

Fondul Proprietatea SA

(this is a translation from the official Romanian version)



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Company Information

The Company

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

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

NAV* and share price developments	Notes	Q3 2017	Q3 2016	H1 2017	Change % Q3 2017 vs Q3 2016	Change % Q3 2017 vs H1 2017
Total shareholders' equity (RON million)		10,605.8	11,316.7	10,520.3	-6.3%	+0.8%
Total NAV (RON million)	a, m	10,605.9	11,356.8	10,570.3	-6.6%	+0.3%
NAV per share (RON)	a, m	1.2078	1.1698	1.1953		
NAV per share change in the period (%)	b, m	+1.0%	+2.2%	+0.7%		
NAV per share total return in the period (%)	b, h	+1.1%	+2.2%	+9.2%		
Share price as at the end of the period (RON)		0.8450	0.8030	0.8300		
Share price low (RON)	c	0.8340	0.7250	0.8000		
Share price high (RON)	c	0.8750	0.8070	0.9250		
Share price change in the period (%)	b	+1.8%	+10.6%	+4.4%		
Share price total return in the period (%)	b, i	+1.8%	+10.6%	+16.7%		
Share price discount to NAV as at the end of the period (%)	e	30.0%	31.4%	30.6%		
Average discount for the period (%)	e	28.6%	32.0%	26.8%		
Average daily share turnover (RON million)	d, k	4.3	10.3	8.4	-58.3%	-48.8%
GDR price as at the end of the period (USD)		11.05	10.40	10.40		
GDR price low (USD)	f	10.45	9.37	9.40		
GDR price high (USD)	f	11.40	10.65	11.45		
GDR price change in the period (%)	b	+6.3%	+13.0%	+10.60%		
GDR price total return in the period (%)	b, j	+6.3%	+13.0%	+23.4%		
GDR price discount to NAV as at the end of the period (%)	e	28.7%	29.2%	30.5%		
Average GDR price discount for the period (%)	e	28.3%	29.5%	26.0%		
Average daily GDR turnover (USD million)	g, l	0.9	1.2	1.5	-25.0%	-40.0%

Source: Fondul Proprietatea

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

Notes:

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

Share capital information	30 September 2017	30 June 2017*	31 December 2016
Issued share capital (RON)	5,238,521,987.92	5,238,521,987.92	9,168,314,116.70
Paid in share capital (RON)	5,049,339,565.92	5,049,339,565.92	8,859,073,619.20
Number of shares in issue	10,074,080,746	10,074,080,746	10,786,251,902
Number of paid shares	9,710,268,396	9,710,268,396	10,422,439,552
Nominal value per share (RON)	0.52	0.52	0.85

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

1. On 18 January 2017, the Trade Registry registered Resolution no. 7/11 October 2016 of the Fund's Extraordinary General Shareholders Meeting ("EGM") for approving the decrease of the subscribed share capital from RON 9,168,314,116.70 to RON 8,562,968,634.10, pursuant to the cancellation of 712,171,156 own shares acquired by the Fund during the sixth buy-back programme, endorsed by the Financial Supervisory Authority ("FSA") through the Endorsement no. 1/12 January 2017.
2. On 24 March 2017 the Trade Registry registered Resolution no 10/31 October 2016 of the Fund's EGM for approving the subscribed share capital decrease from RON 8,562,968,634.10 to RON 5,742,226,025.22, through the reduction of the nominal value of the shares from RON 0.85 to RON 0.62, for the coverage of the cumulated accounting losses as reflected in the Fund's financial statements as at 31 December 2015 in amount of RON 2,473,157,471.66 and through the reduction of the nominal value of the Fund's shares from RON 0.62 to RON 0.57, as a result of the approved shareholders cash distribution of RON 0.05 per share, endorsed by the FSA through Endorsement 79/22 March 2017.
3. On 16 June 2017 the Trade Registry registered Resolution no 1/28 February 2017 of the Fund's EGM for approving the subscribed share capital decrease from RON 5,742,226,025.22 to RON 5,238,521,987.92, through the reduction of the nominal value of the shares from RON 0.57 to RON 0.52, as a result of the approved shareholders cash distribution of RON 0.05 per share, endorsed by the FSA through Endorsement 362/12 June 2017.

Share information	
Primary listing	Bucharest Stock Exchange
Since	25 January 2011
Secondary listing	London Stock Exchange
Since	29 April 2015
Bucharest Stock Exchange symbol	FP
London Stock Exchange symbol	FP.
Bloomberg ticker on BVB	FP RO
Bloomberg ticker on LSE	FP/ LI
Reuters ticker on BVB	FP.BX
Reuters ticker on LSE	FPq.L
ISIN	ROFPTAACNOR5
Financial Supervisory Authority register no	PJR09SIIR/400006/18.08.2010
LEI CODE	549300PVO1VWBFH3DO07
CIVM registration no	AC-4522-1/03.07.2017

Shareholder Structure (as at 30 September 2017)

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights
The Bank of New York Mellon (GDRs) ²	33.10	34.34	37.95
Foreign institutional shareholders	19.40	20.12	22.25
Romanian private individuals	16.25	16.86	18.64
Romanian institutional shareholders	15.46	16.04	17.73
Foreign private individuals	2.94	3.05	3.37
Ministry of Public Finance ³	0.06	0.06	0.06
Treasury shares ⁴	9.18	9.53	-
Unpaid shares ⁵	3.61	-	-

Source: Depozitarul Central SA (*Romanian Central Depository)

As at 30 September 2017, there were 6,604 shareholders and the total number of voting rights was 8,784,022,260.

Largest Shareholders

Shareholder	Latest ownership disclosure	% of voting rights
Elliott Associates	24 May 2017	19.89%
City of London Investment Mgmt.	5 April 2016	5.04%
NN Group	27 March 2017	5.02%

Source: ownership disclosure submitted by shareholders

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

² Fondul Proprietatea held 21,869 global depository receipts as at 30 September 2017 (1,093,450 shares equivalent)

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

⁴ 925,152,686 treasury shares acquired by the Fund in the seventh and eight buy-back programmes, based on settlement date (604,877,217 ordinary shares acquired and 321,121,300 shares corresponding to GDRs acquired, converted into shares)

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

Overview

Franklin Templeton International Services S.à r.l, as Sole Director and AIFM of Fondul Proprietatea presents the financial results of the Fund in accordance with IFRS for the quarter ended 30 September 2017.

For the nine-month period ended 30 September 2017 the unaudited net profit was RON 906.4 million (for the nine-month period ended 30 September 2016 the unaudited net profit was RON 570.7 million).

The main contribution to the profit recorded in the first nine months of 2017 was the gross dividend income, which increased due to OMV Petrom SA decision to distribute dividends in 2017 (RON 106.8 million) and due to higher dividends distributed by Hidroelectrica SA (RON 206.6 million), as well as due to the special dividends in amount of RON 170.6 million distributed by state controlled entities, namely Hidroelectrica SA and CN Aeroporturi Bucuresti SA, in September 2017. A significant contribution to the profit recorded in the nine month period ending 30 September 2017 was also the positive net change in the fair value related to equity investments classified at fair value through profit or loss, mainly OMV Petrom SA, as a result of the positive evolution of the share price of this company during the period (increase of 10.7%).

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

Total shareholders' equity was RON 10,605.8 million as at 30 September 2017 (30 June 2017: RON 10,520.3 million) and decreased by 6.85% as compared to the value of RON 11,386.0 million as at 31 December 2016.

The Fund reported a Net Asset Value per Share ("NAV per share") of RON 1.2078 and a positive NAV per Share total return of 1.1% compared to 30 June 2017.

In the quarter ended 30 September 2017, the BVB underperformed the largest markets in Central Europe, in both local currency and EUR terms, as shown in the table below:

% change in Q3 2017	in local currency	in EUR
PX (Czech Republic)	6.61%	7.26%
ATX (Austria)	6.74%	6.74%
BUX (Hungary)	5.92%	5.07%
WIG20 (Poland)	6.68%	4.61%
BET-XT (Romania)	2.93%	2.05%

Source: Bloomberg

The discount of the Fund's share price to NAV was 30.0%, based on the NAV as at 29 September 2017. In the third quarter of 2017, the discount calculated in accordance with the Investment Policy Statement ranged between 26.8% and 34.3%.

The following table shows a summary of the Fund performance in the first three quarters of 2017:

NAV* and share price developments	Notes	Q3 2017	Q2 2017	Q1 2017
Total NAV (RON million)	a, g	10,605.9	10,570.3	10,689.5
Total NAV change in the period (%)		+0.3%	-1.1%	-6.5%
NAV per share (RON)	a, g	1.2078	1.1953	1.1943
NAV per share total return in the period (%)	b, d	+1.1%	+4.2%	+4.9%
Share price as at the end of the period (RON)		0.8450	0.8300	0.8880
Share price total return in the period (%)	b, e	+1.8%	-1.20%	+18.1%
Share price discount to NAV as at the end of the period (%)	c	30.0%	30.6%	25.6%
GDR price as at the end of the period (USD)		11.05	10.40	10.50
GDR price total return in the period (%)	b, f	+6.3%	+4.6%	+18.0%
GDR price discount to NAV as at the end of the period (%)	c	28.7%	30.5%	25.1%

Source: Fondul Proprietatea

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

Notes:

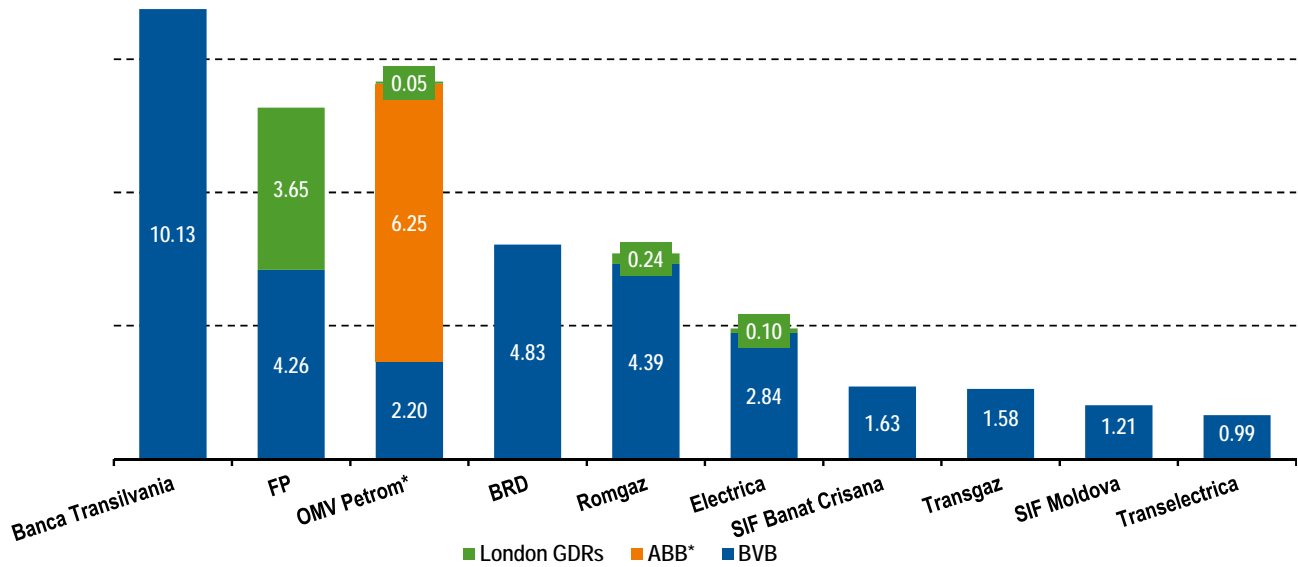
- Prepared on the basis of local rules issued by the Romanian capital market regulator
- Compared to the end of the previous period
- Share Price/ GDR Price discount to NAV as at the end of the period (%) is calculated as the discount between FP share closing price on BVB/ FP GDR closing price on LSE on the last trading day of the period and the NAV per share at the end of the period;

- d. 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.
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- g. 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)

Significant Events

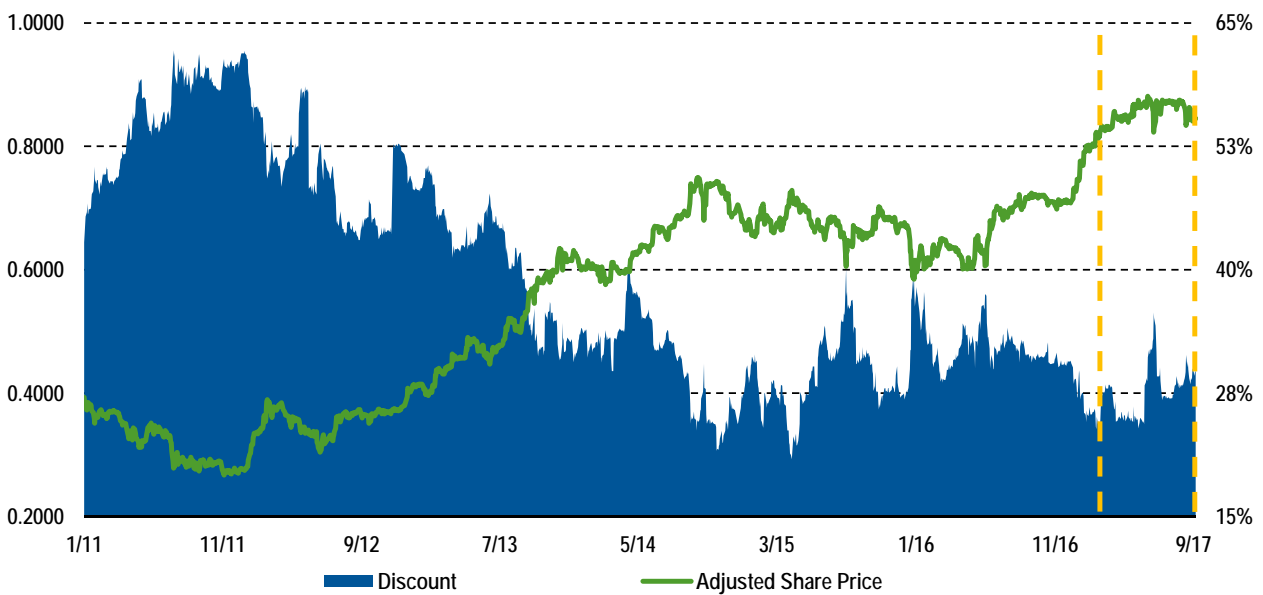
Regulated Stock Market Trading

Average Daily Turnover in the quarter ended 30 September 2017 (RON million)



Source: BVB, Bloomberg
 *Accelerated bookbuilding offering

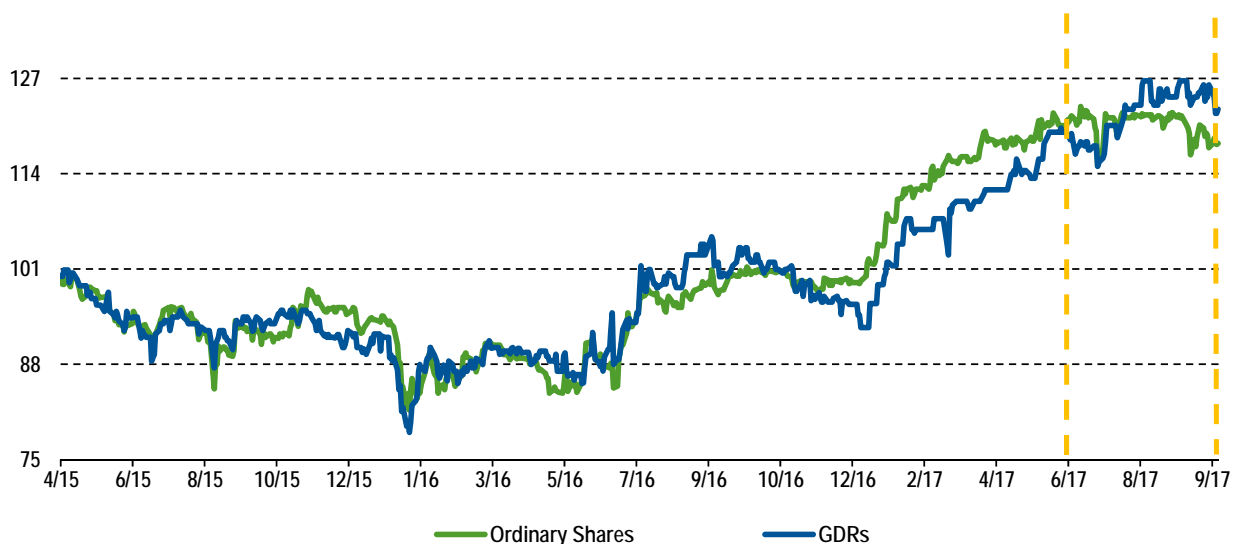
Fund's Share Price and Discount History (RON per share)



