37

Litigations

The litigations of any type shall be amiably resolved and if this is not possible, they shall be solved by the competent arbitral or judicial courts.

CHAPTER X

Final provisions

ARTICLE 38

Final provisions

The provisions of this constitutive act are completed by the provisions of Company Law No. 31/1990, republished, as further amended and completed, and other applicable legal provisions in force as well as by the provisions of the capital market legislation governing the issuers whose shares are admitted on trading.

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY

Annex 7 Major contracts concluded by Fondul Proprietatea during 2016

Annex 7.1. Tender Offer Document

with respect to a proposed tender offer to purchase for cash up to 575,000,000 fully paid up ordinary shares of Fondul Proprietatea S.A. with a nominal value of RON 0.85 per share, in the form of Shares and GDRs representing such Shares at a purchase price of RON 0.8420 per Share and the US dollar equivalent of RON 42.10 per GDR

This document has been approved by the Romanian Financial Supervisory Authority (the "FSA") as a tender offer document (the "**Tender Offer Document**") in accordance with Romanian Law no. 297/2004 on capital markets as further amended (the "**Capital Markets Law**") and Regulation no. 1/2006 on issuers and operations with securities issued by the Romanian National Securities Commission, as further amended ("**Regulation no. 1/2006**").

This Tender Offer Document has been approved by the FSA but has not been, and will not be, approved by or notified to the United Kingdom Financial Conduct Authority or any other competent authority of the European Economic Area.

This Tender Offer Document relates to a tender offer (the "**Tender Offer**") by Fondul Proprietatea S.A., a joint stock company incorporated under the laws of Romania (the "**Bidder**" or the "**Issuer**", as applicable) for existing fully paid up ordinary shares with a nominal value of RON 0.85 each in its share capital (the "**Shares**"). The Tender Offer comprises a tender offer for up to 575,000,000 Shares in the form of Shares and/or global depositary receipts which represent the Shares (the "**GDRs**" and, together with the Shares, the "**Securities**"). The Shares are admitted to trading on the spot regulated market operated by Bursa de Valori Bucuresti S.A. (the "**Bucharest Stock Exchange**" or "**BSE**") under the market symbol "**FP**". The GDRs have no nominal value and are admitted to trading on the Specialist Fund Market (the "**SFM**") of the London Stock Exchange (the "**LSE**") under the market symbol "**FP**". One GDR represents an interest in 50 Shares.

The purchase price (the "**Purchase Price**") of the Securities is equal to RON 0.8420 per Share and the USD equivalent of RON 42.10 per GDR, respectively. Investors tendering GDRs should note that the Purchase Price for the GDRs will be paid in US dollars at the exchange rate commercially available to the Bidder, at the Bidder's absolute discretion, for exchanging one RON into USD on the Trade Date provided that such rate shall be no higher than the rate for exchanging one RON into USD published by the National Bank of Romania at 1:00 p.m. (Eastern European Time) on the Trade Date plus 0.5 per cent. (the "**Exchange Rate**"). No assurance can be given as to the National Bank of Romania US Dollar/RON exchange rate that will be published at 1:00 p.m. (Eastern European Time) on the Trade Date.

The Tender Offer will commence on 3 August 2016 and will expire at 12:00 p.m. (Eastern European Time) / 10:00 a.m. (Greenwich Mean Time) on 7 September 2016 (the "Expiration Deadline") (the "Offer Period"). Please note that Euroclear Bank N.V./S.A. ("**Euroclear**") and Clearstream Banking, Société Anonyme ("**Clearstream**" and, together with and Euroclear, the "**Clearing Systems**"), their respective participants and the brokers or other securities intermediaries through which GDRs are held will establish their own cut-off dates and times for the tender of the GDRs, which will be earlier than the Expiration Deadline. The Tender Offer may be extended at any time without cause, subject to publication of a supplement to this Tender Offer in accordance with applicable law.

The Tender Offer is being made to holders of Shares and GDRs resident in the United States in reliance on, and in compliance with, Section 14(e) of the U.S. Securities Exchange Act of 1934 (the "Exchange Act") and Regulation 14E thereunder.

Dealer Managers

Goldman Sachs International

WOOD & Company Financial Services a.s.

The date of this Tender Offer Document is 27 July 2016

THE APPROVAL VISA ON THE TENDER OFFER DOCUMENT SHALL NOT BE CONSTRUED AS A GUARANTEE OR ANY KIND OF ASSESSMENT BY THE FSA WITH RESPECT TO THE OPPORTUNITY, ADVANTAGES OR DISADVANTAGES, PROFIT OR RISKS INVOLVED IN ACCEPTING THE TENDER OFFER, WHICH IS SUBJECT TO THE APPROVAL DECISION. THE APPROVAL DECISION CERTIFIES ONLY THE COMPLIANCE OF THE TENDER OFFER DOCUMENT WITH THE LEGAL REQUIREMENTS AND THE NORMS ADOPTED FOR THE APPLICATION THEREOF.

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

IMPORTANT INFORMATION ABOUT THIS TENDER OFFER DOCUMENT

The information contained in this Tender Offer Document is addressed exclusively to the holders of Shares and GDRs (each an "Investor"). The tender and purchase of Securities will be carried out exclusively in accordance with the procedures set forth in this Tender Offer Document and pursuant the Capital Markets Law and Regulation no. 1/2006.

If you do not wish to tender your Shares or GDRs, you need not take any action.

This Tender Offer does not constitute an offer to buy or the solicitation of an offer to sell Securities in any circumstances in which such Tender Offer or solicitation is unlawful. In those jurisdictions where the laws require this Tender Offer to be made by a licensed broker or dealer, this Tender Offer shall be deemed to be made on behalf of the Bidder by one or more registered brokers or dealers licensed under the laws of such jurisdiction. The Bidder is not making this Tender Offer to, and will not accept any tendered Securities from, any Investor in any jurisdiction where it would be illegal to do so.

Investors who desire to tender all or any portion of their Shares or GDRs, or both, as the case may be, should carefully read and follow the procedures outlined under Section 12 *"Participation in the Tender Offer"*.

In order to be validly submitted for tender, Shares tendered in the Tender Offer must be blocked by the relevant Investor in the relevant account at the Authorised Participant (as defined below) or the relevant custodian of the Investor (as the case may be) from the date the relevant tender of Shares is made until the earlier of the Trade Date and the date on which the Investor validly withdraws its tender, as applicable.

GDRs tendered in the Tender Offer will be blocked in the relevant account at the relevant Clearing System from the date the relevant tender of Securities is made until the earlier of the time of completion of settlement for GDRs in the Tender Offer and the date on which the Investor validly withdraws its tender, as applicable, it being understood, however, that the Clearing Systems may impose their own cut off times with respect to the ability of Investors to revoke their instructions to tender.

Developing markets such as Romania are subject to greater risks than more developed markets. As a result, tendering Investors should familiarise themselves with such risks as well as make their own assessment of the merits and risks involved in participating in the Tender Offer, including investment, tax, legal and accounting matters.

None of Goldman Sachs International ("Goldman Sachs"), WOOD & Company Financial Services a.s. ("WOOD & Co." or the "Intermediary" and, together with Goldman Sachs, the "Dealer Managers") or The Bank of New York Mellon as GDR tender agent (the "GDR Tender Agent") and GDR depositary (the "GDR Depositary") (nor their respective directors, officers, employees or affiliates) makes any representation whatsoever regarding this Tender Offer Document or the Tender Offer, and none of the Bidder, its Board of Nominees or management, the Intermediary, the Dealer Managers, the GDR Tender Agent or the GDR Depositary (nor their respective directors, officers, employees or affiliates) makes any recommendation to any Investor as to whether to tender or refrain from tendering Shares or GDRs. No person has been authorised to make any recommendation on behalf of the Bidder, its Board of Nominees or management, the Intermediary, the Dealer Managers, the GDR Tender Agent or the GDR Depositary as to whether Investors should tender or refrain from tendering their Shares or GDRs pursuant to this Tender Offer or to make any representation or to give any information in connection with this Tender Offer other than as contained herein. If made or given, any such recommendation, representation or information must not be relied upon as having been authorized by the Bidder, its Board of Nominees or management, the Intermediary, the Dealer Managers, the GDR Tender Agent or the GDR Depositary. Investors are urged to evaluate carefully all information in this Tender Offer Document, the Acceptance Form and other related materials and consult their own investment and tax advisors and make their own decisions as to whether to tender or refrain from tendering their Securities.

Neither the delivery of this Tender Offer Document nor any purchase of Securities will, under any circumstances, imply that the information contained in this Tender Offer Document is current as of any time subsequent to the date the Tender Offer Document or, without prejudice to the Bidder's obligations under the Capital Markets Law

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

and Regulation 1/2006, that there has been no change in the information since the date of this Tender Offer Document or in the affairs of the Issuer since the date of this Tender Offer Document.

The Bidder accepts responsibility for the information contained in this Tender Offer Document. To the best of the Bidder's knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Tender Offer Document is in accordance with the facts and does not omit anything likely to affect the import of such information. None of the Dealer Managers or the Intermediary accepts any responsibility whatsoever for the contents of this Tender Offer Document or for any other statement made or purported to be made by it or any of them or on its or their behalf in connection with the Issuer or the Securities. Each of the Dealer Managers and the Intermediary accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Tender Offer Document or any such statement.