Source: BVB

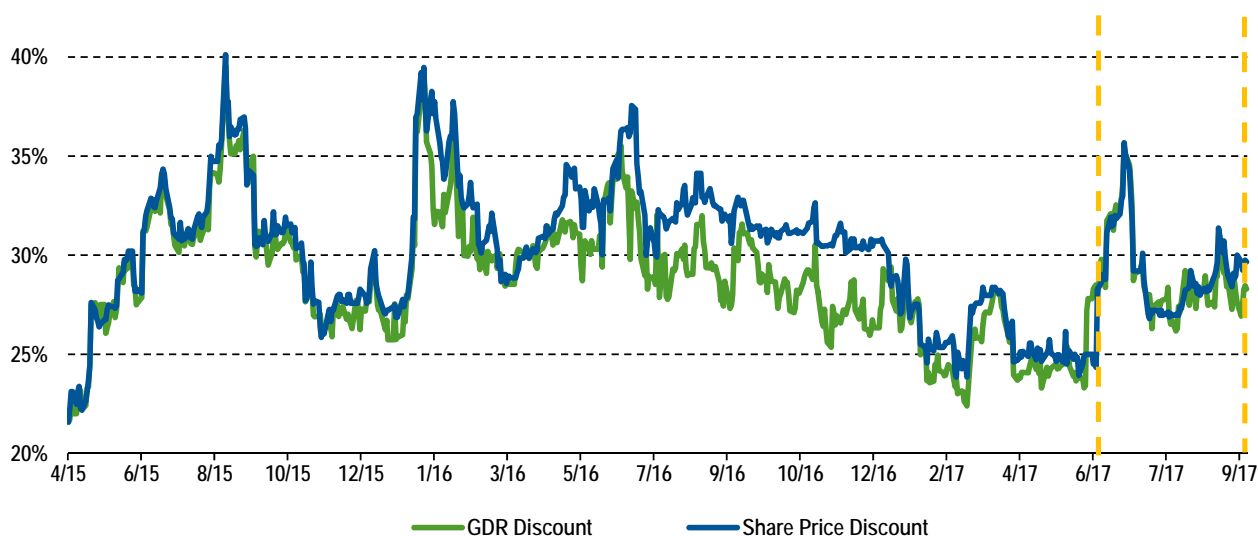
Note: The discount is calculated in accordance with the IPS i.e. the discount between the FP shares closing price on the BVB for each trading day and the latest published NAV per share at the date of calculation

FP Share Price vs. FP GDR price (%)



Note: As at 30 September 2017, FP GDRs were trading on LSE at a 1.94% premium to the FP share price on BVB.
 Source: BVB, LSE, for the period 29 April 2015 – 30 September 2017

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



Source: BVB, Bloomberg, for the period 29 April 2015 – 30 September 2017

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

Performance Objectives

According with the MA currently in force, the first Reporting Period was from 1 July 2015 until 30 June 2016 and afterwards every subsequent year was defined from 1 July until 30 June of the next year (the “Reporting Period”). Consequently, the last reporting period was as at 30 June 2017, as presented in the Semi-Annual Report.

During 26 September 2017 GSM, the shareholders approved the key commercial terms of the New Mandate and the reference to the new reporting period will be detailed in the new MA which will be subject to shareholders approval in a later GSM, at the beginning of 2018.

Discount Objective

In the period between 1 July 2017 and 30 September 2017, the discount to NAV was greater than 15%, for both shares and GDRs.

Discount Evolution¹

Discount at 29 September 2017	Minimum discount in the Reporting Period	Maximum discount in the Reporting Period	Average discount for the Reporting Period
29.66%	26.80%	34.34%	28.64%

Source: Fondul Proprietatea

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

Investor Relations Update

In the third quarter of the year, our efforts continued to be concentrated on increasing the visibility and the profile of the Fund, as well as the local capital market, and Romania, to a broader international institutional investor base.

During the reporting period, the Investment Manager organized 4 road-shows in London, and one in the United States (Boston, Chicago, New York and Miami), and participated in one conference in London, where we met with over 55 investment professionals interested in finding out more details about the Fund and its equity story, and in receiving updates on the Fund, its corporate actions, and the main portfolio holdings, as well as on the Romanian macro-economic environment.

On 14 August, we organised a conference call to present and discuss the Fund's financial results for the first six months of the year. Over 20 analysts and investors participated to the conference call.

Between 6 to 8 September, we organized the 10th edition of the Fondul Proprietatea Analyst and Investor Days event in Bucharest. 100 representatives from 67 local and foreign institutional investors (with over EUR 1,000 billion collectively in assets under management) participated to the event. Also, representatives of local authorities (Romanian National Bank, Regulatory Authority for Energy), as well as of the Romanian Government, International Monetary Fund, the US and UK Embassies in Romania, corporates, journalists and other related parties joined the event, bringing the total number of attendees to over 190. The investors had the opportunity to visit one of the most important assets in the Fund's portfolio, and also to be updated on the Romanian economy in general, on the energy sector and the local capital markets environment.

During the first day of the event, the guests visited the third largest asset in the Fund's portfolio – the Bucharest Airports company, namely the 2 airports of the company: Baneasa and Otopeni. The first half of the second day was dedicated to 3 panels on Romanian macroeconomics, energy sector and capital market, with speakers from the National Bank of Romania, International Monetary Fund, ING Bank, Romanian Regulatory Authority on Energy, OMV Petrom, Nuclearelectrica, A.T. Kearney, EBRD, BCR Pension Funds, BRD Asset Management, WOOD & Co, and Fondul Proprietatea. The US and UK ambassadors, and the Minister of Economy delivered speeches at the conference.

In the second part of the day and the entire day on 8 September, we organized together with WOOD & Co the Frontier Investor Days conference. 366 investor meetings – individual and group meetings - were organized between the institutional investors and the 43 representatives of the 23 corporates present at the event, Romanian listed companies, but also foreign corporates from other Frontier markets: Georgia, Slovenia, and Croatia.

Furthermore, during the quarter, we organised 8 additional meetings with analysts, brokers, current and prospective investors, interested in the latest developments regarding the Fund's corporate actions, and its portfolio companies.

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

² The cash distribution yield was calculated considering the March and June 2017 special cash distributions of RON 0.05 per share each and the average closing share price on BVB, for the period.

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

GDR Facility Update

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations or 71,908,346 GDRs until 18 January 2017 and 67,160,538 GDRs after that date, each GDR representing 50 shares. As at 30 September 2017, 33.10% 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 at 30 September 2017 there were 66,697,577 GDRs issued, representing 99.31% of the GDR facility.

Credit Facility Agreement

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

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

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

In July 2017 the Fund fully repaid the RON 237 million previously drawn from the credit facility concluded with BRD Groupe Société Générale SA.

As at 30 September 2017, there are no outstanding amounts drawn from the credit facility.

Buy-back Programmes

The table below presents the details regarding the buy-back programmes during the nine-month period ended 30 September 2017:

Programme	Start date	End date	Limit	Status
6th	9-Sep-15	23-Sep-16	Maximum number of 891,770,055 shares or the equivalent number of GDRs corresponding to the shares of Fondul Proprietatea	Finalised
7th	29-Sep-16	26-May-17		Finalised
8th	30-May-17	In the day when the GSM Decision for the approval of the 9th buy-back programme will be published in the Official Gazette	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	On-going*
9th	Starting with the publication in the Official Gazette of Romania, of the GSM resolution for the approval of the 9 th buy-back programme, for a maximum period of 18 months as of the date when this shareholders' resolution is published in the Official Gazette of Romania.		All the outstanding treasury shares (acquired during this programme and/ or previous ones) do not exceed 20% of the issued share capital at the relevant time	Approved by shareholders on 26 October 2017*

*please see Subsequent events section for updates regarding the Fund's buy-back programmes

Overview of share buy-backs during the quarter ended 30 September 2017

During the quarter ended 30 September 2017, the Fund bought back a total number of 61,826,277 own shares in the eight buy-back programme (out of which 47,298,227 ordinary shares and 14,528,050 ordinary shares corresponding to GDRs), representing 0.61% of the total issued shares as at 30 June 2017, for a total acquisition value of RON 53,342,833, excluding transaction costs.

The total number of own shares (including GDR's) held by the Fund as at 30 September 2017 is 929,248,209 own shares, having a total nominal value of RON 483,209,068.68 (RON 0.52 per share), which are in process of being cancelled or will be proposed to be cancelled during the next general meeting of shareholders.

During the quarter ended 30 September 2017 the Fund converted 268,692 of the GDRs acquired in the quarter into 13,434,600 ordinary shares.

As at 30 September 2017, 21,869 of the GDRs acquired in the quarter corresponding to the Fund's shares acquired within the eight buy-back programme were not yet converted into shares.

The table below shows a summary of the buy-back programmes during the nine-month period ended 30 September 2017 (information based on the transaction date):

Programme	Description	No of shares	Equivalent shares of GDRs	TOTAL no of shares	% of the Fund's issued share capital****
6th	Opening balance as at 1 January 2017	712,171,156	-	712,171,156	
	Acquisitions	-	-	-	
	Cancelations*	(712,171,156)	-	(712,171,156)	
	Closing balance as at 30 September 2017	-	-	-	8.13%
	Weighted average share price (RON/share ; USD/share)	0.8156	10.5221		
7th	Opening balance as at 1 January 2017	79,336,721	-	79,336,721	
	Acquisitions**	463,817,448	287,093,450	750,910,898	
	Converted during the period	287,093,450	(287,093,450)		
	Closing balance as at 30 September 2017***	830,247,619	-	830,247,619	8.24%
	Weighted average share price (RON/share ; USD/share)***	0.8887	10.7528		
8th	Opening balance (30 May 2017)	-	-	-	
	Acquisitions	63,879,290	35,121,300	99,000,590	
	Converted during the period	34,027,850	(34,027,850)		
	Closing balance as at 30 September 2017***	97,907,140	1,093,450	99,000,590	0.98%
	Weighted average share price (RON/share ; USD/share)	0.8665	10.8875		
	TOTAL balance of treasury shares as at 30 September 2017	928,154,759	1,093,450	929,248,209	9.22%

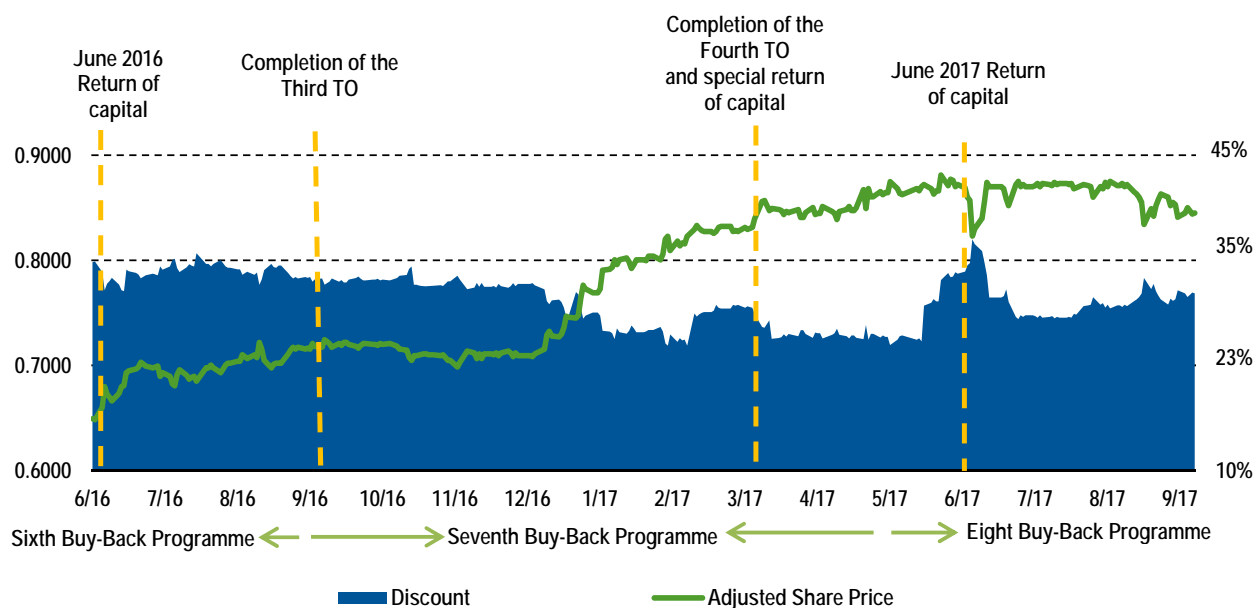
* The FSA endorsed through Endorsement no. 1/ 12 January 2017 the decrease of the subscribed share capital of the Fund, following the cancellation of 712,171,156 shares repurchased by the Fund during the sixth buy-back programme in 2016

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

*** The total value of the seventh buy-back programme was RON 744,506,784.85 (excluding brokerage fees and other acquisition related costs). The total value of the eight buy-back programme at 30 September 2017 was RON 86,039,469 (excluding brokerage fees and other acquisition related costs)

****Based on the share capital at the end of the programme (for 6th and 7th buy-back programmes) or at the end of the reporting period for the 8th buy-back programme.

The chart below presents the evolution of the discount and the trading price by reference to the buy-back programmes and return of capital implemented:



Partial Cancellation of the shares acquired during the seventh and eight buy-back programme

During the EGM held on 3 May 2017, the shareholders approved with an overwhelming majority the decrease of the subscribed share capital of the Fund from RON 5,238,521,987.92 to RON 4,854,034,784.56 pursuant to the cancellation of 739,398,468 own shares (having a par value of RON 0.52) acquired by Fondul Proprietatea during the seventh buy-back programme.

The subscribed share capital decrease approved by shareholders on 3 May 2017 will take place on the basis of Article 207 paragraph 1 letter (c) of Law no. 31/1990 and will be effective after all the following conditions are met:

- (i) the resolution is published in the Official Gazette of Romania, Part IV for at least two months (the resolution was published in Official Gazette on 7 June 2017 and the two months period ended on 7 August 2017);
- (ii) FSA endorses the amendment of Article 7 paragraph (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders during this meeting, where required by applicable law or regulation (the AIFM provided FSA additional documentation, as required, and the response is expected in the next period of time);
- (iii) the share capital decrease approved by the shareholders on 28 February 2017 is effective (the effective date for it was 16 June 2017);
- (iv) the shareholders' resolution for approving this share capital decrease is registered with the Trade Registry (this last stage will take place after FSA endorsement).

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

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

- (i) the resolution is published in the Official Gazette of Romania, Part IV for at least two months (the resolution was published in Official Gazette on 10 October 2017 and the two months period will end on 10 December 2017);
- (ii) FSA endorses the amendment of Article 7 paragraph (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders during this meeting, where required by applicable law or regulation (the request accompanied by the entire documentation will be filed in after 11 December 2017 and FSA has as deadline to give a response within 30 days after receiving the entire documentation);

- (iii) the share capital decrease approved by the shareholders on 3 May 2017 is effective (we cannot estimate the effective date as the process in front of FSA is not in the Fund's control);
- (iv) the shareholders' resolution for approving this share capital decrease is registered with the Trade Registry (this last stage will take place after FSA endorsement).

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

At the cancellation date, only a reallocation between the equity accounts is booked, without any impact on profit or loss or additional total shareholders' equity decrease. A negative equity element arises upon cancellation of the shares acquired in a buy-back programme, where the acquisition cost is lower than nominal value, but this does not generate an additional shareholder's equity decrease.

According with Article 75 from Norm 39/2015, the negative balance arising on the cancellation of equity instruments may be covered from retained earnings and other equity elements, in accordance with the decision of the General Shareholders Meeting.

The table below shows the estimated impact on individual equity elements arising from treasury shares cancellation under certain assumptions as at 30 September 2017:

Description	7 th Buy-back programme	8 th Buy-back programme
Number of shares	830,247,619	99,000,590
Total acquisition costs (including transaction costs: costs related to brokers, BVB, LSE, FSA, Depository, other professional services) (RON)	752,090,729	86,121,342
Impact on the share capital (decrease) (RON)*	431,728,762	51,480,307
Impact on reserves due to the cancelation (decrease) (RON)**	320,361,967	34,641,035

Note: Other costs (distribution fees, interest expenses) are not included in the above calculation

* assuming no change in the nominal value of the Fund's shares (RON 0.52 per share). However, the share capital decrease is approved separately by shareholders and it will be effective after all legal steps are taken.