The Dealer Managers have been engaged by the Bidder to act as dealer managers with respect to the Tender Offer. The Bidder has also entered into an intermediation agreement with the Intermediary in respect of the tender of Shares. In addition, the Bidder has engaged The Bank of New York Mellon to act as GDR Tender Agent with respect to GDRs tendered in the Tender Offer. Investors tendering Shares pursuant to this Tender offer will be required to tender through the Intermediary or Authorised Participants (as defined below). Investors tendering GDRs will be required to tender through the relevant Clearing System to the GDR Tender Agent. The Dealer Managers, the Intermediary and their respective affiliates may contact and communicate with Institutional Investors (as defined below) regarding the Tender Offer and will not take any action in relation to, nor have any liability or responsibility for, communications with Retail Investors (as defined below) regarding the Tender Offer.

Investors should be aware that the sale of Securities and receipt of the Purchase Price pursuant to this Tender Offer may have certain tax consequences, and are urged to consult at their own expense their tax advisors with respect to those consequences in considering this Tender Offer.

To the extent permissible under applicable securities laws, each of the Dealer Managers, the Intermediary and their affiliates may from time to time purchase, or enter into arrangements to purchase, Shares or GDRs either as principal or agent before and during the Offer Period. The Bidder does not intend to purchase Shares or GDRs, other than as disclosed in the Tender Offer Document or pursuant to this Tender Offer, during the period in which this Tender Offer is open for submission of tenders. In addition, in accordance with and pursuant to Rule 14e-5(b) of the Exchange Act, affiliates of the Bidder that do not comprise the Bidder's consolidated group and over which the Bidder does not exercise control and their respective nominees or brokers (acting as agents) may from time to time make purchases of, or arrangements to purchase, Shares or GDRs other than pursuant to the Tender Offer, before or during the Offer Period, so long as those acquisitions or arrangements comply with the provisions of the exemption provided under Rule 14e-5 of the Exchange Act. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Information about such purchases will be disclosed as and if required by applicable securities laws.

Questions and requests for information in respect of the tendering procedures for GDRs may be directed to the GDR Tender Agent at the following e-mail address: drglobaltransactions@bnymellon.com.

This Tender Offer Document shall be made available, as follows:

- (a) in hard copy at the Bidder's registered office, respectively 78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania, telephone +4021.200.96.00, starting with the date of publication of the Tender Offer announcement; and
- (b) in electronic form, on the website of the Bucharest Stock Exchange (www.bvb.ro), as well as on the Bidder's website (www.fondulproprietatea.ro).

Currencies

In this Tender Offer Document, all references to "**RON**" are to the lawful currency of Romania, all references to "**US dollar**" and "**USD**" are to the lawful currency of the United States.

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

TENDER OFFER RESTRICTIONS

Notice to Investors in the United Kingdom

The communication of the Tender Offer, this Tender Offer Document and any other documents or materials relating to the Tender Offer is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The Tender Offer and the communication of such documents and/or materials are only addressed to and directed at persons in the United Kingdom who (i) are persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) are persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) are otherwise persons to whom the Tender Offer and/or such documents and/or materials may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). Neither the Tender Offer nor the Tender Offer Document must be acted on or relied on in the United Kingdom, by persons who are not relevant persons. The Tender Offer is available only to relevant persons in the United Kingdom and will be engaged in only with such persons.

Notice to Investors in the United States

The Tender Offer is being made to Investors resident in the United States in reliance on, and compliance with, Section 14(e) of the Exchange Act and Regulation 14E thereunder.

Neither the United States Securities and Exchange Commission (the "SEC") nor any U.S. state securities commission or regulatory authority has approved or disapproved of this Tender Offer, passed upon the fairness or merits of this Tender Offer or determined whether this Tender Offer Document is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

The Tender Offer is being made for the securities of a Romanian company and is subject to Romanian disclosure requirements, which are different from certain U.S. disclosure requirements. U.S. Investors should be aware that this Tender Offer Document has been prepared in accordance with the format and style of a Romanian tender offer document, which differ from the format and style of a U.S. tender offer document.

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

CONTENTS

1.	TIMETABLE OF EXPECTED EVENTS	194
2.	RISK FACTORS AND OTHER CONSIDERATIONS	194
3.	THE ISSUER	196
4.	THE BIDDER	198
5.	PERSONS ACTING IN CONCERT WITH THE BIDDER.....	198
6.	NUMBER OF THE ISSUER'S SHARES HELD BY THE BIDDER (IN THE FORM OF SHARES OR GDRS)	198
7.	NUMBER AND CLASS OF SECURITIES SUBJECT TO THE TENDER OFFER	198
8.	PURPOSE OF THIS TENDER OFFER	199
9.	PURCHASE PRICE UNDER THE TENDER OFFER	199
10.	TENDER OFFER PERIOD	200
11.	AMENDMENT OF THE TENDER OFFER.....	200
12.	PARTICIPATION IN THE TENDER OFFER.....	201
13.	ALLOCATION	207
14.	PAYMENT.....	208
15.	THE SOURCE AND SIZE OF THE BIDDER'S FUNDS FOR THE PAYMENT OF THE PURCHASE PRICE.....	209
16.	GENERAL INFORMATION	209

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

1. TIMETABLE OF EXPECTED EVENTS

The times, dates and events shown in this table are subject to change at the absolute discretion of the Bidder:

TIME AND DATE	EVENT
T-26 Business Days	Announcement of the Tender Offer Publication of the Tender Offer Document
T-22 Business Days	Commencement of the Offer Period
T	Expiration Deadline at 12:00 p.m. (Eastern European Time) / 10:00 a.m. (Greenwich Mean Time) – deadline for submission of tenders of Shares and/or GDRs <i>Please note that Euroclear and Clearstream (together with Euroclear, the "Clearing Systems"), their respective participants and the brokers or other securities intermediaries through which GDRs are held will establish their own cut-off dates and times for the tender of the GDRs, which will be earlier than the Expiration Deadline</i> Allocation Date - announcement of the allocation ratio
T+1 Business Day	Trade Date - announcement of the Exchange Rate; execution of trades with respect to the Shares accepted for purchase after allocation
T+2 Business Day	Payment of the Purchase Price by the Bidder for GDRs accepted for purchase by the Bidder after application of the allocation ratio, in US dollars to the GDR Tender Agent. The GDR Tender Agent will, as soon as practicable on or after T+2 Business Days but no later than T+3 Business Days, (i) pay that price to the Clearing Systems for further distribution to Investors who have validly tendered GDRs in the Tender Offer and whose GDRs have been accepted for purchase in the Tender Offer and (ii) instruct the Clearing Systems to transfer the corresponding GDRs to the account indicated by the Bidder for this purpose.
T+3 Business Days	Shares Settlement Date - Payment of the Purchase Price by the Bidder to Investors for Shares accepted for purchase after allocation, in RON, and receipt by the Bidder of the corresponding Shares as part of settlement (<i>delivery versus payment in the clearing and settlement system of Depozitarul Central S.A. (the "Central Depositary")</i>) Announcement of completion of the Tender Offer (<i>upon completion of settlement procedures in relation to trades with respect to Shares and GDRs accepted for purchase by the Bidder after allocation</i>)

2. RISK FACTORS AND OTHER CONSIDERATIONS

Before making a decision with respect to the Tender Offer, Investors should carefully consider, in addition to the other information contained in this Tender Offer Document, the following:

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

Blocking of Securities. When considering whether to tender Securities pursuant to the Tender Offer, Investors should take into account that restrictions on the transfer of Securities by Investors will apply from the time of such tender or submission. An Investor must, on tendering Shares in the Tender Offer, agree that the relevant Shares will be blocked in the relevant account at the Authorised Participant (as defined below) or the relevant custodian of the Investor (as the case may be) from the date the relevant tender of Shares is made until the Trade Date or until the Investor validly withdraws its tender, as applicable. An Investor must, on tendering GDRs in the Tender Offer, agree that the relevant GDRs will be blocked in the relevant account at the relevant Clearing System from the date the relevant tender of GDRs is made until the earlier of the time of completion of settlement of the Tender Offer and the date on which the Investor validly withdraws its tender, as applicable, it being understood, however, that the Clearing Systems may permit Investors to withdraw their instructions to tender until the applicable Clearing System's own cut off times.

Responsibility for complying with the procedures of the Tender Offer. Investors are responsible for complying with all the procedures for tendering Securities required pursuant to this Tender Offer. None of the Bidder, the Intermediary, the Dealer Managers, the GDR Tender Agent nor the GDR Depositary assumes any responsibility for informing Investors of irregularities with respect to any tender instruction made in connection with the Tender Offer.

Compliance with offer restrictions. Investors are referred to the offer restrictions and the acknowledgements, representations, warranties and undertakings which Investors will be deemed to make on tendering Securities in the Tender Offer. Non-compliance with these could result in, among other things, the unwinding of trades and/or civil or criminal liability.

Taxation. Investors should be aware that the sale of Securities and receipt of the Purchase Price pursuant to this Tender Offer may be subject to fiscal taxes, fees and commissions of the brokers, intermediaries, relevant market institutions involved and bank transfer fees. The Bidder is not responsible for withholding or payment of and will not withhold or pay any taxes or other governmental charges or fiscal duties in relation to the Purchase Price payable to Investors. The Bidder is neither responsible for the payment of any transaction fees and charges nor other charges and commissions payable by Investors who have sold Securities pursuant to the Tender Offer. Consequently, Investors should consult at their own expense their tax advisors with respect to those consequences in considering this Tender Offer.