** The impact on reserves due to the cancelation is calculated as the difference between the nominal value and the market acquisition price of the treasury shares

Special dividends

Starting September 2017, several portfolio companies controlled by the Romanian state proposed the distribution of special dividends, thus resulting the following gross amounts for the Fund in accordance with its shareholding:

Portfolio company	RON million	Status as at 30 September 2017
Hidroelectrica SA	130.6	<ul style="list-style-type: none"> Approved by the GSM Already booked in accounting at the GSM date in which the dividend distribution was approved Dividends were already collected during the period
Bucharest Airports SA	40.0	<ul style="list-style-type: none"> Approved by the GSM Already booked in accounting at the GSM date in which the dividend distribution was approved Dividends were already collected during the period
Conpet SA	5.2	<ul style="list-style-type: none"> Approved by shareholders during the 25 October 2017 GSM Will be booked in accounting at the ex-dividend date according with the GSM decision in which the dividend distribution will be approved (9 November 2017)
Nuclearelectrica SA	10.0	<ul style="list-style-type: none"> Approved by the GSM Will be booked in accounting at the ex-dividend date according with the GSM decision in which the dividend distribution was approved (16 October 2017)
CN Administratia Porturilor Dunarii Maritime SA	0.2	<ul style="list-style-type: none"> Approved by the GSM Will be booked in accounting at the GSM date in which the dividend distribution was approved (3 November 2017)
Total	186.0	

For more details, please refer to the section Analysis of the activity of the Fund - Update on the largest 20 portfolio holdings.

Potential disposals of Fondul Proprietatea's holdings in Enel Romania and Engie Romania

In August, the Investment Manager of Fondul Proprietatea announced that the Fund initiated a competitive process aimed at potential disposals of the Fund's holdings in E-Distributie Muntenia, E-Distributie Banat, E-Distributie Dobrogea, Enel Energie, Enel Energie Muntenia and Engie Romania. The process will be managed by Ithuba Capital AG acting as the Fund's sole financial adviser in connection with the envisaged transactions.

Review of strategic options for Fondul Proprietatea holding in Hidroelectrica SA

In September, the Investment Manager of Fondul Proprietatea announced that the Fund is reviewing strategic options regarding its ownership interest in Hidroelectrica SA, and appointed as financial adviser in connection with the envisaged transaction Citigroup Global Markets Limited and UBS Limited.

Review of strategic options for Fondul Proprietatea holding in Salrom

Fondul is reviewing strategic options regarding its stake in the Company, and has appointed UniCredit as financial advisor in connection with a possible transaction.

Sale of OMV Petrom shares

During September the Fund sold 1.454 billion shares in OMV Petrom SA through an accelerated book building offer at an agreed selling price of RON 0.2750 / share, the gross proceeds of the transaction amounting to RON 399,850,000. The remaining holding in OMV Petrom SA is 9.9985% as at 30 September 2017.

Goldman Sachs International, WOOD & Company Financial Services, A.S. and Banca Comercială Română acted as Joint Bookrunners for this transaction.

General Shareholders Meeting Resolutions during the Quarter Ended 30 September 2017

The main resolutions approved by shareholders during the **26 September 2017 GSM** were the following:

- The decrease of the subscribed share capital of Fondul Proprietatea from RON 4,854,034,784.56 to RON 4,771,610,196.08 pursuant to the cancellation of 158,508,824 own shares acquired by Fondul Proprietatea during the seventh and eighth buy-back programmes;
- The renewal of the mandate of Franklin Templeton International Services S.à r.L., as the alternative investment fund manager and sole director of Fondul Proprietatea for another two (2) years term starting with 1 April 2018, and its key commercial terms.

Subsequent Events

Decision of 26 October GSM

The main decisions of the shareholders at the 26 October 2017 GSM were the following:

- The approval of the ninth buy-back programme for a maximum number computed so that all the outstanding treasury shares (acquired during this programme and/or previous ones) will not exceed 20% of the issued share capital at the relevant time, starting with the publication of this resolution in the Romanian Official Gazette, at a price that cannot be lower than RON 0.2 / share or higher than RON 2 / share;
- The approval of the continuation of the current mandate of Franklin Templeton International Services S.à r.l. as the alternative investment fund manager and sole director of Fondul Proprietatea;
- The approval of 2018 budget of Fondul Proprietatea;
- The appointment of Deloitte Audit SRL as the financial auditor of Fondul Proprietatea.

Disposal of Electrica subsidiaries

The Fund and Societatea Energetică Electrica SA (“Electrica”) have extended the Long Stop Date of the Memorandum of Understanding signed on 14 July 2017 for the disposal of the Fund’s holdings in Electrica subsidiaries (i.e. SDEE Distribuție Muntenia Nord SA, SDEE Distribuție Transilvania Sud SA, SDEE Distribuție Transilvania Nord SA and Electrica Furnizare SA) from the initially agreed 31 October 2017 until 30 November 2017.

On 1 November 2017 the Investment Manager announced that Fondul sold its entire holdings in the subsidiaries of Electrica.

The total value of the transaction amounts to RON 752,031,841 and its details are described below as follows:

- Electrica Furnizare SA was sold to Electrica and Societatea Filiala de Întreținere și Servicii Energetice Electrica Serv SA for an aggregated selling price of RON 167,079,881;
- Societatea de Distribuție a Energiei Electrice Transilvania Nord SA (SDEE Transilvania Nord SA) was sold to Electrica and Societatea de Distribuție a Energiei Electrice Muntenia Nord SA (SDEE Muntenia Nord SA) for an aggregated selling price of RON 201,702,667;
- SDEE Muntenia Nord SA was sold to Electrica and Societatea de Distribuție a Energiei Electrice Transilvania Sud SA (SDEE Transilvania Sud SA) for an aggregated selling price of RON 209,744,928;
- SDEE Transilvania Sud SA was sold to Electrica and SDEE Transilvania Nord S.A. for an aggregated selling price of RON 173,504,365.

During November 2017, the Fund also collected the outstanding balance of the dividends in amount of RON 97.9 million distributed by Electrica subsidiaries.

Completion of the eight buy-back programme

The eighth buyback programme was completed on 10 November 2017, this being the date when the 26 October 2017 EGM for approving the ninth buyback produced its effects, respectively the date when the EGM Resolution was published in the Official Gazette.

During the eighth buy-back the Fund repurchased a total of 141,869,861 shares (either in form of ordinary shares or GDRs) representing 1.41% of the Fund’s total number of issued shares as at 10 November 2017. The shares and GDRs were acquired via daily trading on the regular market (BVB in case of ordinary shares and LSE in case of GDRs). The total value of the eighth buy-back programme was RON 122,348,193.26 (excluding brokerage fees and other acquisition related costs), and the weighted average price was approximately RON 0.8591 per share, respectively USD 10.8805 per GDR.

Commencement of the ninth buy-back programme

The Investment Manager started the ninth buy-back programme on 14 November 2017. As per EGM Resolution no. 5 of 26 October 2017 published in the Official Gazette no. 4303, Part IV on 10 November 2017, the programme refers to the acquisition of a maximum number of shares and/or equivalent GDRs corresponding to the Fund’s shares computed so that inclusive of all the outstanding treasury shares (acquired during this programme and/or previous ones) will not exceed 20% of the issued share capital at the relevant time.

The ninth buy-back programme is valid until 10 May 2019 and WOOD & Company Financial Services, a.s. (as buy-back agent in relation to the purchase of shares listed on BVB) and Jefferies International Limited (as buy-back agent in relation to the purchase of GDRs listed on LSE) have been selected to provide brokerage services for this buy-back programme.

Analysis of the Activity of the Fund

Analysis of the Portfolio of the Fund

Net Asset Valuation

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

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

NAV methodology

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

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

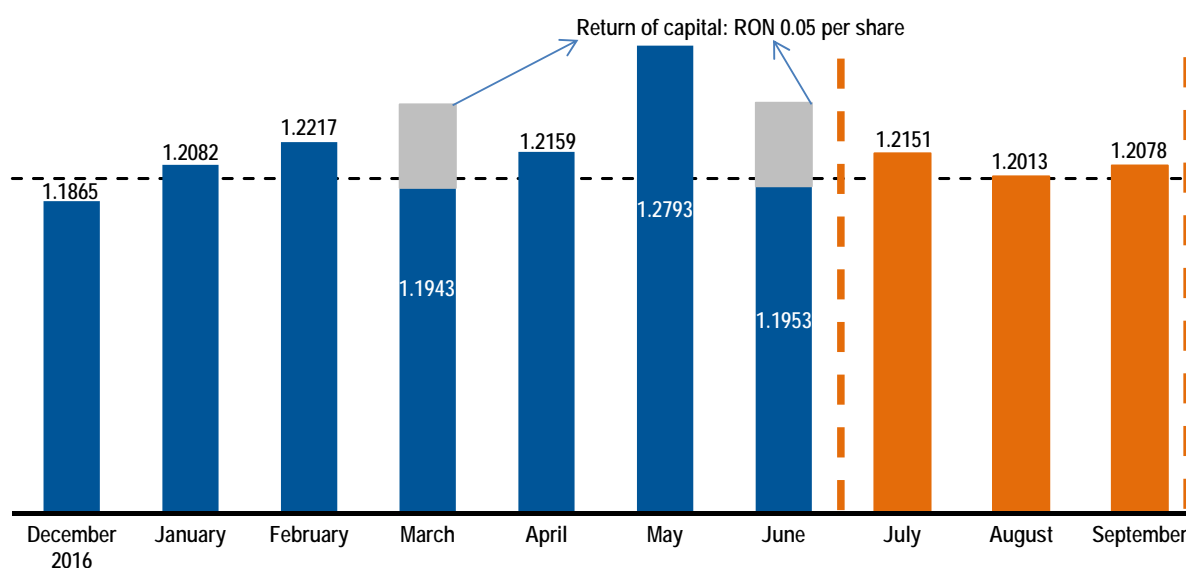
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards which permit fair valuation.

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

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

NAV per share (RON per share)

The following chart shows information on the monthly published NAVs per share for the period 31 December 2016 to 30 September 2017:



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

The **grey section** within March and June 2017, represents the impact of 2017 cash distributions per share, approved by shareholders in October 2016 and in February 2017, and recorded in March and June 2017, following FSA's endorsement of the share capital decrease (Endorsement no. 79/ 22 March 2017 and no 362/12 June 2017), and following the registration at Trade Register on 24 March 2017, respectively 16 June 2017, which resulted in a corresponding reduction of the NAV per share.

During the **first quarter of 2017**, the NAV per share had an overall increase of 0.7% compared with end of the previous year, mainly due to the positive share price evolution of the Fund's listed holdings, principally OMV Petrom SA (impact on the Fund's NAV of RON 295.4 million or RON 0.0307 per share) and due to the seventh buy-back programme carried out by the Fund during this period.

During the **second quarter of 2017**, the NAV per share had an increase of 0.1% compared with the end of the previous quarter, mainly due to the recording of 2016 dividend receivables from portfolio companies, and due to the seventh and eight buy-back programmes carried out by the Fund during this period and, netted off by the negative impact of the decrease in the share prices of certain listed holdings, principally OMV Petrom SA (impact on the Fund's NAV of RON 28.5 million or RON 0.0032 per share).

During the second quarter of 2017, only one update in the valuation of the Fund's unlisted holdings was performed, i.e. the valuation report for Posta Romana SA, with an impact of RON 2.0 million or RON 0.0002 per share as compared with 31 December 2016. The valuation was performed with the assistance of independent valuers, i.e. KPMG Advisory, in accordance with International Valuation Standards.

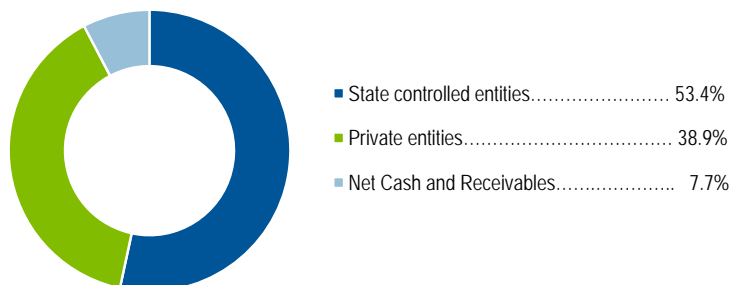
During the **third quarter of 2017**, the NAV per share had an overall increase of 1.0% compared with the end of the previous quarter, mainly due to special dividend receivables from portfolio companies (for more details, please see section *Financial Statements Analysis*), due to the positive share price evolution of the Fund's listed holdings, principally OMV Petrom SA (impact on the Fund's NAV of RON 18.8 million or RON 0.0021 per share) and due to the eight buy-back programme carried out by the Fund during this period, netted off by the negative impact arising from the updated valuation for the Fund's holdings in Electrica subsidiaries.

During the third quarter, only one update in the valuation of the Fund's unlisted holdings was performed for the Fund's holdings in Electrica subsidiaries. The valuation was performed at the transaction aggregated value stipulated in the Memorandum of Understanding concluded with Electrica SA on 14 July 2017. The previous total value of the holdings in Electrica subsidiaries was RON 877.4 million while the current value as per the aggregated value in the Memorandum of Understanding was RON 752.0 million. In addition, an amount of RON 97.9 million dividends receivable from Electrica subsidiaries is booked as at 30 September 2017. The overall impact is of RON 27.4 million or RON 0.0028 per share, as compared with 31 December 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 92.3% of the Fund's NAV as at 29 September 2017. As at that date, the portfolio was composed of holdings in 42 companies (10 listed and 32 unlisted), a combination of privately held and state-controlled entities.

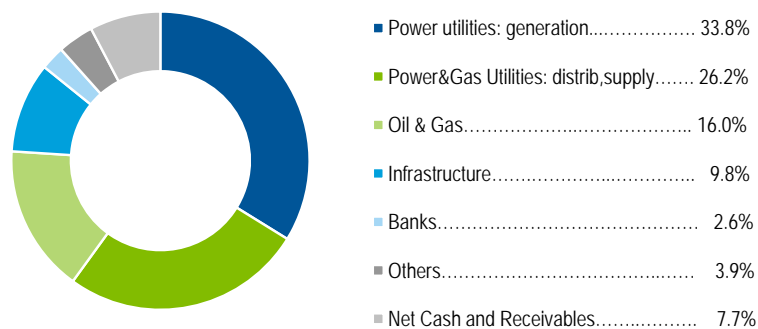
Portfolio Structure – by Controlling Ownership



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

Source: Fondul Proprietatea, data as at 29 September 2017

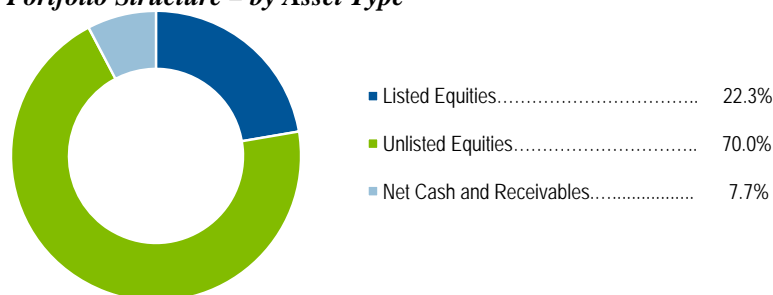
Portfolio Structure - by Sector



- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 76.0% of the NAV), through a number of listed and unlisted Romanian companies

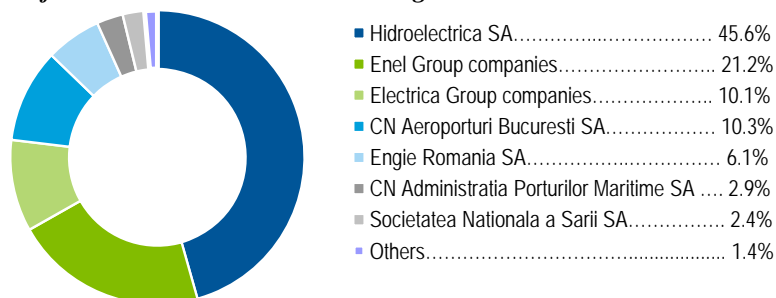
Source: Fondul Proprietatea, data as at 29 September 2017

Portfolio Structure – by Asset Type



Source: Fondul Proprietatea, data as at 29 September 2017

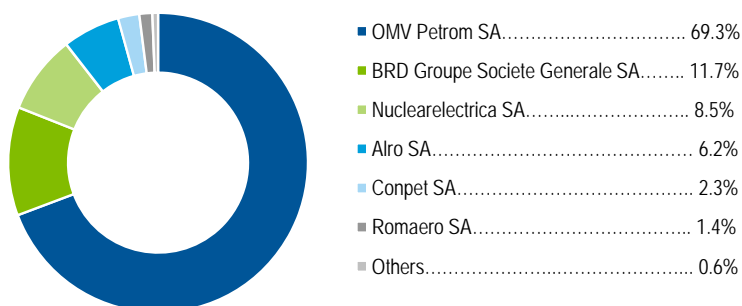
Portfolio Structure – Unlisted holdings



- The largest unlisted holding is Hidroelectrica SA (31.9% of the NAV)

Source: Fondul Proprietatea, data as at 29 September 2017; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

Portfolio Structure – Listed holdings



- The largest listed holding is OMV Petrom SA (15.4% of the NAV)

Source: Fondul Proprietatea, data as at 29 September 2017; the chart reflects the company NAV value as a % in total NAV value of listed holdings

Top 20 equity investments

No	Name	Fund's stake (%)	Value as at 29 September 2017 ¹ (RON million)	% of NAV as at 29 September 2017 ¹
1	Hidroelectrica SA	19.94%	3,384.0	31.9%
2	OMV Petrom SA	9.99%	1,636.8	15.4%
3	CN Aeroporturi Bucuresti SA	20.00%	761.0	7.2%
4	E-Distributie Banat SA	24.12%	599.9	5.7%
5	Engie Romania SA	11.99%	453.4	4.3%
6	E-Distributie Muntenia SA	12.00%	449.4	4.2%
7	E-Distributie Dobrogea SA	24.09%	380.2	3.6%
8	BRD Groupe Société Générale SA	3.17%	275.5	2.6%
9	CN Administratia Porturilor Maritime SA	19.99%	216.0	2.0%
9	SDEE Muntenia Nord SA	21.99%	209.7	2.0%
12	SDEE Transilvania Nord SA	22.00%	201.7	1.9%
14	Nuclearelectrica SA	9.09%	201.5	1.9%
13	Societatea Nationala a Sarii SA	48.99%	181.0	1.7%
10	SDEE Transilvania Sud SA	21.99%	173.5	1.6%
15	Electrica Furnizare SA	22.00%	167.1	1.6%
16	Alro SA	10.21%	145.8	1.4%
17	ENEL Energie SA	12.00%	75.5	0.7%
18	ENEL Energie Muntenia SA	12.00%	70.3	0.7%
19	Conpet SA	6.05%	55.1	0.5%
20	Posta Romana SA	25.00%	45.0	0.4%
Top 20 equity holdings			9,682.4	91.3%
Total equity holdings			9,785.5	92.3%
Net cash and receivables			820.4	7.7%
Total NAV			10,605.9	100.0%

Source: Fondul Proprietatea, based on NAV reports submitted to FSA (29 September 2017 NAV report)

¹Rounded to one decimal

Key Portfolio Developments in the Period

Acquisitions and disposals

Participation in share capital increases

On 27 July 2017 the Fund subscribed to the share capital increase of Zirom SA with a cash contribution of RON 2,720,000, which became effective as of 1 August 2017, the registration date at the Romanian Trade Register.

Disposals

During the third quarter the Fund sold part of its holdings in BRD Societe Generale and OMV Petrom (see section “Significant events”) and the entire stake in Primcom SA.

Energy sector updates

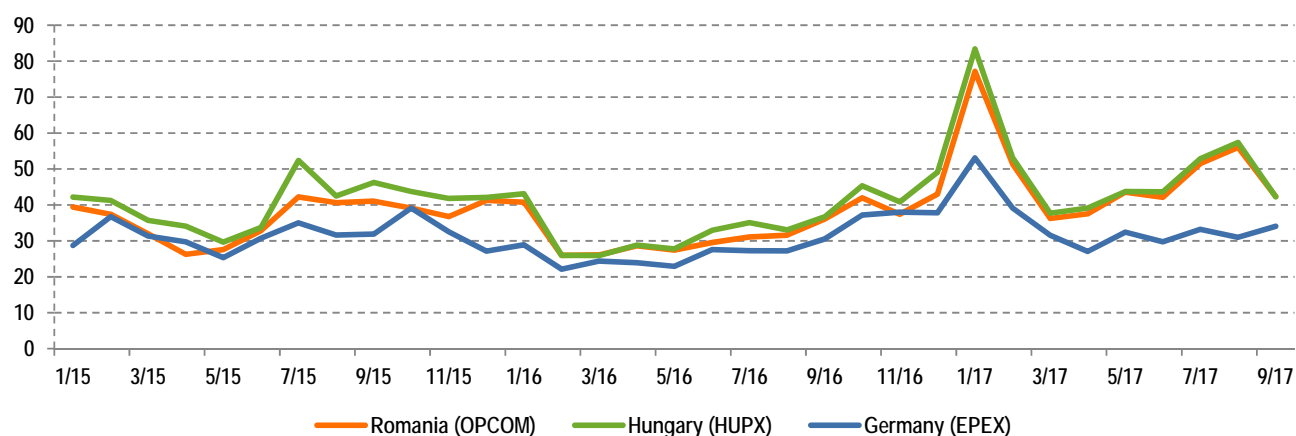
Energy tariff changes

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

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

Source: ANRE webpage

Electricity prices (EUR/ MWh)



Source: Bloomberg, Hidroelectrica SA

Note: Day Ahead Market – monthly average for base load

Energy resources (thousand tonnes barrels of oil equivalent)

	January - August 2017			January - August 2016			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	3,409.7	3,070.1	339.6	2,986.7	2,658.2	328.5	14.2	15.5	3.4
Crude oil	7,195.2	2,298.3	4,896.9	7,649.6	2,408.3	5,241.3	(5.9)	(4.6)	(6.6)
Usable natural gas	5,955.6	5,407.0	548.6	5,276.4	4,962.5	313.9	12.9	9.0	74.8
Hidro, nuclear, and import energy	3,455.8	3,240.7	215.1	3,696.2	3,479.2	217.0	(6.5)	(6.9)	(0.9)
Import oil products	1,952.5	-	1,952.5	1,713.1	-	1,713.1	14.0	-	14.0
Others	327.4	-	327.4	343.9	-	343.9	(4.8)	-	(4.8)
Total resources	22,296.2	14,016.1	8,280.1	21,665.9	13,508.2	8,157.7	2.9%	3.8%	1.5%

Source: National Institute of Statistics webpage

Gas tariff changes

Gas prices for industrial consumers have been fully liberalized since 1 January 2015, while prices for household consumers have also been fully liberalized on 1 April 2017.

Update on the largest 20 portfolio holdings

Alro SA

RON million	2015	2016	H1 2016	H1 2017	Budget 2016*	Budget 2017
Turnover	2,422.8	2,302.8	1,203.5	1,378.2	2,191.9	2,417.2
Operating profit	185.9	166.7	72.8	227.6	133.7	270.2
Net profit/ (loss)	(0.02)	71.5	35.0	186.8	55.9	161.1
Dividends**	-	67.2	n.a.	n.a.	-	-

Source: Consolidated IFRS financial statements

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

**based on individual financial statements

August: For the first six months of the year, ALRO group reported a consolidated net profit attributable to the shareholders of the parent of RON 186.7 million compared to RON 35.2 million during the similar period of the previous year. Total sales advanced during H1 2017 by 14.5% y.o.y to RON 1,378.2 million on the back of the 21.8% y.o.y increase during the period of average benchmark aluminium LME prices to USD 1,880 / tone. In volume terms, sales of processed aluminum products advanced by 3.4% y.o.y. to approximate 56.4 thousand tones, while sales of primary aluminum products decreased by 4.8% y.o.y. to approximate 62.2 thousand tones. For H1 2017, EBITDA reported by the group reached RON 291.6 million, up 113.2% y.o.y.

November: Shareholders approved the extension until November 2020 of the maturity of the USD 137 million credit line concluded on December 2015 for an initial period of two years by the company with a syndicate of banks. Shareholders also approve the increase of the facility with a new credit line worth USD 30 million to be used by the company for the issuance of letters of credit and letter of guarantee.

BRD – Groupe Société Générale SA

RON million	2015*	2016	9 months 2016	9 months 2017	Budget 2016**	Budget 2017**
Operating income	2,595.2	2,777.6	2,110.7	2,060.7	Around 5% increase	Around 4% increase
Net operating profit	1,209.9	1,390.1	1,078.9	997.4	Around 5% increase	Around 5% increase
Net cost of risk	(658.2)	(483.5)	(361.8)	271.0	Further normalisation trajectory	Further normalisation trajectory
Net profit	467.2	763.5	606.1	1,065.5	n.a.	Improvements
Dividends	223.0	508.7	n.a.	n.a.	-	-

Source: Consolidated IFRS financial statements

*Restated values

** Budgeted figures based on individual IFRS financial statements

August: For the first six months of 2017 the bank reported a consolidated net profit attributable to equity holders of the parent of RON 744.1 million compared to a net profit of RON 378.0 million during the similar period of 2016. While reported net banking income decreased by 6.4% y.o.y. to RON 1,341.6 million, adjusting for significant non-recurring elements booked in the first half of 2016 (gain from available for sale securities and VISA Europe transaction which totalled RON 121.0 million), BRD Group's net banking income increased by 2.1% y.o.y. During the period general operating expenses increase by 2.1% y.o.y. to RON 720.4 million, leading to a net operating profit of RON 621.2 million, representing a decrease of 14.7% y.o.y. In the first half of 2017 the bank reported a positive net cost of risk of RON 269.8 million compared to a provision charge of RON 282.4 million during H1 2016, driven by the recognition of insurance indemnities, recoveries on non-retail defaulted portfolios and gains on sale of non-performing loans portfolios.

BRD Group's consolidated net profit for the first nine months of 2017 registered an increase of 75.8% yoy. to RON 1,065.5 billion as compared to RON 606.1 million in the same period of the last year. Reported net banking income for the period decreased by approximately 2.4% y.o.y. to RON 2,060.7 million, however adjusting for non-recurring items (gain of VISA transaction in 2016 and gains on Available for Sale instruments) net banking income advanced by 3.4% y.o.y. During the period general operating expenses of the bank increased by 3.0 % y.o.y. to RON 1,063.2 million, leading to a net operating profit of RON 997.4 million, representing a decrease of 7.5% y.o.y.. During the period, the Group registered a positive net cost of risk of RON 271.0 million compared to a provision charge of RON 361.8 million for the same period of the previous year due to the recognition of insurance indemnities, recoveries on non-retail defaulted portfolios and gain on sale of non-performing loans. At

the end of September 2017, the bank's consolidated loan book and finance lease portfolio reached RON 30.7 billion, up nearly 7.7% year- to- date.

CN Administratia Porturilor Maritime SA

RON million	2015	2016	Budget 2016	Budget 2017
Total revenue	325.6	328.8	322.9	330.0
Operating profit	114.0	54.8	61.3	64.0
Net profit	97.4	36.8	48.9	50.1
Dividends	70.4	55.0	24.5	25.1

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

August: During the first 6 months of 2017 total revenues increased 3.8% to RON 163.8 million and net profit increased 8.1% to RON 68 million, compared to the same period of 2016.

CN Aeroporturi Bucuresti SA

RON million	2015	2016	H1 2016	H1 2017	Budget 2016	Budget 2017
Total revenue	783.4	910.3	416.0	497.0	842.9	983.2
Operating profit	213.5	276.6	145.7	176.9	127.4	225.7
Net profit	178.8	234.5	122.2	150.3	104.8	185.9
Dividends	137.1	214.8	n.a.	n.a.	55.4	95.9

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

August: During the first 6 months of 2017 total revenues increased 19.5% to RON 497 million and net profit increased 23% to 150.3 million, compared to the same period of 2016. The strong evolution was largely driven by the continued strong increase of passenger traffic, which reached 20.4% to 5.9 million passengers in the first 6 months of 2017.

September: Shareholders approved the distribution of an additional RON 200 million as special dividends, out of which RON 160 million to the Ministry of Transports and RON 40 million to Fondul Proprietatea.

Conpet SA

RON million	2015	2016	S1 2016	S1 2017	Budget 2016	Budget 2017
Operating revenues	413.8	410.9	202.3	202.6	409.1	412.1
Operating profit/ (loss)	69.5	80.3	42.8	45.9	71.3	80.8
Net profit/ (loss)	63.2	71.5	37.0	40.4	62.6	69.0
Dividends	63.2	143.6	-	-	-	-

Source: Financial statements prepared in accordance with IFRS

August: For the first half of the year, the company reported a net profit of RON 40.4 million, up 9.0% y.o.y. During the period turnover marginally decreased to RON 186.3 million from RON 187.5 million during the similar period of the previous year. Total transported volumes during the period reached 3.21 million tons as compared to 3.46 million tons a year before, with transported volumes on the domestic transport sub-system down 3.8% y.o.y, to 1.78 million tons and volumes on the import transport sub-system down 11.0% y.o.y. to RON 1.43 million tons.

October: The Supreme Court irrevocably dismissed the appeal of the Ministry of Energy on the Fund's ownership right over the holding in Conpet.

October: The shareholders approved the distribution of a special dividend of RON 85.0 million, out of retained earnings.

October: The renewal for another 4 year period of the mandates expiring on 28 November 2017 of the current members of the Board of Directors was not approved by the shareholders meeting.

SDEE Muntenia Nord SA

RON million	2015	2016	H1 2016*	H1 2017*	Budget 2016	Budget 2017
Total revenue	798.6	717.9	375.0	383.0	741.8	680.5
Operating profit	182.9	118.5	n.a.	n.a.	147.6	116.3
Net profit	153.2	103.7	62.0	4.0	123.9	100.0
Dividends	122.3	87.9	-	-	-	-

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

*based on Electrica H1 2017 results

Note: the comment below applies to all 4 subsidiaries

July: On 14 July, Societatea Energetică „Electrica” SA (“Electrica”) has signed a Memorandum of Understanding with the Fund for the acquisition of the Fund’s holdings in Electrica subsidiaries namely SDEE Distribuție Muntenia Nord SA (RON 209.7 million), SDEE Distribuție Transilvania Sud SA (RON 173.5 million), SDEE Distribuție Transilvania Nord SA (RON 201.7 million) and Electrica Furnizare SA (RON 167.1 million) (“Electrica Subsidiaries”) and the total dividend receivable as at 30 September 2017 is in amount of RON 98.0 million. The aggregated value of the transaction would amount to RON 752,031,841. Shares would be acquired by Electrica and its subsidiaries together with all the rights attached to them under the applicable law. The parties executed the transaction on 1 November 2017 (please see Subsequent events section).

SDEE Transilvania Nord SA

RON million	2015	2016	H1 2016*	H1 2017*	Budget 2016	Budget 2017
Total revenue	720.2	857.5	394.0	381.0	707.1	688.3
Operating profit	186.6	154.9	n.a.	n.a.	173.6	145.0
Net profit	158.8	119.4	45.0	32.0	145.6	120.5
Dividends	127.1	100.5	-	-	-	-

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

*based on Electrica H1 2017 results

SDEE Transilvania Sud SA

RON million	2015	2016	H1 2016*	H1 2017*	Budget 2016	Budget 2017
Total revenue	775.3	723.2	365.0	416.0	775.9	718.7
Operating profit	178.1	134.2	n.a.	n.a.	154.1	135.1
Net profit	152.6	116.4	60.0	45.0	127.3	113.6
Dividends	119.7	98.7	-	-	-	-

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

*based on Electrica H1 2017 results

Electrica Furnizare SA

RON million	2015	2016	H1 2016*	H1 2017*	Budget 2016	Budget 2017
Total revenue	4,205.7	4,209.5	2,219.0	2,145.0	4,196.7	4,109.9
Operating profit	143.1	198.2	n.a.	n.a.	126.5	154.1
Net profit	131.1	175.8	151	(34.0)	113.4	125.2
Dividends	111.5	158.2	-	-	-	-

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

*based on Electrica H1 2017 results

E-Distribuție Banat SA

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

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

July: The company appointed a new board member proposed by Enel, Mrs Cinzia Bonfantoni, following the resignation of Mrs Mina Kolarova.