Other purchases of Securities. Whether or not the purchase of any Securities pursuant to the Tender Offer is completed, the Bidder and its respective affiliates may, to the extent permitted by applicable law (including Rule 14e-5 under the Exchange Act), acquire (from time to time after the Tender Offer) securities in the Issuer, including through open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise. Such purchases may be on such terms and at such prices as the parties may determine, which may be more or less than the prices to be paid pursuant to the Tender Offer and could be for cash or other consideration or otherwise on terms more or less favourable than those contemplated by the Tender Offer.

Proportionate interest of the Issuer's major shareholders may increase following the Tender Offer. Should the Issuer's major shareholders decide not to tender Securities held by them in the Tender Offer, while other Investors tender Shares or GDRs representing the Maximum Number of Shares, the major shareholders' respective proportionate equity interest as a percentage of the Issuer's outstanding share capital will increase following the cancellation of the Securities acquired by the Bidder in the Tender Offer and the corresponding share capital decrease.

The Issuer will publish its financial results for the first half of 2016 and the monthly net asset value ("NAV") report for July 2016 during the Offer Period. The Issuer is expected to publish its half yearly financial results for the six-month period ending 30 June 2016 and the monthly NAV report for July 2016 on 12 August 2016, i.e. during the Offer Period. While the Bidder expects that such financial results and the NAV report for July 2016 will reflect a situation broadly in line with the one shown in the NAV report for June 2016, published by the Issuer on 13 July 2016, there is no certainty whether this will be the case. All financial information and NAV reports of the Issuer are publicly available and can be found on the Issuer's website (www.fondulproprietatea.ro).

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

3. THE ISSUER

The company whose Securities are being offered for repurchase under the Tender Offer is Fondul Proprietatea S.A., identified according to the following data:

• Legal form:	Joint stock company, registered and operating under Romanian law as an alternative investment fund (as defined by Law 74/2015 regarding alternative investment fund managers)
• Registered office:	78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania
• Fiscal code:	18253260
• Registration number at the Trade Registry:	J40/21901/2005
• Main business object:	NACE code 6430 - financial investments
• Share capital:	<p>Subscribed share capital (as registered with the FSA, as at 28 June 2016): RON 9,320,973,180.85, divided into 10,965,850,801 ordinary shares, issued in dematerialized form, with each share having a nominal value of RON 0.85 and granting equal rights to its owner.</p> <p>Paid up share capital as at 28 June 2016: RON 9,011,732,683.35 divided into 10,602,038,451 ordinary shares, issued in dematerialized form, with each share having a nominal value of RON 0.85 and granting equal rights to its owner.</p> <p>The difference between subscribed and paid up share capital (i.e. unpaid share capital) represents the net value of certain contributions due from the Romanian State represented by the Ministry of Public Finance, as shareholder, to the Issuer. Holders of unpaid shares are not entitled to participate in the Tender Offer with respect to such unpaid shares.</p> <p>On 26 April 2016, the extraordinary general shareholders' meeting of the Issuer approved the decrease of the Issuer subscribed share capital from RON 9,320,973,180.85 to RON 9,168,314,116.70, following the cancelation of 179,598,899 Shares acquired by the Issuer in the previous buy-back programme.</p> <p>This share capital decrease will become effective when the following conditions are cumulatively met: (i) the resolution made on 26 April 2016 is published in the Official Gazette of Romania, Part IV, for at least 2 (two) months, (ii) the FSA endorses the amendment of the Issuer's articles of association reflecting the share capital decrease and (iii) the registration of such resolution with the Trade Registry. The Issuer does not expect these conditions to be met before the closing of the Tender Offer.</p>

According to the shareholders' structure issued by the Central Depositary on 8 July 2016, the share capital of the Issuer as at 5 July 2016 was held by legal entities, excluding the GDR Depositary (43.3730 per cent) and by natural persons (23.2900 per cent). Another 33.3370 per cent of the Issuer's share capital was held in the form of GDRs through The Bank of New York Mellon, as GDR Depositary.

**THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY**

The Issuer was incorporated on 28 December 2005 as a joint stock company and was subsequently authorized by the National Securities Commission as a closed-end investment company. The Issuer is registered with the FSA under number PJR09SIIR/400006/18.08.2010. Following the implementation of Directive 2011/61/EU (the "AIFM Directive") on alternative investment fund managers into Romanian legislation through Law 74/2015, the Issuer qualifies as an alternative investment fund.

The business object of the Issuer is portfolio management. The Issuer's investment objective consists of the maximisation of returns and per-share capital appreciation through investments mainly in Romanian equities and equity-linked securities.

In order to comply with the Law 74/2015 implementing the AIFM Directive, on 29 October 2015, the general meeting of the Issuer's shareholders approved the appointment of Franklin Templeton International Services S.À R.L., a société à responsabilité limitée, qualified as an alternative investment fund manager under the laws of Luxembourg, as the alternative investment fund manager and as the sole director of the Issuer for a mandate of two years as of 1 April 2016.

The Issuer's contact details are the following:

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

Web: www.fondulproprietatea.ro

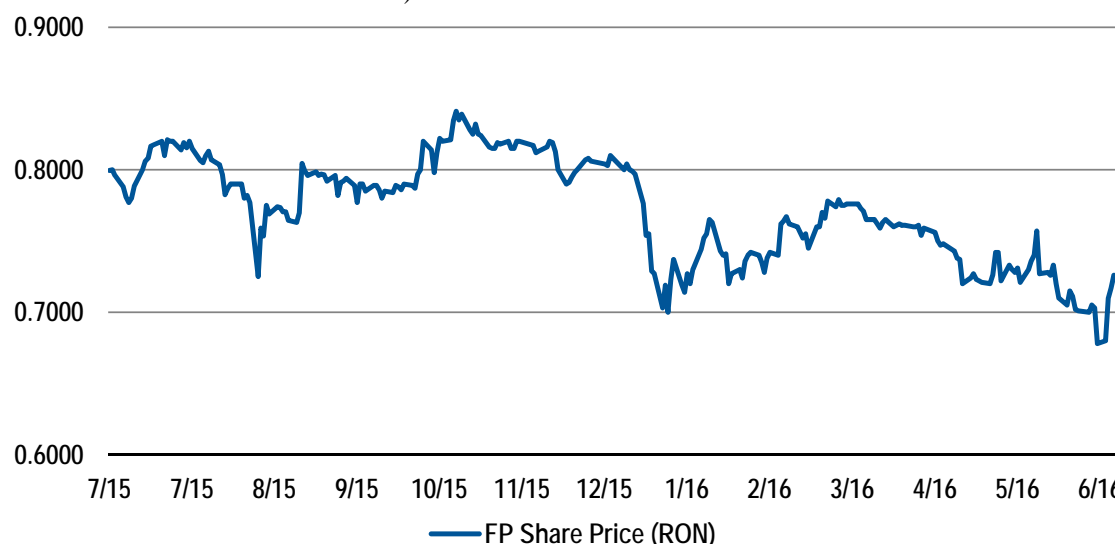
E-mail: investor.relations@fondulproprietatea.ro

Telephone: +40 21 200 9600

Fax: +40 21 200 9631/32

The Shares are admitted to trading on the spot regulated market operated by the Bucharest Stock Exchange and the GDRs are admitted to trading on the SFM of the LSE.

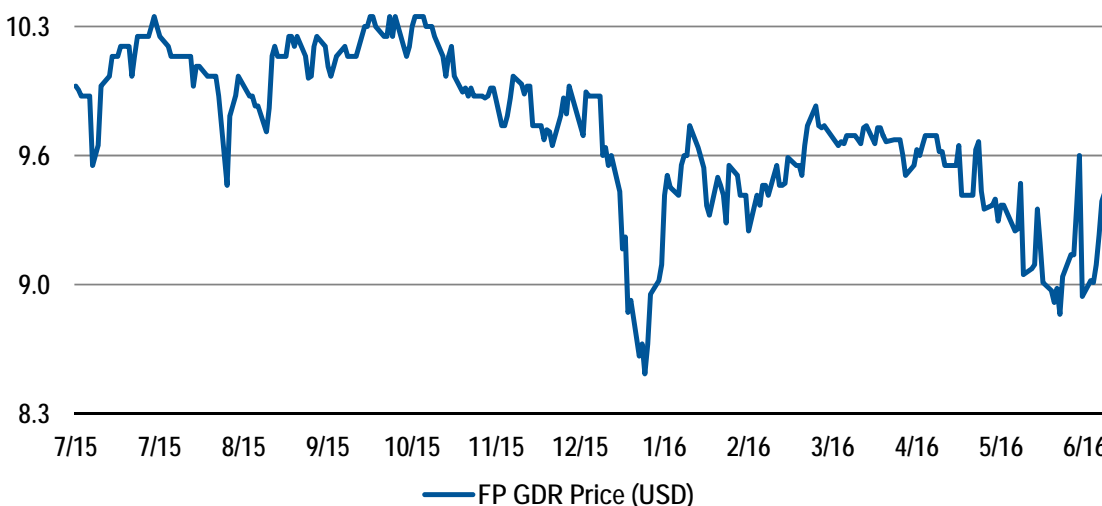
The following chart shows the evolution of the price of the Shares, expressed in RON, during the last 12 months prior to, and including, 4 July 2016 (the date immediately preceding the date of submission of this Tender Offer Document to the FSA):



Source: BSE and Bloomberg

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

The following chart shows the evolution of the price of the GDRs, expressed in USD, during the last 12 months prior to, and including, 4 July 2016 (the date immediately preceding the date of submission of this Tender Offer Document to the FSA):



Source: LSE and Bloomberg

The closing price of the Shares and GDRs on 4 July 2016 (being the trading date immediately preceding the date of submission of this Tender Offer Document to the FSA) was RON 0.7380 per Share and USD 9.5000 per GDR, respectively.

4. THE BIDDER

Please refer to Section 3 ("*The Issuer*") above.

5. PERSONS ACTING IN CONCERT WITH THE BIDDER

The Bidder is not aware of the existence of any persons acting in concert with it in relation to the Issuer. "Persons acting in concert" has the meaning ascribed under the Capital Markets Law.

6. NUMBER OF THE ISSUER'S SHARES HELD BY THE BIDDER (IN THE FORM OF SHARES OR GDRS)

According to the statements of account issued by the Central Depository and by BRD Groupe Société Générale (the Bidder's custodian), as at 28 June 2016 the Bidder holds 288,370,107 Shares (287,245,107 in the form of Shares and 1,125,000 in the form of GDRs (representing 22,500 GDRs)).

7. NUMBER AND CLASS OF SECURITIES SUBJECT TO THE TENDER OFFER

The Bidder intends to acquire through the Tender Offer up to 575,000,000 fully paid Shares in the form of Shares and/or GDRs (which, for the avoidance of any doubt, do not include Shares or GDRs already owned by the Bidder on the date of this Tender Offer Document) (the "Maximum Number of Shares").

If an Investor is a holder of both Shares and GDRs, the Investor may (but is not obligated to) tender all of its Securities, or any portion or combination of Securities, using the appropriate procedures described below for each type of Security (please refer to Section 12 "Participation in the Tender Offer"). Alternatively, an Investor may choose to tender none of its Securities (in which case no action on such Investor's part is required), or tender only one type of security (Shares or GDRs) even if the Investor holds both types of Securities.

The following table provides information with respect to the Securities as at 4 July 2016:

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

Securities types	Identification Codes/Numbers	Listing Venue	Number of fully paid up Securities
Shares	ISIN: ROFPTAACNOR5 Trading symbol: FP	Bucharest Stock Exchange	10,602,038,451 [*]
GDRs	Common Code: 121643294 ISIN: US34460G1067 CUSIP: 34460G 106 SEDOL: BWV69Y7 Trading symbol: FP.	Specialist Market of London Stock Exchange	73,113,733

^{*} Including Shares represented by GDRs.

8. PURPOSE OF THIS TENDER OFFER

This Tender Offer is part of the buy-back programme authorized by the resolution of the extraordinary general meeting of shareholders of the Bidder no. 5 held on 27 April 2015 and published with the Official Gazette of Romania, Part IV, no. 2431 on 15 May 2015 the purpose of which is the decrease of the Bidder's share capital. The buy-back programme has been authorised for a period of 18 months from 15 May 2015.

After the closing of the Tender Offer, the Bidder intends to cancel the GDRs purchased in the Tender Offer in exchange for the underlying Shares and subsequently cancel all the purchased Shares (whether initially purchased in the form of Shares or GDRs) and decrease its share capital by the corresponding nominal value of such cancelled Shares.

9. PURCHASE PRICE UNDER THE TENDER OFFER

9.1 The Purchase Price

The price per Share to be paid by the Bidder within the Tender Offer is RON 0.8420 per Share and the USD equivalent of RON 42.10 per GDR, as applicable (the "**Purchase Price**"). The Purchase Price for the Shares will be paid in RON. The Purchase Price for the GDRs will be paid in US dollars at the Exchange Rate. No assurance can be given as to the National Bank of Romania US Dollar/RON exchange rate that will be published on the Trade Date.

9.2 The method of determining the Purchase Price

The Purchase Price in RON was established according to the Capital Markets Law and Regulation no. 1/2006. According to the provisions of Regulation no. 1/2006, the price in a tender offer of shares should be equal to at least the higher of:

- the highest price paid by a bidder and the persons acting in concert therewith for shares during a period of 12 months preceding the date of submission to the FSA of the relevant tender offer document. In this Tender Offer, the highest price paid by the Bidder for Shares during the 12 month period ending on 4 July 2016 (the "**Relevant Period**") is RON 0.8420 per Share; and
- the volume weighted average price for shares, for a period of 12 months preceding the date of the submission to the FSA of the relevant tender offer document. In this Tender Offer, the volume weighted average price per Share for the Relevant Period is 0.7752 RON per Share.
The highest price paid by the Bidder for GDRs during the Relevant Period is USD 10.3500 per GDR, while the volume weighted average price per GDR for the same period is USD 9.6713 per GDR.

9.3 Offer Value

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

The total Purchase Price payable under the Tender Offer (the "Offer Value") will be equal to the number of purchased Shares (in the form of Shares or GDRs) in the Tender Offer multiplied by the applicable Purchase Price in RON.

The Bidder may, at its sole discretion increase the Purchase Price during the Tender Offer according to the procedure described in Section 11 "Amendment of the Tender Offer" of this Tender Offer Document. In this situation, any Investors who have validly accepted the Tender Offer before the amendment of the Purchase Price will receive the increased Purchase Price.

10. TENDER OFFER PERIOD

This Tender Offer will be open for a period of twenty-three (23) Business Days. The Tender Offer will commence on 3 August 2016 and will expire on the Expiration Deadline, which is at 12:00 p.m. (Eastern European Time) / 10:00 a.m. Greenwich Mean Time on 7 September 2016.

"**Business Day**" means a day on which banks are open for business in Romania, the UK and the US. For the avoidance of any doubt, 15 August 2016, 29 August 2016 and 5 September 2016 do not represent Business Days and, as a consequence, no tender of Securities will be accepted on 15 August 2016, 29 August 2016 and 5 September 2016.

The Clearing Systems, their respective participants and the brokers or other securities intermediaries through which GDR holders hold their GDRs will establish their own cut-off dates and times for the tender and/or revocation of the GDRs, which will be earlier than the Expiration Deadline.

The Offer Period may be extended by the Bidder according to the procedure described in Section 11 "*Amendment of the Tender Offer*" of this Tender Offer Document. Throughout its duration, the Tender Offer is irrevocable and may not be terminated by the Bidder. On expiry of the Expiration Deadline, the Tender Offer becomes obsolete.

11. AMENDMENT OF THE TENDER OFFER

During the Offer Period, the Bidder may amend the initial terms and conditions of the Tender Offer, provided that:

- (a) the FSA approves the amendment to the Tender Offer Document;
- (b) the amendment terms do not lead to less favourable conditions for Investors; and
- (c) the amendment shall be made available to Investors through publication of an announcement under the same procedure as that used for the publication of the Tender Offer Document.

Any request to amend the Tender Offer Document must be submitted to the FSA for approval not later than one (1) Business Day prior to the Expiration Deadline.

Any amendment to the Tender Offer Document once approved by the FSA is valid from the date of its publication.

In the event of an increase in the Purchase Price, all Investors who have agreed to tender their Securities to the Bidder pursuant to the terms of the Tender Offer shall receive the increased Purchase Price in respect of all Securities actually purchased by the Bidder.

The Bidder reserves the right, at any time or from time to time, to postpone the Expiration Deadline (as a result of an amendment to the Tender Offer Document or otherwise) to a later date and time as announced by the Bidder, subject to applicable law (including Rule 14e-1 under the Exchange Act) and, in any case, without extending the Offer Period beyond 50 Business Days. During any postponement of the Expiration Deadline (as a result of an amendment to the Tender Offer Document or otherwise), all Securities previously tendered in the Tender Offer will remain subject to the Tender Offer and may, subject to the terms and conditions to the consummation of the Tender Offer, be accepted for purchase by the Bidder. If the Bidder postpones the Expiration Deadline (as a result of an amendment to the Tender Offer Document or otherwise), the Bidder will

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

provide written notice of such change to the GDR Tender Agent and will disseminate a supplement to this Tender Offer Document or issue a press release, as necessary.

12. PARTICIPATION IN THE TENDER OFFER

12.1 General

Investors who desire to tender all or any portion of their Securities pursuant to this Tender Offer must follow the procedures set forth in this Section.

Section 13(e) of the Exchange Act and Rule 14e-4 promulgated thereunder make it unlawful for any person acting alone or in concert with others, directly or indirectly, to tender securities for such person's own account unless at the time of tender and at the Expiration Deadline such person has a "net long position" in a number of securities that is equal to or greater than the amount tendered and will deliver or cause to be delivered such securities for the purpose of tendering to the Bidder within the period specified in this Tender Offer. Rule 14e-4 also provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. A tender of securities made pursuant to any method of delivery set forth in this Tender Offer will constitute the tendering Investor's acceptance of the terms and conditions of this Tender Offer, as well as the tendering Investor's representation and warranty to the Bidder that (i) such Investor has a "net long position" in a number of securities at least equal to the securities being tendered within the meaning of Rule 14e-4, and (ii) such tender of securities complies with Rule 14e-4. The Bidder's acceptance for purchase of Shares and GDRs tendered pursuant to this Tender Offer will constitute a binding agreement between the tendering Investor and the Bidder upon the terms and subject to the conditions of this Tender Offer and, including the participating Investor's representation that the Investor has a net long position in the Shares or GDRs, as the case may be, being tendered for purchase within the meaning of Rule 14e-4 and that the request to tender such Shares or GDRs, as the case may be, complies with Rule 14e-4.