Note: the comment below applies to all Fund's holdings in E-Distributie Muntenia SA, E-Distributie Banat SA, E-Distributie Dobrogea SA, Enel Energie SA, Enel Energie Muntenia SA and Engie Romania SA

August: the Investment Manager of Fondul Proprietatea announced that the Fund initiated a competitive process aimed at potential disposals of the Fund's holdings in E-Distributie Muntenia SA, E-Distributie Banat SA, E-Distributie Dobrogea SA, Enel Energie SA, Enel Energie Muntenia SA and Engie Romania SA. The process will be managed by Ithuba Capital AG acting as the Fund's sole financial adviser in connection with the envisaged transactions.

E-Distributie Dobrogea SA

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

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

July: The company appointed a new board member proposed by Enel, Mrs Cinzia Bonfantoni, following the resignation of Mrs Mina Kolarova.

E-Distributie Muntenia SA

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

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

July: The company registered the finalization of the transfer of shares (13.57% stake) from SAPE to Enel Investment Holding following the exercise of the PUT option by SAPE.

Enel Energie SA

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

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

July: The company appointed a new board member proposed by Enel, Mr Giuseppe Turchiarelli, following the resignation of Mr Marco Saleme.

September: The company announced that Mr Michele Abbate is the new general manager following the leave from the Enel group of the former general manager, Mr Michele Luigi Grassi.

Enel Energie Muntenia SA

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

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

July: The company registered the finalization of the transfer of shares (13.57% stake) from SAPE to Enel Investment Holding following the exercise of the PUT option by SAPE.

July: The company appointed a new board member proposed by SAPE, Mr Daniel Pencea, following the resignation of Mr Dan Agrisan.

September: The company announced that Mr Michele Abbate is the new general manager following the leave from the Enel group of the former general manager, Mr Michele Luigi Grassi.

Engie Romania SA

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

Source: Consolidated IFRS financial statements

*Budgeted figures are on a consolidated basis

**Dividends are based on the separate IFRS financial statements

Hidroelectrica SA

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

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

July: Shareholders appointed Mr. Radu Cojocaru, Mr Karoly Borbely and Ms Oana Truta as members of the Supervisory Board following resignations of some previous Board members.

July: The Fond requested the revocation of Mr Karoly Borbely as member of the Board following breaches of the Code of Ethics and the corporate governance principles while appointing new members of the directorate.

July: The supervisory Board appointed a new Directorate composed of Bogdan Nicolae Badea, Marian Bratu and Mihai Val Zdru. The Fond requested a litigation to be brought against the Supervisory Board members that appointed the Directorate by breaching the Code of Ethics and the corporate governance principles while appointing the new members of the Directorate.

September: the Investment Manager of Fondul Proprietatea announced that the Fund is reviewing strategic options regarding its ownership interest in Hidroelectrica SA and appointed as financial adviser in connection with the envisaged transaction Citigroup Global Markets Limited and UBS Limited.

Nuclearelectrica SA

RON million	2015	2016	9 months 2016	9 months 2017	Budget 2016	Budget 2017
Sales	1,748.7	1,647.6	1,180.9	1,376.0	1,700.3	1,718.8
Operating profit/ (loss)	160.1	159.4	107.2	276.9	59.7	75.2
Net profit/ (loss)	149.1	112.4	102.4	225.3	41.1	47.9
Dividends*	99.5	99.5	n.a.	n.a.	20.9	24.4

Source: Individual IFRS financial statements

*Dividends are based on the individual IFRS financial statements

August: The company reported the financial results for the first six months of 2017. During the first half of 2017 the company registered increases in sales by 17.9%, to RON 876.5 million mainly due to electricity deliver and higher actual average prices, higher operating results compared to the same period of 2016 up to RON 147.3 million and higher net profit from RON 1.7 million in the first six months of 2016 to RON 133.8 million.

The entire board of directors was dismissed and new interim board members were appointed for a 4 months mandate. The new board appointed a new CEO, Mr Cosmin Ghita, for an interim period of 4 months. He previously worked as an adviser of the Prime Minister.

September: The shareholders approved the distribution of a special dividend of RON 0.3648 per share from other reserves. The registration date is 17 October 2017 and the payments date is 03 November 2017.

October: The company reported the financial results for the first nine months of 2017. During the 9-month period ended on 30 September 2017, Nuclearelectrica registered an increase in net profit by 120.0% compared to the same period of 2016 to RON 225.3 million, an increase in sales by 16.5% compared to the same period of 2016 mainly due to electricity deliver and in operating results by 158.3% compared to the same period of 2016.

OMV Petrom SA

RON million	2015	2016	9 months 2016	9 months 2017	Budget 2016	Budget 2017
Sales	18,145.0	16,246.9	11,953.0	14,293.5	10,764.0	13,487.0
Operating profit/ (loss)	(529.8)	1,469.3	1,141.0	2,450.2	62.0	1,851.0
Net profit/ (loss)	(689.7)	1,037.7	877.0	1,847.7	199.0	1,827.0
Dividends*	-	849.7	n.a.	n.a.	-	-

Source: Consolidated IFRS financial statements

*Based on separate IFRS financial statements

July: Operations were resumed at the Brazi power plant on 5 July, following the closure for several months due to a steam turbine transformer in April 2017.

July: OMV Petrom announced that it has signed the contract for the sale of their wind powered electricity production assets, known as Dorobantu Wind Park. The buyer is Transeastern Power B.V. while the transaction value is EUR 23 million. The completion of the transaction is subject to procedural conditions, such as approval from the Competition Council, which is expected by the end of the year.

August: The company reported the financial results for the first half of 2017. The highlights include: sales increase by 25.4% compared to the same period of 2016 to RON 9,261.1 million, operating profit increase by 178.7% compared to the same period of 2016 to RON 1,577.3 million and net profit increased to RON 1,210.3 million from RON 408.3 million. The increase of the operating results were mainly due to higher sales revenue due to an increase of 36% of realized oil price, the elimination of the tax on special constructions starting 2017 and lower exploration expenses following lower write-offs of exploration assets.

October: The company published a trading update for Q3 2017, highlights include a 4.6% decline of hydrocarbon production to 166 thousand barrels of oil equivalent (“boe”) per day, 3.3% decline of hydrocarbon sales to 14.6 million boe, 17.8% increase in average realized oil price to USD 44.05 and a strong increase of the indicator refining margin to 8.75% compared to 5.96% in Q3 2016.

October: The company announced that Mr Mihai Busuioc has resigned from the Supervisory Board of the Company. He had been appointed in April 2017 following the recommendation of the Ministry of Energy. Sevil Shhaideh was appointed as an interim member of the Supervisory Board as well as member of the Audit Committee and member of the Presidential and Nomination Committee, following Mihai Busuioc’s waiver of his mandate in the above mentioned positions.

November: The company reported the financial results for the 9-month period ended 30 September 2017. The highlights include: the sales increase by 19.6% compared to the same period of 2016 to RON 14,293.5 million, operating profit increase by 114.7% compared to the same period of 2016 to RON 2,450.2 million and net profit increased to RON 1,847.7 million. The increase of the operating results were mainly due to higher sales volumes supported by higher oil and natural gas prices, increased petroleum product sales volumes, partially offset by lower sales volumes of natural gas and electricity.

Posta Romana SA

RON million	2015	2016	H1 2016	H1 2017	Budget 2016	Budget 2017*
Total revenue	1,103.0	1,135.0	562.8	572.6	1,175.7	1,191.0
Operating profit/(loss)	(25.8)	22.6	19.6	25.8	8.4	22.9
Net profit/ (loss)	(33.0)	10.5	15.8	17.8	0.8	5.0

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

September¹: Minister of Communications and Information Society asked for the resignation of the entire board of directors and the interim general manager for poor management of the company. Minister of Communications and Information Society says it is doing everything in their powers to avoid the company entering insolvency.

September²: Three board members of the company were revoked by shareholders: Dante Stein, Bogdan Florian Matei and Bogdan Cristian Patrniche. The mandate of Horia Andrei Bud also expired. The newly appointed board members are Adrian Daniel Gavruta and Carmen Mihaela Danet. The board is completed by Ioan Bejan and Benoit Pleska who were appointed last month and Florin Luca proposed by Fondul Proprietatea.

October³: The board of directors revoked Rares Stanciu and appointed Elena Patrascu as interim general manager for a period of 4 months. Elena Patrascu will no longer occupy the position of chief of cabinet for Minister of Communications and Information Society, Mr Lucian Sova.

Societatea Nationala a Sarii SA (Salrom)

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

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

July: Fondul is reviewing strategic options regarding its stake in the Company, and has appointed UniCredit as financial advisor in connection with a possible transaction.

August: The company released the results for the first six months of 2017: revenues of RON 183.4 million (increased by 25.4% compared to the same period of 2016) operating profit of RON 57.4 million (increased by 70.8% compared to the same period of 2016) and net profit of RON 47.8 million (increased by 83.8% compared to the same period of 2016). The increase in revenues and profitability was due to the uplift in selling prices to the main clients and also to a better cost management although the overall quantities remained flat. The company is currently going through a restructuring which will lead to further improvements in profitability in the next years.

¹ Ministry of Communications and Information Society media report, 11 September 2017

² Ministry of Communications and Information Society media report, 28 September 2017

³ Ministry of Communications and Information Society media report, 4 October 2017

Financial Statements Analysis

The unaudited IFRS financial statements for the nine-month period ended 30 September 2017, prepared in accordance with IAS 34 Interim Financial Reporting, are included in full in Annex 1 to this Report.

This section provides an overview on the main elements of the Fund's financial position and performance for the nine-month period ended 30 September 2017.

Statement of Financial Position

RON million	30 September	30 June	31 December	30 September	30 September	30 September
	2017	2017	2016	2016	2017 vs 31	2017 vs 30
	Unaudited	Unaudited	Audited	Unaudited	December	September
					2016 (%)	2016 (%)
Cash and current accounts	22.8	58.4	5.8	8.0		
Deposits with banks	573.0	84.9	305.3	155.3		
Treasury bills	63.0	70.0	781.4	321.1		
Government bonds	82.3	-	328.6	-		
Dividends receivable	113.5	353.1	-	105.7		
Equity investments	9,033.4	9,381.1	9,992.2	9,692.5		
Non-current assets held for sale	752.0	877.4	-	888.4		
Other assets	12.9	20.5	20.8	200.9		
Total assets	10,652.9	10,845.4	11,434.1	11,371.9	-6.8%	-6.3%
Payables	21.8	24.4	27.1	31.7		
Borrowings	-	237.0	-	-		
Other liabilities	25.3	63.7	21.0	23.5		
Total liabilities	47.1	325.1	48.1	55.2	-2.1%	-14.7%
Total equity	10,605.8	10,520.3	11,386.0	11,316.7	-6.9%	-6.3%
Total liabilities and equity	10,652.9	10,845.4	11,434.1	11,371.9	-6.8%	-6.3%

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

The decrease in **short term assets** during the nine-month period ended 30 September 2017 was mainly due to the cash outflows for funding the March and June 2017 return of capital, in total amount of RON 924.0 million (payments started on 27 March and 30 June 2017) and the tender offer for the seventh buy-back programme from March 2017 with a total value of RON 337.3 million (excluding transaction costs) for the 370.7 million shares acquired on BVB and with a total value of USD 57.9 million (excluding transaction costs) for the 269.3 million shares equivalent to the GDRs acquired on LSE), net of the cash inflows from the dividends collected from portfolio companies, including the special dividends and the proceeds from sale of investments, during the period.

The **non-current assets held for sale** caption included, as at 30 September 2017, the fair value of the Fund's holdings in Electrica subsidiaries subject to the potential disposal according to the memorandum concluded between the Fund and Electrica SA. The parties executed the transaction on 1 November 2017 (please see Subsequent events section).

Equity investments

Classification and measurement of equity investments

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

The equity investments at fair value through profit or loss are initially recognised at fair value and the transaction costs are recorded in profit or loss. They are subsequently measured at fair value with all changes in fair value

accounted for through profit or loss. Equity investments at fair value through profit or loss are not subject to impairment testing.

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

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

Valuation

As at 30 September 2017 substantially all the equity investments of the Fund were carried at fair value.

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

The fair value of *unlisted shares* and *listed shares that are not traded in an active market*, for which sufficient information is available, is estimated with the assistance of independent valuers, using valuation techniques, in accordance with IFRS 13 Fair Value Measurement and the International Valuation Standards (over 99% 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 of equity investments of RON 958.8 million for the first nine months of 2017 was mainly due to the reclassification of Electrica subsidiaries as non-current assets held for sale (RON 752.0 million) and of part of the holding in OMV Petrom SA (RON 414.4 million) which was subject to the bookbuild offering completed during September 2017, net of the increase in value of equity investments, mainly OMV Petrom SA (increase in share price of 10.7%).

Total liabilities decreased as at 30 September by 2.1% compared to 31 December 2016. On 25 July 2017, the Fund reimbursed the entire amount of RON 237 million drawn on 27 June from the credit facility contracted from BRD-Groupe Société Generale SA and the related interest. The finance costs included in the Statement of Comprehensive Income for the nine-month period ended 30 September 2017 comprise the interest expense on the amount drawn from this credit facility.

Statement of Comprehensive Income

RON million	Quarter 3	Quarter 3	9 month period	9 month period
	2017	2016	ended 30 September	ended 30 September
	Unaudited	Unaudited	Unaudited	Unaudited
Gross dividends	184.4	4.4	724.3	351.4
Net unrealised gain / (loss) from equity investments at fair value through profit or loss	27.6	42.5	186.6	(498.8)
(Impairment losses) / Reversal of impairment losses on receivables, net	(0.3)	0.2	36.4	17.9
Net gain on disposal of equity investments classified as available for sale	17.3	12.9	38.3	926.0
Interest income	0.4	0.9	7.7	3.9
Net realised loss from equity investments at fair value through profit or loss	(1.4)	-	(1.4)	-
Net loss from disposal of non-current assets held for sale	(14.5)	-	(14.5)	-
Impairment losses on equity investments classified as available for sale	-	(2.3)	-	(43.0)
Other income/(expenses), net*	(0.5)	1.5	2.0	4.0
Net operating income	213.0	60.1	979.4	761.4
Administration fees	(12.4)	(22.1)	(66.4)	57.7
Other operating expenses	(10.0)	(11.1)	(22.2)	(31.8)
Operating expenses	(22.4)	(33.2)	(88.6)	(89.5)
Finance costs	(0.2)	-	(0.2)	(0.3)
Profit before income tax	190.4	26.9	890.6	671.6
Income tax	6.7	3.1	15.8	(100.9)
Profit for the period	197.1	30.0	906.4	570.7
Other comprehensive income	(60.8)	35.3	46.1	(153.7)
Total comprehensive income for the period	136.3	65.3	952.5	417.0

* Other income/ (expenses), net included mainly the net gain / (loss) from revaluation of government securities at fair value through profit or loss, net foreign exchange gain / (loss), amounts reimbursed by The Bank of New York Mellon from the fees collected from GDR holders and other operating income/ (expenses).

Gross dividends for the nine-month period ended 30 September 2017 comprised the dividend income earned from the Fund's portfolio companies, mainly from Hidroelectrica SA (RON 206.6 million), OMV Petrom SA (RON 106.8 million), CN Aeroporturi Bucuresti SA (RON 43.0 million), Electrica Furnizare SA (RON 34.8 million), Electrica Distributie Transilvania Nord SA (RON 22.1 million), Electrica Distributie Muntenia Nord SA (RON 19.3 million) and Electrica Distributie Transilvania Sud SA (RON 21.7 million).

Gross dividend income for the third quarter relates to the special dividends distributed in September 2017 by state controlled entities, namely Hidroelectrica SA and CN Aeroporturi Bucuresti SA, in amount of RON 130.6 million, and RON 40 million respectively.

The **net unrealised gain from equity investments at fair value through profit or loss** of RON 186.6 million was mainly generated by OMV Petrom SA, as a result of the positive evolution of the share price for this company during the first nine months of 2017 (RON 193.5 million, share price increase of 10.7%).

The net unrealised loss for the first nine months of 2016 was also generated by OMV Petrom SA, due to the negative evolution of the share price of this company (RON 494.9 million).

The **reversal of impairment losses** for the nine month period ended 30 September 2017 relates mainly to the receivable for the unpaid share capital amounts from the Ministry of Public Finance. Following the reduction of the nominal value of the Fund's shares from RON 0.85 to RON 0.57 (registered on 24 March 2017) and from RON 0.57 to RON 0.52 (registered on 16 June 2017), the receivable for the unpaid amounts and the related impairment adjustment decreased accordingly, generating a positive impact in the profit or loss account of RON 36.4 million.