12.2 Participation of Investors tendering Shares

The Tender Offer for Shares shall be carried out exclusively through the trading systems operated by the BSE.

Institutional Investors may tender their Shares (i) through the Intermediary, during its regular business hours of each Business Day within the Offer Period, from Monday to Friday; and (ii) at the registered office of any Eligible Participant, during the regular business hours of the respective Eligible Participant on each Business Day within the Offer Period, from Monday to Friday.

Retail Investors may tender their Shares only at the registered office of any Eligible Participant, during the regular business hours of such Eligible Participant on each Business Day within the Offer Period, from Monday to Friday.

For the purposes of this Tender Offer Document:

"Eligible Participants" means any intermediaries (other than the Intermediary), which are investment firms or credit institutions qualified as participants to the trading system of the BSE, and which (a) have signed and submitted to the Intermediary an irrevocable and unconditional undertaking (the **"Engagement Letter"**) to observe the terms and conditions of the Tender Offer and applicable laws and (b) have been granted access to the market segment of the BSE used for the Tender Offer.

"Institutional Investors" means "qualified investors" as such term is defined under the Capital Markets Law.

"Retail Investors" means Investors other than Institutional Investors.

Investors may tender their Shares in the Tender Offer in accordance with the terms of this Tender Offer Document by filling in and signing the share purchase agreement (the **"Acceptance Form"**) made available to interested Investors by the Intermediary or any Eligible Participant (the Intermediary together with the Eligible Participant, the **"Authorised Participants"**) at their respective registered offices and by delivering before the Expiration Deadline, all necessary documents, at the respective registered offices.

Signed and completed Acceptance Forms may be submitted with any Authorised Participant only prior to the Expiration Deadline.

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

Each Investor tendering Shares in the Tender Offer may only tender such number of Shares in respect of which it is a registered owner on the date of submission of the Acceptance Form to any Authorised Participant in the Tender Offer. Each Authorised Participant undertakes to check, upon receiving each Acceptance Form, with the accompanying documents that the number of Shares proposed to be tendered by each Investor as set out in the Acceptance Form does not exceed the number of Shares held at that time by the respective Investor, which are registered in an account opened with the respective Authorised Participant or with the relevant custodian of the Investor (as the case may be). Each Authorised Participant may only validate the tenders made by an Investor and place the corresponding sell order into the trading system of the BSE after it has performed the above described checking process. Each Authorised Participant is liable for any loss or damages caused to the Bidder or any third parties, directly or indirectly, by the failure to comply with the above described process in respect of the tenders validly submitted to such Authorised Participant.

If an Investor has concluded a valid brokerage contract with an Authorised Participant, such Investor may send to the respective Authorised Participant a standard sale order in respect of the Shares proposed to be sold in the Tender Offer, without being required to submit any other additional documentation except for the evidence of ownership of the Shares in the form of a statement of account issued by its custodian. In such case, the relevant Authorised Participant will fill in the Acceptance Form on behalf of the respective Investor.

If an Investor has not concluded a valid brokerage contract with an Authorised Participant, the Acceptance Form must be accompanied by any other documents requested by the Authorised Participant for the purpose of carrying out its duty to comply with "know your client" rules, based on applicable regulation and its internal policies and requirements for client identification.

Documents in a language other than Romanian or English, submitted by an Investor must be accompanied by a translation thereof into Romanian or English.

If (a) an Acceptance Form contains factual or legal errors or is not accompanied by the required documentation and/or (b) any Shares intended to be sold in the Tender Offer by an Investor (i) are restricted in any way from transfer and such restriction is registered with the Central Depository, the Authorised Participant or the relevant custodian of the Investor (as the case may be) and/or (ii) are expressed to be subject to any options or other rights in favour of a third party and/or (iii) are not held in an account of the Investor and/or (iv) the number of Shares indicated in the Acceptance Form exceeds the number of Shares actually held by the Investor, the relevant Acceptance Forms shall be deemed null and void for the entire number of shares mentioned in it and shall not be validated by the Authorised Participant.

Immediately after the validation of an Acceptance Form from an Investor, the relevant Authorised Participant will block the Shares tendered by that Investor. Each Authorised Participant is required to take all the necessary measures to ensure an effective blocking of the tendered Shares into the relevant accounts opened by the Investor with the respective Authorised Participant. If the Investor holds the Shares, which are tendered, through a custodian, the Investor shall instruct its custodian to block the tendered Shares until the Trade Date (as defined below). Each custodian of the Investors tendering Shares in the Tender Offer is required to take all necessary measures to ensure an effective blocking of the tendered Shares into the relevant accounts opened by the Investor with the respective custodian. Consequently such Investor will not be able to transfer, dispose of, or otherwise deal in, the Shares that have been tendered, except where it has validly submitted a tender withdrawal request (a "**Revocation Form**") (see Section 12.4 "*Withdrawal of tenders*").

Any tendered Shares that are not withdrawn and that are not accepted for purchase under the Tender Offer as a result of the pro-rata allocation will be unblocked by the Authorised Participant/custodian after acceptance of the tendered Shares on the Allocation Date (as defined below).

All tendered Shares that are not withdrawn and that are accepted in the Tender Offer shall be unblocked for transfer immediately prior to and for the purpose of the registration of the trades in the trading system of the BSE.

Each Authorised Participant must inform Investors tendering their Shares through such Authorised Participant of the terms and conditions of the Tender Offer and each of them is exclusively liable for carrying out the trades in connection with this Tender Offer in compliance with this Tender Offer Document and the FSA

**THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY**

regulations. For the avoidance of doubt, the Authorised Participants are liable also for the completion of the settlement of the trades carried out pursuant to the orders collected, validated and registered by such Authorised Parties in the BSE systems and corresponding payments to Investors.

By tendering their Shares through an Authorised Participant, each Investor tendering Shares will be deemed to represent, warrant and agree as follows:

- (a) It understands and agrees that tenders of Shares pursuant to the procedures described in this Tender Offer Document and acceptance of such Shares for purchase by the Bidder will constitute a binding agreement between the Investor tendering Shares and the Bidder, upon the terms and subject to the conditions of this Tender Offer.
- (b) It represents and warrants that it has full power and authority to tender, sell, assign and transfer the Shares tendered hereby and all distributions relating thereto and that when such tendered Shares are accepted for purchase and payment by the Bidder, the Bidder will acquire good, marketable and unencumbered title thereto and to all distributions, free and clear of all liens, charges, claims, interests, rights of third parties, encumbrances and restrictions of any kind and not subject to any adverse claim or right, and together with all rights attached thereto.
- (c) It represents and warrants that it has read this Tender Offer Document and the related materials and agrees to all of the terms of this Tender Offer. All authority conferred or agreed to be conferred shall not be affected by, and shall survive, the death or incapacity of the Investor, and any obligation of the Investor hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the Investor.
- (d) It understands that the Bidder will pay the Purchase Price for each of the Shares accepted for purchase upon the terms and subject to the conditions set forth in this Tender Offer Document.
- (e) It recognizes that under certain circumstances set forth in this Tender Offer Document, the Bidder may amend this Tender Offer.
- (f) It represents, warrants and undertakes that it has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities in connection with any tender of any Shares, in any jurisdiction and that it has not taken or omitted to take any action in breach of the terms of this Tender Offer Document or the related materials or which will or may result in the Bidder or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with this Tender Offer or tender of Shares in connection therewith.
- (g) It is not a person to whom it is unlawful to make an invitation pursuant to the Tender Offer under applicable securities laws and it has complied with all laws and regulations applicable to it for the purposes of its participation in the Tender Offer.
- (h) It confirms and agrees that it will indemnify and hold harmless the Bidder, the GDR Tender Agent, the Dealer Managers, the Intermediary, the GDR Depositary and each of their affiliates, employees, directors and officers and each person, if any, who controls the Bidder, the GDR Tender Agent, the Dealer Managers, the Intermediary and the GDR Depositary within the meaning of Section 15 of the U.S. Securities Act of 1933 or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, legal fees and other expenses incurred by any of them in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred), arising out of or, in connection with any breach by the Investor of any of the representations and warranties hereunder.
- (i) If the Investor is in the United Kingdom, it is (i) a person having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), (ii) a high net worth entity falling within Article 49(2)(a) to (d) of the Order, or (iii) otherwise a person to whom the Tender Offer may otherwise lawfully be communicated.

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

- (j) It represents, warrants and confirms that: (a) it is not a Sanctioned Person (as defined below) (other than solely by virtue of its or its controlling persons' inclusion in: (1) the most current "**Sectoral Sanctions Identifications**" list (which as of the date hereof can be found at: http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/ssi_list.aspx (the "**SSI List**"), (2) Annexes III, IV, V and VI of Council Regulation No.833/2014, as amended by Council Regulation No.960/2014 (the "**EU Annexes**"), or (3) any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes); (b) it is not acting on behalf, or for the benefit, of a Sanctioned Person; and (c) it will not use, directly or indirectly, the proceeds received by it from the sale of its securities pursuant to this Tender Offer for the purpose of financing or making funds available directly or indirectly to or for the benefit of any Sanctioned Person, to the extent such financing or provision of funds would be prohibited by Sanctions.