The **net gain on disposal of equity investments classified as available for sale** represents the difference between the proceeds from disposals and the carrying values of the equity investments as at disposal date, plus the net unrealised gain related to these investments disposed of, transferred from equity (other comprehensive income) to profit or loss upon their de-recognition. During the nine-month period ended 30 September 2017, the Fund sold its entire holdings in Oil Terminal SA and Banca Transilvania SA and part of its holding in BRD Groupe Societe Generale SA.

During the nine-month period ended 30 September 2016, the Fund sold its entire holdings in Romgaz SA, E.ON Distributie Romania SA and E.ON Energie Romania SA and part of its holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA.

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

The **net loss from disposal of non-current assets held for sale** represents the difference between the total proceeds from the disposal of the partial sale of OMV Petrom SA holding (RON 399,850,000) and the fair value at the reclassification date of the non-current assets held for sale disposed of (RON 414,390,000). The Fund reclassified during September in accordance with IFRS 5 requirements, the part of the holding in OMV Petrom SA subject to the bookbuild offering publicly announced by the Fund during this month.

During the nine-month period ended 30 September 2017, the Fund did not record any **impairment losses** for the equity investments.

Impairment losses on equity investments available for sale caption for the nine-month period ended 30 September 2016 were mainly related to the holding in Nuclearelectrica SA (RON 40.7 million).

The **administration fees** for the first nine months ended 30 September 2017 included the base fee of RON 35,610,391 (30 September 2016: RON 35,142,712) and the distribution fee of RON 30,789,049 (30 September 2016: RON 22,532,938). The higher distribution fee in the nine-month period ended 30 September 2017 compared to the same period of the previous year was due to the fees charged for the higher distributions made available to the Fund's shareholders, respectively for the return of capital from March 2017 of RON 0.05 per share, for which the payment started on 27 March 2017.

The **other comprehensive income** mainly comprised the changes in fair value of available for sale equity investments net of related tax and the increase as at 30 September 2017 compared to the same period of the previous year was mainly generated by the increase in the share prices of listed companies, such as Nuclearelectrica SA with an impact of RON 69.7 million, Conpet SA with an impact of RON 55.1 million and Alro SA with an impact of RON 60.5 million, net of the decrease in fair value of Electrica subsidiaries, following the update in the fair value of these companies as a result of the Memorandum of Understanding signed with Electrica in July 2017 for the disposal of these subsidiaries.

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

Other operating expenses

RON million	Quarter 3	Quarter 3	9 month period ended	9 month period
	2017	2016	30 September 2017	ended 30 September 2016
	Unaudited	Unaudited	Unaudited	Unaudited
Transactions costs	2.9	4.9	3.0	10.0
FSA monthly fees	2.4	2.8	7.7	8.2
Depositary fees	0.2	0.2	0.6	0.6
Other operating expenses	4.5	3.2	10.9	13.0
Total other operating expenses	10.0	11.1	22.2	31.8

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

Other operating expenses in the first nine months of 2016 included mainly litigation assistance, Board of Nominees related expenses, investors' relations and public relations expenses.

Analysis of Statement of Comprehensive Income by Quarters

Although this report covers the nine-month period ended 30 September 2017, given that the Fund reports on a quarterly basis, the following split has been prepared to show also the actual results for each of the quarter in 2017.

RON million	Quarter ended			9 month period ended
	30 September 2017	30 June 2017	31 March 2017	30 September 2017
	Unaudited	Unaudited	Unaudited	Unaudited
Gross dividends	184.4	539.9	-	724.3
Net unrealised gain / (loss) from equity investments at fair value through profit or loss	27.6	(137.1)	296.1	186.6
(Impairment losses) / Reversal of impairment losses on receivables, net	(0.3)	18.2	18.5	36.4
Net gain on disposal of equity investments classified as available for sale	17.3	14.7	6.3	38.3
Interest income	0.4	1.2	6.1	7.7
Net realised loss from equity investments at fair value through profit or loss	(1.4)	-	-	(1.4)
Net loss from disposal of non-current assets held for sale	(14.5)	-	-	(14.5)
Other (expenses) / income, net*	(0.5)	6.3	(3.8)	2.0
Net operating income	213.0	443.2	323.2	979.4
Administration fees	(12.4)	(20.0)	(34.0)	(66.4)
Other operating expenses	(10.0)	(6.2)	(6.0)	(22.2)
Operating expenses	(22.4)	(26.2)	(40.0)	(88.6)
Finance costs	(0.2)	-	-	(0.2)
Profit before income tax	190.4	417.0	283.2	890.6
Income tax	6.7	(0.7)	9.8	15.8
Profit for the period	197.1	416.3	293.0	906.4
Other comprehensive income	(60.8)	31.6	75.3	46.1
Total comprehensive income for the period	136.3	447.9	368.3	952.5

* Other income/ (expenses), net included mainly the net gain / (loss) from revaluation of government securities at fair value through profit or loss, net foreign exchange gain / (loss), amounts reimbursed by The Bank of New York Mellon from the fees collected from GDR holders and other operating income/ (expenses).

Changes in the Accounting regulation

Currently the Fund is analysing the impact of IFRS 9 ‘Financial instruments’, which will replace IAS 39 “*Financial Instruments: Recognition and Measurement*” starting with 1 January 2018. Additional disclosure and impact analysis will be provided in subsequent reports.

Financial Ratios

Description	30 September 2017		
1. Current Liquidity ratio			
<u>Current Assets</u>	=		18.42
Current Liabilities			
2. Debt-to-Equity ratio (%)			
<u>Borrowings</u>	x 100	=	0%
Shareholders' Equity			
<i>*The Fund had no borrowings as at 30 September 2017, therefore this ratio is nil.</i>			
3. Debt Turnover ratio (number of days)			
<u>Average balance of receivables</u>	x 365	=	n.a.
Turnover or sales			
<i>This ratio has no significance for an investment fund and was not calculated.</i>			
4. Turnover of Non-current Assets			
<u>Gross turnover*</u>		=	0.10
Non-current assets			
<i>*For the computation of this ratio, "Gross turnover" includes interest income, dividend income net of withholding tax, net gain/ (loss) from equity investments at fair value through profit or loss, net gain/ (loss) on disposal of equity investments available for sale and Net gain/ loss from disposal of non-current assets held for sale for nine-month period ended 30 September 2017 and other income, while "Non-current assets" included equity investments and non-current assets held for sale as at 30 September 2017.</i>			
<i>This ratio has no significance for an investment fund.</i>			

Signatures:

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

Johan Meyer
Permanent Representative

Prepared by
Catalin Cadaru
Financial Reporting Manager

15 November 2017

Annex 1

FONDUL PROPRIETATEA SA

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

Prepared in accordance with IAS 34 Interim Financial Reporting

(This is a translation from the official Romanian version)

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD
ENDED 30 SEPTEMBER 2017**

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	9 months ended 30 September 2017	9 months ended 30 September 2016
Gross dividend income	5	724,325,268	351,350,895
Net gain / (loss) from equity investments at fair value through profit or loss	6	185,154,702	(498,807,968)
Gain on disposal of equity investments classified as available for sale, net	7	38,302,857	925,976,144
Reversal of impairment losses on receivables, net	19(a)	36,386,411	17,917,700
Interest income		7,723,149	3,885,876
Net foreign exchange gain		608,427	840,393
Realised loss from disposal of non-current assets held for sale	8	(14,540,000)	-
Impairment losses on equity investments classified as available for sale	15	-	(43,045,847)
Other income, net		1,456,393	3,311,047
Net operating income		979,417,207	761,428,240
Operating expenses	9	(88,607,659)	(89,531,276)
Finance costs	10	(152,997)	(323,438)
Profit before income tax		890,656,551	671,573,526
Income tax	11	15,774,558	(100,844,163)
Profit for the period		906,431,109	570,729,363
Other comprehensive income			
Net change in fair value of available for sale equity investments		101,450,158	729,267,670
Deferred tax on other comprehensive income	17	(17,602,167)	98,947,404
Decrease in fair value reserve following the disposal of available for sale equity investments		(37,766,734)	(981,988,443)
Total other comprehensive income		46,081,257	(153,773,369)
Total comprehensive income for the period		952,512,366	416,955,994
Basic and diluted earnings per share	12	0.0998	0.0553

These condensed financial statements were authorised for issue on 14 November 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 41 to 65 are an integral part of these condensed financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017
 (all amounts are in RON unless otherwise stated)

	<i>Note</i>	30 September 2017	31 December 2016
Assets			
Cash and current accounts	<i>13</i>	22,821,725	5,781,621
Deposits with banks	<i>13</i>	572,972,979	305,337,134
Treasury bills		62,960,456	781,445,213
Government bonds		82,304,285	328,638,303
Dividends receivable	<i>14</i>	113,495,259	-
Equity investments	<i>15</i>	9,033,450,604	9,992,183,244
Non-current assets held for sale	<i>16</i>	752,031,841	-
Other assets		12,873,227	20,728,167
Total assets		10,652,910,376	11,434,113,682
Liabilities			
Payable to shareholders	<i>18 (a)</i>	24,413,023	20,208,049
Other liabilities and provisions	<i>18 (b)</i>	22,689,995	27,953,985
Total liabilities		47,103,018	48,162,034
Equity			
Share capital	<i>19 (a)</i>	5,238,521,988	9,168,314,117
Fair value reserve on available for sale financial assets, net of deferred tax	<i>19 (b)</i>	4,379,618,381	4,333,537,124
Other reserves	<i>19 (c)</i>	446,532,965	585,468,652
Treasury shares	<i>19 (d)</i>	(791,231,475)	(654,145,163)
Retained earnings	<i>19 (f)</i>	1,332,365,499	(2,047,223,082)
Total equity		10,605,807,358	11,385,951,648
Total liabilities and equity		10,652,910,376	11,434,113,682

The notes on pages 41 to 65 are an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2017	9,168,314,117	4,333,537,124	585,468,652	(654,145,163)	(2,047,223,082)	11,385,951,648
Comprehensive income for the period						
Profit for the period	-	-	-	-	906,431,109	906,431,109
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	101,450,158	-	-	-	101,450,158
Decrease in fair value reserve following the disposal of available for sale equity investments	-	(37,766,734)	-	-	-	(37,766,734)
Deferred tax on other comprehensive income	-	(17,602,167)	-	-	-	(17,602,167)
Coverage of the cumulated accounting losses	(2,317,038,572)	-	(156,118,900)	-	2,473,157,472	-
Total other comprehensive income	(2,317,038,572)	46,081,257	(156,118,900)	-	2,473,157,472	46,081,257
Total comprehensive income for the period	(2,317,038,572)	46,081,257	(156,118,900)	-	3,379,588,581	952,512,366
Transactions with owners, recorded directly in equity (see Note 19)						
Decrease of the nominal value of the shares	(1,007,408,074)	-	-	46,980,596	-	(960,427,478)
Acquisition of treasury shares	-	-	-	(774,813,024)	-	(774,813,024)
Cancellation of treasury shares	(605,345,483)	-	14,599,367	590,746,116	-	-
Distributions for which the statute of limitation occurred	-	-	2,583,846	-	-	2,583,846
Total transactions with owners recorded directly in equity	(1,612,753,557)	-	17,183,213	(137,086,312)	-	(1,732,656,656)
Balance as at 30 September 2017	5,238,521,988	4,379,618,381	446,532,965	(791,231,475)	1,332,365,499	10,605,807,358

The notes on pages 41 to 65 are an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2016	10,074,080,746	4,232,810,400	527,397,886	(308,039,345)	(2,473,157,472)	12,053,092,215
Comprehensive income for the period						
Profit for the period	-	-	-	-	570,729,363	570,729,363
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	729,267,670	-	-	-	729,267,670
Decrease in fair value following the disposal of available for sale equity investments	-	(981,988,443)	-	-	-	(981,988,443)
Deferred tax on other comprehensive income	-	98,947,404	-	-	-	98,947,404
Total other comprehensive income	-	(153,773,369)	-	-	-	(153,773,369)
Total comprehensive income for the period	-	(153,773,369)	-	-	570,729,363	416,955,994
Transactions with owners, recorded directly in equity						
Decrease of the nominal value of the shares	(548,292,540)	-	-	13,215,578	-	(535,076,962)
Acquisition of treasury shares	-	-	-	(618,256,787)	-	(618,256,787)
Cancellation of treasury shares	(204,815,025)	-	18,273,170	186,541,855	-	-
Total transactions with owners recorded directly in equity	(753,107,565)	-	18,273,170	(418,499,354)	-	(1,153,333,749)
Balance as at 30 September 2016	9,320,973,181	4,079,037,031	545,671,056	(726,538,699)	(1,902,428,109)	11,316,714,460

The notes on pages 41 to 65 are an integral part of these condensed financial statements.

**CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2017**

(all amounts are in RON unless otherwise stated)

	9 months ended 30 September 2017	9 months ended 30 September 2016
Cash flows from operating activities		
Disposal/ maturity of treasury bills and bonds	1,456,658,125	499,695,202
Dividends received (net of withholding tax)	608,812,394	243,903,658
Proceeds from disposal of equity investments, net	479,279,937	1,175,549,172
Interest received	11,197,171	4,235,859
Amounts collected from the depository Bank of the Fund's GDRs	7,088,990	3,745,192
Acquisition of treasury bills and bonds	(501,089,955)	(745,821,474)
Suppliers and other taxes and fees paid	(102,013,336)	(79,881,967)
Subscriptions to share capital increase of portfolio companies	(2,720,000)	(4,270,150)
Other (payments) / receipts, net	(1,336,855)	121,211
Net cash flows from operating activities	1,955,876,471	1,097,276,703
Cash flows from financing activities		
Short term bank loans drawings	237,000,000	-
Payments to shareholders related to the return of capital	(906,903,077)	(510,290,528)
Acquisition cost of treasury shares	(764,167,391)	(611,115,636)
Repayment of short term bank loans	(237,000,000)	-
Payment of interest and fees related to the short term bank loans	(152,997)	(323,438)
Dividends paid (including related taxes)	(5,243)	(47,297)
Payment in relation with lost litigations	-	(10,741,322)
Net cash flows used in financing activities	(1,671,228,708)	(1,132,518,221)
Net increase/(decrease) in cash and cash equivalents	284,647,763	(35,241,518)
Cash and cash equivalents at the beginning of the period	311,105,488	198,467,448
Cash and cash equivalents at the end of the period as per Statement of Cash Flows	595,753,251	163,225,930
	30 September 2017	30 September 2016
Cash and current accounts (see <i>Note 13</i>)	22,821,725	7,976,053
Bank deposits with original maturities of less than three months (see <i>Note 13</i>)	572,931,526	155,249,877
	595,753,251	163,225,930

The notes on pages 41 to 65 are an integral part of these condensed financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

1. General information

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

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

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

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

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

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

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

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

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

These condensed interim financial statements for the nine-month period ended 30 September 2017 are not audited.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements for the nine-month period ended 30 September 2017 have been prepared in accordance with *IAS 34 Interim financial reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, prepared in accordance with IFRS.

Following the application of the Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities), with effect from 1 January 2014 the Fund is an investment entity and no longer consolidates its subsidiaries. In consequence, the Fund does not prepare consolidated financial statements, the separate financial statements being the Fund's only financial statements. The Fund has reassessed the criteria for being an investment entity for the nine-month period ended 30 September 2017 and continues to meet them.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates

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

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

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

- Note 15 – Equity investments;
- Note 17 – Deferred tax;
- Note 20 – Contingencies.

3. Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Fund's financial statements as at and for the year ended 31 December 2016 and have been applied consistently to all periods presented in these condensed interim financial statements.

4. Financial assets and financial liabilities

Accounting classifications and fair values

For financial instruments not measured at fair value such as cash and current accounts, deposits with banks, dividends, other financial assets and other financial liabilities, the Fund assessed that their carrying amount is a reasonable approximation of their fair value.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

4. Financial assets and financial liabilities (continued)**Accounting classifications and fair values (continued)**

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
30 September 2017						
Cash and current accounts	22,821,725	-	-	-	22,821,725	22,821,725
Deposits with banks	572,972,979	-	-	-	572,972,979	572,972,979
Treasury bills	-	-	62,960,456	-	62,960,456	62,960,456
Government bonds	-	-	82,304,285	-	82,304,285	82,304,285
Dividends receivable	113,495,259	-	-	-	113,495,259	113,495,259
Equity investments	-	7,178,109,463	1,855,341,141	-	9,033,450,604	9,033,450,604
Other financial assets	4,279,425	-	-	-	4,279,425	4,279,425
Other financial liabilities	-	-	-	(45,361,524)	(45,361,524)	(45,361,524)
	713,569,388	7,178,109,463	2,000,605,882	(45,361,524)	9,846,923,209	9,846,923,209

	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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

5. Gross dividend income

	9 months ended 30 September 2017	9 months ended 30 September 2016
Hidroelectrica SA	337,188,756	134,644,264
OMV Petrom SA	106,763,221	-
CN Aeroporturi Bucuresti SA	82,955,766	27,413,946
Electrica Furnizare SA	34,807,451	24,523,212
SDEE Transilvania Nord SA	22,115,641	27,959,790
SDEE Transilvania Sud SA	21,708,184	26,344,928
SDEE Muntenia Nord SA	19,336,883	26,895,798
BRD Groupe Societe Generale SA	18,515,323	8,116,306
Societatea Nationala a Sarii SA	13,760,169	-
Engie Romania SA	13,308,134	-
CN Administratia Porturilor Maritime SA	11,008,413	14,076,910
Nuclearelectrica SA	9,044,766	9,044,766
E-Distributie Banat SA	8,922,810	16,815,423
Conpet SA	8,695,227	3,827,813
Alro SA	6,863,554	-
E-Distributie Dobrogea SA	6,604,290	12,044,439
Banca Transilvania SA	-	16,687,884
Enel Energie SA	-	2,089,651
Others	2,726,680	865,765
	<u>724,325,268</u>	<u>351,350,895</u>

The dividend income was subject to 5% withholding tax in 2017 and 2016. In accordance with the Romanian Fiscal Code, in cases where the relevant shareholding of the Fund was larger than 10% of total issued shares of the portfolio company, for at least one year prior to the dividend distribution date, no withholding tax was due.

In September 2017, the shareholders of Hidroelectrica SA and CN Aeroporturi Bucuresti SA approved the distribution of a special dividend in addition to the annual dividend approved during the second quarter of 2017. Thus, Fondul received during September 2017 an additional dividend from Hidroelectrica SA in amount of RON 130,632,546 and from CN Aeroporturi Bucuresti SA an additional dividend in amount of RON 40,000,000.

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

	9 months ended 30 September 2017	9 months ended 30 September 2016
Unrealised net gain/ (loss) from equity investments at fair value through profit or loss	186,582,738	(498,807,968)
Realised net loss from disposal of equity investments at fair value through profit or loss	(1,428,036)	-
Total	<u>185,154,702</u>	<u>(498,807,968)</u>

The unrealised net gain from disposal of equity investments at fair value through profit or loss for the first nine months of 2017 in amount of RON 186,582,738 (nine-month period ended 30 September 2016: unrealised net loss in amount of RON 498,807,968) was mainly generated by the change in fair value for the holding in OMV Petrom SA, as a result of the increase (during the first nine months of 2016: decrease) of this company's share price during the respective period.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

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

The realised net loss from disposal of 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. In September 2017, Fondul sold its entire holding in Primcom SA.

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 8, Realised loss from disposal of non-current assets held for sale* for further details).

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

During the nine-month period ended 30 September 2017, the Fund sold its entire holdings in Oil Terminal SA and Banca Transilvania SA and part of its holding in BRD Groupe Societe Generale SA . The net gain on disposal of these equity investments was RON 38,302,857, representing the difference between the gross proceeds from disposals (RON 74,552,838) and the carrying values of the equity investments as at disposal date (RON 74,016,715), plus the net unrealised gain related to these investments disposed, recycled from equity (other comprehensive income) to profit or loss upon their derecognition (RON 37,766,735).

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

8. Realised loss from disposal of non-current assets held for sale

During September 2017, the Fund publicly announced that it had taken the decision to proceed with the partial sale of the investment in OMV Petrom SA (respectively 1,454,000,000 shares representing approximately 2.6% of OMV Petrom SA's share capital) through an accelerated bookbuild offering. Consequently, the Fund reclassified, in accordance with IFRS 5 requirements, the part of the holding in OMV Petrom SA subject to the bookbuild offering, as non-current assets held for sale. The offering was completed in September 2017 and the gross proceeds received from the disposal amounted to RON 399,850,000.

The realised loss from the disposal of the non-current assets held for sale represents the difference between the total proceeds from the disposal (RON 399,850,000) and the fair value at the reclassification date of the non-current assets held for sale disposed of (RON 414,390,000).

9. Operating expenses

	9 months ended 30 September 2017	9 months ended 30 September 2016
Administration fees	66,399,440	57,675,650
Third party services	8,471,740	9,019,402
FSA monthly fees	7,725,377	8,206,625
Intermediaries and other fees related to disposal of portfolio holdings	2,958,819	10,002,638
Remunerations and related taxes	1,082,075	1,062,803
Depositary bank fee	550,769	621,984
Penalties	-	1,312,439
Other operating expenses	1,419,439	1,629,735
	88,607,659	89,531,276

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

9. Operating expenses (continued)

The total administration fees in the nine-month period ended 30 September 2017 included the base fee of 0.6% per year of the Fund's market capitalization, in amount of RON 35,610,391 (nine-month period ended 30 September 2016: RON 35,142,712) and the distribution fee of 2% of the non-dividend distributions until 31 March 2017 and 1.5% after 31 March 2017, in amount of RON 30,789,049 (nine-month period ended 30 September 2016: RON 22,532,938). The higher distribution fee in the nine-month period ended 30 September 2017 compared to the nine-month period ended 30 September 2016 was due to the fees invoiced for the higher distributions made available to the Fund's shareholders in the nine-month period ended 30 September 2017, respectively for the special return of capital performed in March 2017 of RON 0.05 per share for which the payment started on 27 March 2017.

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

Third party services mainly include legal 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.

The FSA's monthly fees decreased due to the decrease of the Fund's total net asset value, on which these fees are calculated. During 2017 and 2016, 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 for 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:

	9 months ended 30 September 2017	9 months ended 30 September 2016
Members of the Board of Nominees	900,000	900,000
Special administrator appointed in portfolio companies in insolvency	-	7,531
Contributions to social security fund	136,990	108,018
Contributions to health insurance fund	45,085	47,254
	<u>1,082,075</u>	<u>1,062,803</u>

10. Finance cost

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 initial availability period of the facility was for one year and on 10 May 2017 it was extended for a subsequent year, respectively until 4 July 2018. The purpose of this credit facility is for general corporate use, including share buy-backs, but excluding the purchase of investments.

On 27 June 2017 the Fund drew for the first time an amount of RON 237,000,000 from the total credit facility which was used for the funding of June 2017 return of capital to shareholders. On 25 July 2017, the Fund reimbursed the entire amount drew from the credit facility contracted from BRD-Groupe Societe Generale SA and the related interest. The finance costs included in the Statement of Comprehensive Income for the nine-month period ended 30 September 2017 comprise the interest expense on the amount drawn from this credit facility.

In the nine-month period ended 30 September 2016, the finance costs category comprised the commitment fee on undrawn amounts from the credit facility concluded by Fondul Proprietatea with Citibank Europe Plc, Dublin – Romania Branch which was terminated on 8 July 2016 with the mutual consent of both parties.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

11. Income tax

	9 months ended 30 September 2017	9 months ended 30 September 2016
Current tax expense		
Current tax (16%)	-	-
Dividend withholding tax	(1,827,609)	(1,896,759)
	<u>(1,827,609)</u>	<u>(1,896,759)</u>
Deferred tax related to:		
Equity investments	(1,197,546)	(98,947,404)
Fiscal loss	18,799,713	-
	<u>17,602,167</u>	<u>(98,947,404)</u>
Income tax / (expense)	<u>15,774,558</u>	<u>(100,844,163)</u>

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

	9 months ended 30 September 2017	9 months ended 30 September 2016
Reconciliation of effective tax rate		
Net Profit for the period	906,431,109	570,729,363
Income tax / (expense)	15,774,558	(100,844,163)
Profit excluding income tax	<u>890,656,551</u>	<u>671,573,526</u>
Income tax using the standard tax rate (16%)	(142,505,048)	(107,451,764)
<i>Impact on the income tax expense of:</i>		
Taxation applied on dividend income	(1,827,609)	(1,896,760)
Elements similar to revenues (taxable equity items)	(60,514,433)	(3,892,973)
Non-taxable income	489,996,699	654,050,317
Non-deductible expenses	(360,025,711)	(614,423,419)
Fiscal result impact in the current period	73,048,493	71,717,839
Deferred tax movement during the period	17,602,167	(98,947,403)
Income tax / (expense)	<u>15,774,558</u>	<u>(100,844,163)</u>

The net deferred tax liability on equity investments recorded through the equity reserve during the nine-month period ended 30 September 2017 was of RON 17,602,167 (nine-month period ended 30 September 2016: net deferred tax asset recorded through the equity reserve of RON 98,947,404).

See *Note 17 Deferred tax* for details regarding the deferred tax computation and recognition.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

12. Basic and diluted earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit for the period by the weighted average number of ordinary paid shares in issue during the period, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares based on their settlement date. The Fund's diluted EPS is the same as basic EPS, since the Fund has not issued any instrument with dilutive effect as at 30 September 2017 and 30 September 2016.

	9 months ended 30 September 2017	9 months ended 30 September 2016
Profit for the period	906,431,109	570,729,363
Weighted average number of ordinary shares	9,086,030,982	10,323,258,271
Basic and diluted earnings per share	0.0998	0.0553

13. Cash and current accounts and deposits with banks

	30 September 2017	31 December 2016
Petty cash	973	984
Current accounts with banks	110,467	77,514
Distributions bank accounts	22,710,285	5,703,123
Cash and current accounts	22,821,725	5,781,621

	30 September 2017	31 December 2016
Bank deposits with original maturities of less than three months	572,931,526	300,761,789
Overnight deposit related to the distribution bank account	-	4,562,078
Interest accrued on bank deposits	41,453	13,267
Deposits with banks	572,972,979	305,337,134

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

14. Dividends receivable

	30 September 2017	31 December 2016
Dividends receivable		
Electrica Furnizare SA	34,807,451	-
SDEE Transilvania Nord SA	22,115,641	-
SDEE Transilvania Sud SA	21,708,184	-
SDEE Muntenia Nord SA	19,336,883	-
E-Distributie Banat SA	8,922,810	-
E-Distributie Dobrogea SA	6,604,290	-
Other dividends receivable	1,158,522	968,515
	114,653,781	968,515
Impairment loss allowance	(1,158,522)	(968,515)
	113,495,259	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

15. Equity investments

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

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

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

	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2017	2,086,956,567	7,905,226,677	9,992,183,244
Subscriptions to share capital increase of portfolio companies	2,720,000	33,580	2,753,580
Disposals	(6,528,164)	(74,016,715)	(80,544,879)
Reclassification to non-current assets held for sale (see <i>Note 16</i>)	(414,390,000)	(752,031,841)	(1,166,421,841)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	98,897,762	98,897,762
Net gain from equity investments at fair value through profit or loss	186,582,738	-	186,582,738
30 September 2017	1,855,341,141	7,178,109,463	9,033,450,604
	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2016	3,349,024,657	8,451,679,962	11,800,704,619
Subscriptions to share capital increase of portfolio companies	4,200,000	70,150	4,270,150
Disposals	-	(1,411,493,673)	(1,411,493,673)
Impairment losses	-	(43,045,847)	(43,045,847)
Reclassification to non-current assets held for sale	(888,428,426)	-	(888,428,426)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	729,267,670	729,267,670
Net loss from equity investments at fair value through profit or loss	(498,807,968)	-	(498,807,968)
30 September 2016	1,965,988,263	7,726,478,262	9,692,466,525

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)
Disposals

During the nine-month period ended 30 September 2017, the Fund sold its entire holding in Oil Terminal SA, Banca Transilvania SA and Primcom SA as well as, a part of its holding in OMV Petrom SA and BRD Groupe Societe Generale.

Impairment losses

During the nine-month period ended 30 September 2017, the Fund did not record any impairment losses for the equity investments.

During the nine-month period ended 30 September 2016, the Fund recorded impairment losses in amount of RON 43,045,847, the most important one being the impairment loss for the Fund's holding in Nuclearelectrica SA, in amount of RON 40,701,446.

Portfolio structure

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

	30 September 2017	31 December 2016
Equity investments at fair value through profit or loss		
OMV Petrom SA	1,636,765,395	1,857,680,048
Societatea Nationala a Sarii SA	181,000,000	181,000,000
Zirom SA	25,512,000	25,512,000
Primcom SA	-	10,225,757
Other	12,063,746	12,538,762
	1,855,341,141	2,086,956,567
Equity investments available for sale	30 September 2017	31 December 2016
Hidroelectrica SA	3,384,000,000	3,384,000,000
CN Aeroporturi Bucuresti SA	761,000,000	761,000,000
E-Distributie Banat SA	599,900,000	599,900,000
Engie Romania SA	453,400,000	453,400,000
E-Distributie Muntenia SA	449,400,000	449,400,000
E-Distributie Dobrogea SA	380,200,000	380,200,000
BRD Groupe Societe Generale SA	275,460,612	301,317,857
SDEE Muntenia Nord SA	209,744,928	255,200,000
SDEE Transilvania Sud SA	173,504,365	246,200,000
Administratia Porturilor Maritime SA	216,000,000	216,000,000
SDEE Transilvania Nord SA	201,702,667	208,300,000
Electrica Furnizare SA	167,079,881	167,723,000
Nuclearelectrica SA	201,451,600	131,697,271
Alro SA	145,769,428	85,275,115
Enel Energie SA	75,500,000	75,500,000
Enel Energie Muntenia SA	70,300,000	70,300,000
Posta Romana SA	45,000,000	43,000,000
Romaero SA	33,841,628	21,708,486
Banca Transilvania SA	-	20,563,646
Other	86,886,195	34,541,302
Reclassification to non-current assets held for sale (see Note 16)	(752,031,841)	-
	7,178,109,463	7,905,226,677
Total equity investments	9,033,450,604	9,992,183,244

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

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

Fair value hierarchy

The Fund classifies the fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement, the levels of the fair value hierarchy being defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

As at 30 September 2017:

	Level 1	Level 2	Level 3	Total
Equity investments	2,314,505,465	-	6,718,945,139	9,033,450,604
Treasury bills	62,960,456	-	-	62,960,456
Government bonds	82,304,285	-	-	82,304,285
Non-current assets held for sale	-	-	752,031,841	752,031,841
	2,459,770,206	-	7,470,976,980	9,930,747,186

As at 31 December 2016:

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

The table below presents the movement in Level 3 equity investments for the nine-month period ended 30 September 2017:

	9 months ended 30 September 2017
1 January 2017	7,592,183,120
Net change in fair value recorded in other comprehensive income	(110,538,948)
Net loss from equity investments at fair value through profit or loss	(6,892,608)
Disposals	(6,528,164)
Subscriptions to share capital increase of portfolio companies	2,753,580
Transfers in/(out) of Level 3	-
30 September 2017	7,470,976,980

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

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

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

As the valuation reports were prepared as at 30 September 2016, except the valuation report for the holding in Posta Romana SA which was prepared as at 31 December 2016 (for 30 September 2016: as at 31 August 2015 in case of the holdings in Electrica Distributie Muntenia Nord SA, Electrica Distributie Transilvania Sud SA, Electrica Distributie Transilvania Nord SA and Electrica Furnizare SA, as at 31 December 2015 in case of the holdings in CN Aeroporturi Bucuresti SA and Administratia Porturilor Maritime SA and as at 31 March 2016 in case of the holding in Hidroelectrica SA, 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 30 September 2017, unlisted equity investments and listed illiquid equity investments with a total carrying amount of RON 7,470,976,980 (31 December 2016: RON 7,592,183,120), were classified as Level 3 of the fair value hierarchy. Out of this, an amount of RON 4,132,640,977 represents the total net change in fair value recognised in equity (other comprehensive income) as at 30 September 2017 (31 December 2016: RON 4,243,179,925). Out of the total value of the equity investments classified as Level 3 of the fair value hierarchy, 99% were assessed with the assistance of independent valuers, using valuation methods in accordance with the International Valuation Standards and 1% were determined based on values used in the calculation of the net asset value of the Fund as at that date, calculated in accordance with the regulations issued by the FSA/CNVM.