For the purposes of this Tender Offer Document:

- (i) a "**Sanctioned Person**" means any person: (a) that is or (to the extent ownership or control subjects it to the relevant sanctions under applicable law or regulatory guidance) is owned or controlled by a person that is, described or designated in (1) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: <http://www.ustreas.gov/offices/enforcement/ofac/sdn/t11sdn.pdf>) or (2) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: http://eeas.europa.eu/cfsp/sanctions/consol-list/index_en.htm); or (b) that is otherwise the subject of any Sanctions;
- (ii) "**Sanctions**" means any economic, financial or trade sanctions, laws, regulations, or restrictive measures (including, for the avoidance of doubt, any sanctions or measures relating to any particular embargo or asset freezing) enacted, administered, imposed or enforced from time to time by the US, including the OFAC Regulations, the United Nations, the European Union, each Member State of the European Union, Switzerland, the United Kingdom or the competent governmental agencies or official institutions of any of these countries and organizations, each as amended, supplemented or substituted from time to time; and
- (iii) a "**Sanctions Authority**" means (a) the Security Council of the United Nations; and (b) the respective governmental institutions and agencies of the US, the United Kingdom, the European Union or a Member State of the European Union including, without limitation, the Office of Foreign Assets Control of the US Department of the Treasury, the United States Department of State, the United States Department of Commerce and Her Majesty's Treasury, or (c) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions.
- (k) It acknowledges that the GDR Tender Agent, the Intermediary, the Dealer Managers and the GDR Depositary make no representation as to the truth or accuracy of any information available with respect to the Issuer, in the public domain, in this Tender Offer Document or otherwise, or to the sufficiency of any such information, to enable it to determine whether to tender or refrain from tendering its Shares pursuant to this Tender Offer.
- (l) It acknowledges that the Bidder, the GDR Tender Agent, the Dealer Managers, the Intermediary and the GDR Depositary will rely upon the truth and accuracy of the foregoing acknowledgements, agreements, representations, warranties, undertakings and directions.

None of the Bidder, its Board of Nominees or management, the Dealer Managers or the Intermediary or any other person is or will be obligated to give any notice of any defect or irregularity in any tender, and none of them will incur any liability for failure to give any such notice.

12.3 Participation of Investors tendering GDRs

Investors who intend to tender all or any portion of their GDRs pursuant to this Tender Offer Document must follow the procedures set forth in this Section 12.3 "*Participation of Investors tendering GDRs*". An Investor holding GDRs (or a direct participant of Euroclear or Clearstream, as the case may be, holding GDRs on

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

behalf of such Investor) must tender through either Euroclear or Clearstream, as the case may be.

GDRs tendered in the Tender Offer will be blocked in the relevant account at the relevant Clearing System from the date the relevant tender of Securities is made until the time of completion of settlement of the Tender Offer or until the Investor validly withdraws its tender (see Section 12.4 "*Withdrawal if tenders*").

Please note that the Clearing Systems, their respective participants and the brokers or other securities intermediaries through which GDRs are held will establish their own cut-off dates and times for the tender and/or revocation of the GDRs, which will be earlier than the Expiration Deadline. Investors should contact the broker or other securities intermediary through which they hold GDRs to determine the cut-off dates and times that apply to them.

By tendering their GDRs through the submission of an electronic instruction in accordance with the requirements of Euroclear or Clearstream, as applicable, each Investor tendering GDRs will be deemed to represent, warrant and agree as follows:

- (a) Effective upon acceptance for purchase and payment for tendered GDRs, it irrevocably constitutes and appoints the GDR Tender Agent as its true and lawful agent and attorney-in-fact (with full knowledge that the GDR Tender Agent also acts as the agent of the Bidder) with respect to such GDRs, with full powers of substitution and revocation (such power of attorney being deemed to be an irrevocable power coupled with an interest) to (i) present such GDRs and all evidences of transfer and authenticity to, or transfer ownership of, such GDRs on the account books maintained by the Clearing Systems or the GDR Depositary to, or upon the order of, the Bidder, and (ii) receive all benefits and otherwise exercise all rights of beneficial ownership of such GDRs, all in accordance with the terms and conditions of this Tender Offer.
- (b) It understands and agrees that tenders of GDRs pursuant to the procedures described in this Tender Offer Document and acceptance of such GDRs for purchase by the Bidder will constitute a binding agreement between the Investor tendering GDRs and the Bidder, upon the terms and subject to the conditions of this Tender Offer. For purposes of this Tender Offer, it understands that validly tendered GDRs will be deemed to have been accepted for purchase by the Bidder if, as and when the Bidder gives oral or written notice thereof to the GDR Tender Agent.
- (c) It represents and warrants that it has full power and authority to tender, sell, assign and transfer the GDRs (including the underlying Shares) tendered hereby and all distributions relating thereto and that when such tendered GDRs are accepted for purchase and payment by the Bidder, the Bidder will acquire good, marketable and unencumbered title thereto and to all distributions, free and clear of all liens, charges, claims, interests, rights of third parties, encumbrances and restrictions of any kind and not subject to any adverse claim or right, and together with all rights attached thereto. It will, upon request, execute and deliver any additional documents deemed by the GDR Tender Agent or by the Bidder to be necessary or desirable to complete the sale, assignment or transfer of the GDRs validly tendered hereby or to evidence such power and authority.
- (d) It represents and warrants that it has read this Tender Offer Document and the related materials and agrees to all of the terms of this Tender Offer. All authority conferred or agreed to be conferred shall not be affected by, and shall survive, the death or incapacity of the Investor, and any obligation of the Investor hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal and legal representatives, successors and assigns of the Investor.
- (e) It understands that the Bidder will pay the Purchase Price for each of the GDRs accepted for purchase upon the terms and subject to the conditions set forth in this Tender Offer Document.
- (f) It recognizes that under certain circumstances set forth in this Tender Offer Document, the Bidder may amend this Tender Offer.
- (g) It understands that the delivery and surrender of any GDRs is not effective, and the risk of loss of the GDRs does not pass to the GDR Tender Agent, until receipt by the GDR Tender Agent of those GDRs.

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

- (h) It hereby requests that any GDRs not accepted for purchase that are held through Euroclear or Clearstream be unblocked.
- (i) It represents, warrants and undertakes that it has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities in connection with any tender of any GDRs, in any jurisdiction and that it has not taken or omitted to take any action in breach of the terms of this Tender Offer Document or the related materials or which will or may result in the Bidder or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with this Tender Offer or tender of GDRs in connection therewith.
- (j) It is not a person to whom it is unlawful to make an invitation pursuant to the Tender Offer under applicable securities laws and it has complied with all laws and regulations applicable to it for the purposes of its participation in the Tender Offer.
- (k) It confirms and agrees that it will indemnify and hold harmless the Bidder, the GDR Tender Agent, the Dealer Managers, the Intermediary, the GDR Depositary and each of their affiliates, employees, directors and officers and each person, if any, who controls the Bidder, the GDR Tender Agent, the Dealer Managers, the Intermediary and the GDR Depositary within the meaning of Section 15 of the U.S. Securities Act of 1933 or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, legal fees and other expenses incurred by any of them in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred), arising out of or, in connection with any breach by the Investor of any of the representations and warranties hereunder.
- (l) If the Investor is in the United Kingdom, it is (i) a person having professional experience in matters relating to investments falling within Article 19(5) of the Order, (ii) a high net worth entity falling within Article 49(2)(a) to (d) of the Order, or (iii) otherwise a person to whom the Tender Offer may otherwise lawfully be communicated.
- (m) It represents, warrants and confirms that: (a) it is not a Sanctioned Person (other than solely by virtue of its or its controlling persons' inclusion in: (1) the most current SSI List (which as of the date hereof can be found at: http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/ssi_list.aspx, (2) the EU Annexes, or (3) any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes); (b) it is not acting on behalf, or for the benefit, of a Sanctioned Person; and (c) it will not use, directly or indirectly, the proceeds received by it from the sale of its securities pursuant to this Tender Offer for the purpose of financing or making funds available directly or indirectly to or for the benefit of any Sanctioned Person, to the extent such financing or provision of funds would be prohibited by Sanctions.
- (n) It acknowledges that the GDR Tender Agent, the Intermediary, the Dealer Managers and the GDR Depositary make no representation as to the truth or accuracy of any information available with respect to the Issuer, in the public domain, in this Tender Offer Document or otherwise, or to the sufficiency of any such information, to enable it to determine whether to tender or refrain from tendering its Shares in the form of GDRs pursuant to this Tender Offer.
- (o) It acknowledges that the Bidder, the GDR Tender Agent, the Dealer Managers, the Intermediary and the GDR Depositary will rely upon the truth and accuracy of the foregoing acknowledgements, agreements, representations, warranties, undertakings and directions.

None of the Bidder, its Board of Nominees or management, the Intermediary, the Dealer Managers or the GDR Tender Agent or any other person is or will be obligated to give any notice of any defect or irregularity in any tender, and none of them will incur any liability for failure to give any such notice.

12.4 Withdrawal of tenders

Tenders submitted in the Tender Offer may be withdrawn by Investors no later than the Expiration Deadline, it being understood, however, that in relation to GDRs, the Clearing Systems may impose their own cut off times

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

with respect to the ability of Investors to withdraw their instructions to tender. Investors that hold through an intermediary are advised to check with such entity when it would require receipt of instructions to revoke a tender of GDRs in the Offer in order to meet the deadline. For the avoidance of doubt, any Investor who does not exercise any such right of revocation in the manner specified above shall be deemed to have maintained its tender and its original instruction will remain effective.

Investors may withdraw their tender by filling in a Revocation Form at the unit where the tender was submitted.

13. ALLOCATION

The Bidder shall determine those Securities that will be accepted for purchase under the Tender Offer on the Business Day falling on the Expiration Deadline (the "**Allocation Date**").

The total number of Shares tendered and not withdrawn in the Tender Offer (in the form of Shares and GDRs) by Investors ("**Aggregated Tendered Shares**") will be determined by aggregating (i) the total number of Shares tendered and not withdrawn in the form of Shares and (ii) the total number of Shares tendered and not withdrawn in the form of GDRs (noting that each GDR represents 50 Shares). The total number of Shares tendered and not withdrawn in the form of Shares will be the sum of Shares corresponding to the sale orders entered by the Authorised Participants in the market for special operations – POF - of the BSE, by 6:00 p.m. (Eastern European Time) on the last day of the Offer Period. The total number of Shares tendered in the form of GDRs will be the number of GDRs tendered and not withdrawn by the Expiration Deadline, as communicated by the GDR Tender Agent, multiplied by 50.

If the Aggregated Tendered Shares exceed the Maximum Number of Shares, the tendered and not withdrawn Shares and GDRs will be purchased by the Bidder on a pro-rata basis according to the number of Shares validly tendered and not withdrawn by each of the tendering Investors (including Shares in the form of GDRs) (with adjustments where necessary to avoid the purchase of a fractional Security from any Investor). The allocation ratio will be calculated by dividing the Maximum Number of Shares by the Aggregated Tendered Shares.

The allocation ratio will be made public on the Allocation Date, including via the Bucharest Stock Exchange electronic system and Regulatory Information Service in the United Kingdom.

Any Investor, which validly tenders Securities in the Tender Offer, will sell such number of Shares, tendered in the form of Shares and/or GDRs, as accepted for tender by the Bidder following the pro-rata allocation and possible adjustments.

As a first step, in the case of Shares tendered and not withdrawn in the form of GDRs through the GDR Tender Agent, the allocation ratio will be applied to the number of Shares in the form of GDRs communicated by the GDR Tender Agent (which, for this purpose will be deemed as a single instruction to tender GDRs). If the resulting number of Shares allocated to the number of GDRs tendered through and communicated by the GDR Tender Agent after the pro-rata allocation is not a whole number which is a multiple of 50, the number of Shares allocated to the GDR Tender Agent shall be rounded down to the immediately lower whole number which is also a multiple of 50. Any remaining Shares as a result of such rounding down will be allocated to Investors tendering Shares as described below.

As a second step, in the case of Investors tendering Shares in the Tender Offer, if the resulting number of Shares allocated to such Investor after the pro-rata allocation is not a whole number, the number of Shares allocated to the relevant Investor shall be rounded down to the immediately lower whole number.

For the purpose of allocating any remaining Shares resulting from the rounding down related to the two steps described above, Investors who validly tendered Shares shall be ranked in decreasing order of the number of Shares for which they validly tendered and which were not withdrawn and, if one or more Investors tendered the same number of Shares they will be ranked in increasing order based on the time stamp in the Bucharest Stock Exchange electronic system associated with their trading order. The remaining Shares shall be then allocated on the basis of one per Investor (but so that the number of Shares allocated in aggregate to an Investor does not exceed the number of Shares initially tendered by such Investor), starting with the largest allocation, until the remaining Shares are fully allocated.

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

For the avoidance of doubt, an Investor owning more than the Maximum Number of Shares is entitled to tender in the Tender Offer up to the total number of Shares held by such Investor and such number of Shares will be considered in the total number of Shares tendered in the Tender Offer when assessing the pro-rata allocation. The number of Shares that will be sold under this Tender Offer by the respective Investor shall be calculated by applying the allocation ratio to the number of Shares tendered in the Tender Offer. Acceptances are not allowed for fractional Securities.

The Clearing Systems and participants in those systems will make appropriate adjustments to the number of GDRs accepted for purchase in the Tender Offer (rounding up or down, as appropriate) so as to avoid the acceptance of fractional GDRs for purchase in the Tender Offer. If any validly tendered and not withdrawn GDRs are not purchased under this Tender Offer, such GDRs will be unblocked by the relevant Clearing System on the account of the Investor tendering GDRs.

14. PAYMENT

14.1 General

Investors validly tendering Securities in the Tender Offer in accordance with the terms of this Tender Offer Document shall receive the Purchase Price corresponding to the number of Securities accepted for tender, less any taxes or other governmental charges, fiscal duties, any commissions and transaction fees charged by the brokers, intermediaries, relevant market institutions or any applicable bank transfer fees. No Investor will be entitled to any payment of accrued or other interest with respect to the Purchase Price under any circumstances.

The Bidder shall not be liable for the payment of any transaction fees and charges or other charges and commissions payable by Investors who have sold Securities pursuant to the Tender Offer.

The Bidder is not responsible for withholding or payment of and will not withhold or pay any taxes or other governmental charges or fiscal duties in relation to the Purchase Price payable to Investors who have sold Securities in the Tender Offer. Each Investor should seek independent advice from its legal, tax or financial advisors and shall duly comply with any tax obligations which may arise in respect of the income derived in connection with the Securities sold pursuant to the Tender Offer.

14.2 Payment for Shares

The trades for Shares in the Tender Offer will take place on the Business Day immediately following the Expiration Deadline (the "**Trade Date**"). The settlement of the trades relating to the Shares in the Tender Offer shall occur on the second Business Day following the Trade Date (the "**Shares Settlement Date**"). Payment of the Purchase Price by the Bidder to Investors for Shares accepted for purchase after allocation shall be made in RON, as part of settlement (delivery versus payment in the clearing and settlement system of the Central Depository).

For the avoidance of any doubt, in case of Investors that have elected in the corresponding Acceptance Form to receive payment other than by bank transfer, the Authorised Participants (through which such Investors tendered their Shares) shall transfer the corresponding Purchase Price received from the Bidder no later than the Business Day immediately following the Shares Settlement Date.

Each Investor will receive payment of the Purchase Price corresponding to the number of Shares accepted for tender pursuant to the Tender Offer in accordance with the option specified by the Investor in the Acceptance Form, less any taxes or other governmental charges, fiscal duties, any commissions and transaction fees charged by the brokers, intermediaries, relevant market institutions or any applicable bank transfer fees.

14.3 Payment for GDRs

The Bidder will, no later than two (2) Business Days following the Expiration Deadline, remit the aggregate Purchase Price for all GDRs to be purchased by the Bidder pursuant to the Tender Offer in US dollars to the GDR Tender Agent. The GDR Tender Agent will, as soon as practicable, pay that price to the Clearing Systems for further distribution to the Investors who have validly tendered GDRs in the

**THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY**

Tender Offer and whose GDRs have been accepted for purchase in the Tender Offer pro-rata to the number of GDRs validly tendered by the relevant tendering Investor. The Purchase Price for GDRs accepted for tender, after deduction or payment of any taxes or other governmental charges, fiscal duties, any commissions and transaction fees charged by the brokers, intermediaries, relevant market institutions or any applicable bank transfer fees, shall be paid to Investors through the procedures of the relevant Clearing System. Investors tendering GDRs will not receive any other form of compensation during this period of time or in the event of a delay in the delivery of the corresponding Purchase Price to the Investors (subject to Rule 14e-1(c) under the Exchange Act).

15. THE SOURCE AND SIZE OF THE BIDDER'S FUNDS FOR THE PAYMENT OF THE PURCHASE PRICE

The Bidder will use its own funds to pay the Purchase Price in connection with this Tender Offer. The Bidder has deposited with the Intermediary's account the guarantee of 30 per cent of the Offer value, required in accordance with Regulation no. 1/2006.

16. GENERAL INFORMATION

16.1 Authorisations and purpose

The Tender Offer has been authorized by the resolution of the extraordinary general shareholders' meeting of the Bidder no. 5 of 27 April 2015 published with the Official Gazette of Romania Part IV no. 2431 dated 15 May 2015 and is part of the buy-back programme whose purpose is the decrease of the Bidder's share capital.

After the closing of the Tender Offer, the Bidder intends to cancel the GDRs purchased in the Tender Offer in exchange for the underlying Shares and subsequently cancel all the purchased Shares (whether initially purchased in the form of Shares or GDRs) and decrease its share capital by the corresponding nominal value of such cancelled Shares.

16.2 Availability of the Tender Offer Document

The Tender Offer Document shall be made available to the public free of charge, as follows:

- (a) In hard copy, at the Bidder's registered office, respectively 78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania, telephone +4021.200.96.00, starting with the date of publication of the Tender Offer announcement; and
- (b) in electronic form, on the website of the Bucharest Stock Exchange (www.bvb.ro), as well as on the Bidder's website (www.fondulproprietatea.ro).

16.3 Intermediary

The Bidder has entered into an intermediation agreement dated 14 January 2016 with the Intermediary for the purposes of the Tender Offer. Institutional Investors tendering Shares pursuant to the Tender Offer will be required to tender Shares through the Intermediary or any Eligible Participant, while Retail Investors tendering Shares will be required to tender Shares through any Eligible Participant.

16.4 GDR Tender Agent

The Bidder has entered into a GDR tender agent agreement dated on or around the announcement of this Tender Offer Document with The Bank of New York Mellon for the purposes of the Tender Offer. Investors tendering GDRs pursuant to this Tender Offer will be required to tender GDRs to The Bank of New York Mellon in its capacity as GDR Tender Agent.

16.5 Dealer Managers

The Bidder has engaged Goldman Sachs and Wood & Co. to act as Dealer Managers. The Bidder has entered into a dealer manager agreement dated on or around the announcement of this Tender Offer Document with the Dealer Managers.

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

The Dealer Managers and their respective affiliates may contact and communicate with Institutional Investors regarding the Tender Offer and may request brokerage houses, custodians, nominees, fiduciaries and others to forward this Tender Offer Document and related materials to such Institutional Investors.

THIS ENGLISH LANGUAGE TENDER OFFER DOCUMENT REPRESENTS AN UNOFFICIAL
TRANSLATION OF THE ROMANIAN LANGUAGE TENDER OFFER DOCUMENT APPROVED
BY THE FINANCIAL SUPERVISORY AUTHORITY

Bidder	Intermediary
Fondul Proprietatea SA	WOOD & Company Financial Services a.s.
Grzegorz Maciej Konieczny	Bogdan Campianu

Franklin Templeton International Services
S.À R.L., as Sole Director of FONDUL
PROPRIETATEA S.A

Annex 8 Compliance with the corporate governance requirements

Compliance with the provisions of the Corporate Governance Code issued by the BVB

Code Provisions	Complies	Does not comply/partially complies	Reason for non-compliance
A.1. The Fund has internal regulation which includes terms of reference/ responsibilities for Board and key management functions of the Fund.	X		
A.2. Provisions for the management of conflict of interest are included in the internal regulation. In any event, the members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	X		
A.3. The Board of Nominees has five members.	X		
A.4. All members of the Board of Nominees are non-executive. Three members of the Board of Nominees are independent. Each member of the Board of Nominees submitted a declaration that he is independent at the moment of his nomination for election or re-election as well as when any change in his status arises, by demonstrating the ground on which he is considered independent in character and judgement in practice and according to the following criteria:	X		
A.4.1. Not to be the CEO/ executive officer of the Fund or of a company controlled by the Fund and not have been in such position for the previous five years;	X		
A.4.2. Not to be an employee of the Fund or of a company controlled by the Fund and not have been in such position for the previous five years;	X		
A.4.3. Not to receive and not have received additional remuneration or other advantages from the Fund or from a company controlled by the Fund, apart from those corresponding to the quality of non-executive director;	X		
A.4.4. Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the Fund, controlling more than 10% of voting rights or with a company controlled by it;	X		
A.4.5. Not to have and not have had during the previous year a business or professional relationship with the Fund or with a company controlled by the Fund, either directly or as a customer, partner, shareholder, member of the Board/ Director, CEO/ executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/ her objectivity;	X		
A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the Fund or a company controlled by the Fund;	X		
A.4.7. Not to be a CEO/ executive officer in another company where another CEO/ executive officer of the company is a non-executive director;	X		
A.4.8. Not to have been a non-executive director or member of the Board of Nominees of the Fund for more than twelve years;	X		
A.4.9. Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4.	X		
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/ her mandate.	X		
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	X		
A.7. The Fund has appointed a Board secretary responsible for supporting the work of the Board.	X		
A.8. The annual report informs on whether an evaluation of the Board has taken place under the leadership of the chairman or the Nomination and Remuneration Committee and, if it has, summarize key action points and changes resulting from it. The Fund has a policy regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	X		
A.9. The annual report contains information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	X		
A.10 The annual report contains information on the precise number of the independent members of the Board of Nominees.	X		
A.11. The Board of Nominees set up the Nomination and Remuneration Committee formed of non-executives, which will lead the process for the AIFM appointments and make recommendations to the Board. The majority of the members of the Nomination Committee are independent.	X		

Code Provisions	Complies	Does not comply/partially complies	Reason for non-compliance
B.1 The Board of Nominees set up the Audit and Valuation Committee, the majority of members being non-executive and two of the members being independent. The majority of members, including the chairman, have proven an adequate qualification relevant to the functions and responsibilities of the committee. The chairman of the Audit Committee has proven adequate auditing or accounting experience.	X		
B.2. The Audit and Valuation Committee is chaired by an independent non-executive member.	X		
B.3. Among its responsibilities, the Audit and Valuation Committee undertakes an annual assessment of the system of internal control.	X		
B.4. The assessment considers the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the Audit and Valuation Committee, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and submission of relevant reports to the Board.	X		
B.5. The Audit and Valuation Committee reviews conflicts of interests in transactions of the Fund and its subsidiaries with related parties.	X		
B.6. The Audit and Valuation Committee evaluates the efficiency of the internal control system and of the risk management system.	X		
B.7. The Audit and Valuation Committee monitors the application of statutory and generally accepted standards of internal auditing. The Audit and Valuation Committee receives and evaluates the reports of the internal audit team.	X		
B.8. The Audit and Valuation Committee provides the Board annual or ad-hoc reports.	X		
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the Fund with shareholders and their related parties.	X		
B.10. The Fund has in place a related party transaction procedure.	X		
B.11. The internal audits are carried out by a separate structural division and by retaining an independent third-party entity.	X		
B.12. To ensure the fulfilment of the core functions of the internal audit activities, all reports are provided to the Board via the Audit and Valuation Committee.	X		
C.1. The Fund has published a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.	X		
D.1. In addition to information required by legal provisions, the Fund includes on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	X		
D.1.1. Principal corporate regulations: the Constitutive Act, general shareholders meeting procedures;	X		
D.1.2. Professional CVs of the members of its governing bodies, Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	X		
D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the Code of BVB;	X		
D.1.4. Detailed information related to general meetings of shareholders;	X		
D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	X		
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request;	X		
D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	X		
D.2. The Fund has an annual cash distribution policy, as a set of directions the Fund intends to follow regarding the distribution of net profit. The annual cash distribution policy is published on the corporate website.	X		
D.3. The Fund has adopted a policy with respect to forecasts. The forecast policy is published on the corporate website.	X		
D.4. The rules of general meetings of shareholders do not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	X		

Code Provisions	Complies	Does not comply/partially complies	Reason for non-compliance
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	X		
D.6. The management of the Fund presents to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	X		
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the management of the Fund. Accredited journalists may also participate in the general meeting of shareholders, unless the management of the Fund decides otherwise.	X		
D.8. The quarterly and semi-annual financial reports include information in both Romanian and English regarding the key drivers influencing the activity of the Fund.	X		
D.9. The Fund organises at least four meetings/ conference calls with analysts and investors each year. The information presented on these occasions is published on the Fund's website.	X		
D.10. If the Fund supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the Fund part of its business mission and development strategy, it publishes the policy guiding its activity in this area.	X		

Compliance with the provisions of the principles of corporate governance by the entities authorised, regulated and supervised by the Financial Supervisory Authority

Rules for the application of the principles of corporate governance	Complies	Does not comply/partially complies	Reason for non-compliance
1. The Fund defined in its instruments of incorporation and internal policies the responsibilities of the corporate bodies on the implementation and compliance with the principles of corporate governance.	X		
2. The internal policies lay down the corporate governance structures, functions, competences and responsibilities of the non-executive and executive management/ senior management.	X		
3. The annual report of the Fund has a dedicated chapter that describe the relevant events in connection with the application of the principles of corporate governance, occurring over the financial year.	X		
4. The Fund has a communication strategy with the parties concerned to ensure proper information.	X		
5. The structure of the management assures a balance between executive and non-executive members so that no person or small group of persons influences the decision-making process.	X		
6. The Board of Nominees is convened at least every three months to monitor the performance of the Management of the Fund.	X		
7. The non-executive and the executive management/ senior management regularly reviews the policies on the financial reporting, internal control and risk management system adopted by the Fund.	X		
8. In fulfilling its duties, the Board of Nominees is assisted by advisory committees for information on various topics subject to decision-making.	X		
9. The advisory committees submit to the Board of Nominees works/ reports on the topics entrusted by it.	X		
10. There are internal procedures/ policies/ regulations of the Fund for the selection of applications for the persons of the executive management/ senior management, appointment of new persons or renewal of the existing mandates.	X		
11. The management of the Fund ensures the continuous professional training of the executive management/ senior management so that it efficiently performs its tasks.	X		
12. Key functions are established so as to maintain the organisational structure of the Fund compliant with the applicable regulations.	X		
13. The Board of Nominees regularly reviews the efficiency and update of the internal control system of the Fund to ensure a rigorous management of the risks to which the Fund is exposed.	X		
14. The Audit and Valuation Committee makes recommendations to the Board of Nominees on the selection, appointment and replacement of the financial auditor, and on the terms and conditions of his remuneration.	X		
15. The management reviews at least once a year and ensures that the remuneration policies are consistent with an efficient risk management.	X		
16. The remuneration policy of the Fund is set out in the internal regulations regarding the implementation and compliance with the principles of corporate governance.	X		
17. The Board of Nominees has adopted a procedure for the identification and proper settlement of any conflict of interest.	X		
18. The executive management/ senior management, as appropriate, informs the Board of Nominees of any conflict of interest and does not participate in the decision-making process which is related to the state of conflict.	X		
19. The Board of Nominees analyses at least once a year the efficiency of the risk management system of the Fund.	X		
20. The Fund has procedures for the identification, assessment and management of the significant risks to which it is, or it is likely to be, exposed.	X		
21. The Fund's management has in place clear action plans for business continuity and for any emergency situations.	X		



FONDUL
PROPRIETATEA

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