The following table sets out information about the significant unobservable inputs used at 30 September 2017 and 31 December 2016 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

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(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

Financial assets	Fair value as at 30 September 2017	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	7,470,976,980			
Unlisted equity instruments	6,393,326,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.22 to 11.4 (8.13) 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	45,000,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 14.22 (14.22) 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.
Unlisted equity instruments	752,031,841	Non-current assets held for sale valued based on the aggregated transaction value stipulated in the Memorandum of Understanding concluded with Electrica SA on 14 July 2017 for the disposal of the Fund's holdings in Electrica subsidiaries (see Note 16).		
Listed illiquid equity instruments	47,747,387	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	22,506,752	Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM, primarily based on the value of the shareholders' equity of the issuer extracted from its latest annual financial statements.		

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

15. Equity investments (continued)

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

Significant unobservable inputs are the following:

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

15. 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).

16. Non-current assets held for sale

As at 30 September 2017, based on the assessment made by the Fund, all the criteria for classifying as held-for-sale its holdings in SDEE Muntenia Nord SA, SDEE Transilvania Sud SA, SDEE Transilvania Nord SA and Electrica Furnizare SA were met, in accordance with IFRS 5 requirements. There were no non-current assets held for sale as at 31 December 2016.

The non-current assets held for sale as at 30 September 2017 included the fair value of the Fund's holdings in SDEE Muntenia Nord SA, SDEE Transilvania Sud SA, SDEE Transilvania Nord SA and Electrica Furnizare SA ("Electrica subsidiaries") subject to the disposal according to the memorandum concluded between the Fund and Electrica SA. On 14 July 2017 the Fund has publicly announced that it has signed a Memorandum of Understanding with Electrica SA for the disposal of its holdings in Electrica subsidiaries. The Fund's holdings in Electrica subsidiaries will be acquired by Electrica together with all the rights attached to them under the applicable law, including the right to receive dividends, except for those related to the financial year ending on 31 December 2016, which remain to be collected by the Fund, as already approved by the General Meeting of Shareholders of the Electrica subsidiaries on 17 May 2017. The parties plan to execute the transactional documents pertaining to the envisaged transaction after obtaining the necessary corporate and shareholders approvals at Electrica and its subsidiaries level by 31 October 2017 (see *Note 22 Subsequent events* for further details). The aggregated value of the transaction would amount to RON 752,031,841.

During September 2017, the Fund also reclassified, in accordance with IFRS 5 requirements, the part of the holding in OMV Petrom SA subject to the bookbuild offering, as non-current assets held for sale. The sale transaction was completed in September 2017 (see *Note 8 Realised loss from disposal of non-current assets held for sale* for further details).

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(all amounts are in RON unless otherwise stated)

17. Deferred tax

	Deductible temporary differences	Related deferred tax asset/(liability), out of which:	Recognised deferred tax asset/(liability)	Not recognised deferred tax asset
30 September 2017				
Equity investments	(1,630,836,350)	(260,933,816)	(260,933,816)	-
Fiscal loss carried forward	2,313,320,711	370,131,314	260,933,816	109,197,498
	682,484,362	109,197,498	-	109,197,498

	Deductible temporary differences	Related deferred tax asset/(liability), out of which:	Recognised deferred tax asset/(liability)	Not recognised deferred tax asset
31 December 2016				
Equity investments	(1,513,338,145)	(242,134,103)	(242,134,103)	-
Fiscal loss carried forward	2,769,873,790	443,179,806	242,134,103	201,045,703
	1,256,535,645	201,045,703	-	201,045,703

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

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

9 months ended	Balance at 1 January	Recognised in profit or loss	Recognised in equity (other comprehensive income)	Balance at 30
30 September 2017	2017	loss	income)	September 2017
Equity investments	(242,134,103)	(1,197,546)	(17,602,167)	(260,933,816)
Fiscal loss carried forward	242,134,103	18,799,713	-	260,933,816
	-	17,602,167	(17,602,167)	-
9 months ended	Balance at 1 January	Recognised in profit or loss	Recognised in equity (other comprehensive income)	Balance at 30
30 September 2016	2016	loss	income)	September 2016
Equity investments	(109,323,376)	-	98,947,404	(7,105,648)
Fiscal loss carried forward	109,323,376	(98,947,404)	-	7,105,648
	-	(98,947,404)	98,947,404	-

As at 30 September 2017 and 31 December 2016, the net deferred tax position is nil due to the fact that the Fund recognised a deferred tax asset for the unused tax losses carried forward, only to the level of the deferred tax liability arising from the taxable temporary differences. The deferred tax is recognised either in profit or loss or other comprehensive income, depending on the nature of the corresponding item.

18. Liabilities
(a) Payable to shareholders

The payable to shareholders caption comprises the amounts due to shareholders related to the returns of capital in total amount of RON 24,413,023 (31 December 2016: RON 20,208,049).

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

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(all amounts are in RON unless otherwise stated)

18. Liabilities (continued)**(a) Payable to shareholders (continued)**

	Returns of capital
1 January 2017	20,208,049
Distributions started during the period	924,046,244
Payments performed during the period	(906,903,077)
Payments related to 2015 return of capital performed directly by Central Depository from the amount transferred by the Fund in their account in 2015	(10,354,346)
Distributions for which the statute of limitation occurred	(2,583,847)
30 September 2017	24,413,023

(b) Other liabilities and provisions

	30 September 2017	31 December 2016
Administration fees	12,301,861	12,907,804
Intermediaries and other transactions fees related to disposal of portfolio holdings	4,999,883	11,654,707
Payables related to treasury shares under settlement	2,538,547	287,824
Provision for litigations	856,247	856,247
Financial Supervisory Authority fees	824,731	861,361
Other liabilities	1,168,726	1,386,042
	22,689,995	27,953,985

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

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

The following changes in the share capital were recorded during the nine-month period ended 30 September 2017:

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

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

- On 16 June 2017, the subscribed share capital of the Fund decreased from RON 5,742,226,025.22 to RON 5,238,521,987.92 following the reduction of the nominal value of the shares from RON 0.57 to RON 0.52 per share and the return to shareholders of RON 0.05 per share, proportionally with their participation to the paid share capital (total impact on the share capital of RON 503,704,037).

The movements in the share capital components are presented below:

	Share capital paid-in	Share capital unpaid	Total share capital
31 December 2015	9,746,649,631	327,431,115	10,074,080,746
Decrease of the nominal value of the shares	(530,101,923)	(18,190,617)	(548,292,540)
Cancellation of treasury shares	(357,474,089)	-	(357,474,089)
31 December 2016	8,859,073,619	309,240,498	9,168,314,117
Coverage of the cumulated accounting losses	(2,233,361,731)	(83,676,841)	(2,317,038,572)
Decrease of the nominal value of the shares	(971,026,839)	(36,381,235)	(1,007,408,074)
Cancellation of treasury shares	(605,345,483)	-	(605,345,483)
30 September 2017	5,049,339,566	189,182,422	5,238,521,988

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

	30 September 2017	31 December 2016
Number of shares in issue	10,074,080,746	10,786,251,902
Number of paid shares	9,710,268,396	10,422,439,552
Number of unpaid shares	363,812,350	363,812,350
Nominal value per share (RON)	0.52	0.85

Unpaid share capital as at 30 September 2017 and 31 December 2016 represents the nominal value of certain contributions due to the Fund by the Romanian State, represented by the Ministry of Public Finance as shareholder, that were recorded in previous years as paid in share capital (based on Law 247/2005) and subsequently were considered unpaid following the final results of several litigations that took place in the past. Holders of unpaid shares are not entitled to vote or to receive dividends or other cash distributions, until the matters are legally clarified. The Fund recorded an impairment adjustment for the entire receivable related to the unpaid amounts from the Ministry of Public Finance. Following the reduction of the nominal value of the Fund's shares on 24 March 2017 and 16 June 2017, the receivable related to the unpaid amounts from the Ministry of Public Finance and the related impairment adjustment decreased accordingly and had an impact in profit or loss account of RON 36,381,235.

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(all amounts are in RON unless otherwise stated)

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

The shareholder structure as at 30 September 2017 was as follows:

Shareholder categories	% of subscribed share capital	% of paid-in share capital
The Bank of New York Mellon (depository bank for the Fund's GDRs)	33.10%	34.34%
Foreign institutional shareholders	19.40%	20.12%
Romanian private individuals	16.25%	16.86%
Romanian institutional shareholders	15.46%	16.04%
Foreign private individuals	2.94%	3.05%
Ministry of Public Finance	0.06%	0.06%
Treasury shares	9.18%	9.53%
Unpaid shares	3.61%	-
Total	100%	100%

Source: Depozitarul Central SA

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

The fair value reserve of RON 4,379,618,381 as at 30 September 2017 (31 December 2016: RON 4,333,537,124) is comprised of the cumulative net change in the fair value of the available for sale financial assets recognised in other comprehensive income, until the investments are derecognised or impaired, net of the related deferred tax recognised through equity. The fair value reserve balance as at 30 September 2017 includes RON 345,134,143 (31 December 2016: nil) relating to the cumulative net change in the fair value of the non-current assets classified as held for sale, recognised in other comprehensive income.

(c) Other reserves

	30 September 2017	31 December 2016
Legal reserve	266,084,000	266,084,000
Other reserves	180,448,965	319,384,652
	446,532,965	585,468,652

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

The balance of other reserves as at 30 September 2017 mainly comprises the reserves related to the net gain on the cancellation of treasury shares acquired at an acquisition value lower than the nominal value, in amount of RON 177,865,119. This amount may be used for corporate actions in accordance with the applicable legislation.

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

(d) Treasury shares

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

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

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(all amounts are in RON unless otherwise stated)

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

The table below summarises the buy-back programmes valid during the nine-month period ended 30 September 2017:

Programme	GSM date approving the buy-back programme	Starting date	Completion date	Acquisition price range as approved by GSM
Seventh buy-back	29-Oct-2015	29-Sep-16	26 May 2017	0.2 - 2 RON per share
Eighth buy-back	11-Oct-2016	30-May-17	ongoing	0.2 - 2 RON per share

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

The movement in the number of treasury shares (including the equivalent shares of GDRs bought-back) during the nine-month period ended 30 September 2017 is presented in the below table:

	Treasury shares number - opening balance	Acquisitions during the period	Cancellations during the period	Treasury shares number - closing balance
Sixth buy-back	712,171,156	-	(712,171,156)	-
Seventh buy-back	79,336,721	750,910,898	-	830,247,619
Eighth buy-back	-	99,000,590	-	99,000,590
	791,507,877	849,911,488	(712,171,156)	929,248,209

The sixth buy-back programme

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

The seventh buy-back programme

On 8 February 2017, the FSA approved the Fund's application for the public tender offer within the seven buy-back programme for the acquisition of up to 640,000,000 shares. The subscription period was from 15 February 2017 until 20 March 2017, and the purchase price was RON 0.91 per share and the USD equivalent of RON 45.50 per GDR. The Fund acquired all 640,000,000 shares (370,679,050 in the form of ordinary shares and 269,320,950 shares in the form of GDRs, respectively 5,386,419 GDRs) and resumed the acquisitions of treasury shares within the seven buy-back programme through the daily buy-backs on 27 March 2017. The seventh buy-back programme was completed on 26 May 2017 through the acquisition of 830,247,619 shares (either in form of ordinary shares or GDRs) equivalent to 8.24% of the Fund's issued shares at that date, via daily trades on the regular market (on BVB in case of ordinary shares and on LSE in case of GDRs) and through the public tender offer mentioned above.

The total acquisition value of the seventh buy-back programme was RON 744,506,784.85 (excluding transaction costs). The average acquisition price for shares was RON 0.8887 and the average acquisition price for GDRs was 10.7528 USD.

The eighth buy-back programme

The eighth buy-back programme started on 30 May 2017 and as at 30 September 2017 the total number of shares repurchased by the Fund (either in form of ordinary shares or GDRs) within the eighth buy-back programme was 99,000,590 (based on the transaction trade date) for a total acquisition value of RON 86,039,469 (excluding transaction costs). The average acquisition price for shares was RON 0.8665 and the average acquisition price for GDRs was 10.8875 USD.

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(all amounts are in RON unless otherwise stated)

19. Shareholders' equity (continued)

(e) Return of capital to shareholders

Return of capital from March 2017

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

The shareholders registered in the shareholders' registry with the Central Depository on 7 March 2017 (the Registration Date) have the right to receive RON 0.05 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 27 March 2017 and by 30 September 2017, shareholders had collected almost 99% of the total distribution of RON 480,543,496.

Return of capital from June 2017

At the 28 February 2017 GSM, the Fund's shareholders approved the return to shareholders of RON 0.05 per share, following the subscribed share capital decrease from RON 5,742,226,025.22 to RON 5,238,521,987.92 through the reduction of the nominal value of Fund's share from RON 0.57 to RON 0.52. The shareholders resolution was published in the Official Gazette of Romania on 13 March 2017 and the endorsement by the FSA of the new Constitutive Act reflecting the share capital decrease was received on 16 June 2017.

The shareholders registered in the shareholders' registry with the Central Depository on 12 June 2017 have the right to receive RON 0.05 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 30 June 2017 and by the end of 30 September 2017, shareholders had collected over 97% of the total distribution of RON 443,502,747.

(f) Coverage of the cumulated accounting losses

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

20. Contingencies

1. Litigations

As at 30 September 2017, the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets the Fund considers that there are no litigations which may have significant effects on the Fund's financial position or profitability.

2. Other contingencies

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

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

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 Fund appealed the decision and the Court set the first hearing for 20 November 2017.

The related 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.

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

	9 months ended 30 September 2017	9 months ended 30 September 2016
Remunerations		
Members of the Board of Nominees	900,000	900,000

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

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

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

	9 months ended 30 September 2017	9 months ended 30 September 2016
Transactions		
Administration fees	66,399,440	45,107,803

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

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

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

Transactions	9 months ended 30 September 2017	9 months ended 30 September 2016
Administration fees	-	12,567,847
Rental expense	49,983	49,381
Operating cost	18,246	17,744
	68,229	12,634,972

During the first nine months of 2017, the Fund also recorded RON 1,094,492 representing expenses incurred by FTIML on its behalf (nine-month period ended 30 September 2016: RON 1,135,249). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the management agreements and was subject to Board of Nominees' approval.

The outstanding liabilities owed by the Fund were as follows:

Amounts due to:	30 September 2017	31 December 2016
FTIS	12,301,861	12,907,804
FTIML	8,807	193,120
	12,310,669	13,100,924

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

(b) Subsidiaries

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

Ownership interest	30 September 2017	31 December 2016
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	70%	70%
Primcom SA	sold	75%

In April 2017, the shareholders of Comsig SA approved the dissolution of the company. Starting with September 2017, Comsig SA entered in judicial dissolution according to article 227 from Law 31/1990.

In August 2017, the Fund participated in the cash share capital increase of Zirom SA subscribing 272,000 new shares respectively, at the nominal value of RON 10 per share (in total of RON 2,720,000).

In September 2017, the Fund sold its entire holding in Primcom SA.

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 to 75%.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

21. Related parties (continued)

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

	30 September 2017	31 December 2016
Zirom SA	25,512,000	25,512,000
Alcom SA	9,906,746	10,133,492
Comsig SA	-	248,269
Primcom SA	-	10,225,757
	35,418,746	46,119,518

As at 30 September 2017, the Fund has no commitment or intention to provide financial or other support to its subsidiaries, including commitments or intentions to assist the subsidiaries in obtaining financial support.

(c) Associates

As at 30 September 2017 and 31 December 2016 the Fund had two associates, all of them incorporated in Romania:

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

During the nine-month period ended 30 September 2017, the Fund recorded and collected from Societatea Nationala a Sarii SA a dividend of RON 13,760,169.

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

22. Subsequent events
(a) Decisions of General Shareholders' Meeting held on 26 October 2017

The main decisions of the shareholders at the 26 October 2017 GSM were the following:

- The approval of the ninth buy-back programme for a maximum number computed so that all the outstanding treasury shares (acquired during this programme and/or previous ones) will not exceed 20% of the issued share capital at the relevant time, starting with the date of publication of this resolution in the Romanian Official Gazette, at a price that cannot be lower than RON 0.2 / share or higher than RON 2 / share.
- The approval of the continuation of the current mandate of Franklin Templeton International Services S.à r.l. as the alternative investment fund manager and sole director of Fondul Proprietatea.
- The approval of 2018 budget of Fondul Proprietatea.
- The appointment of Deloitte Audit SRL as the financial auditor of Fondul Proprietatea.

(b) Disposal of Fund's holdings in Electrica subsidiaries

The Fund and Electrica SA have extended the Long Stop Date of the Memorandum of Understanding signed on 14 July 2017 for the disposal of the Fund's holdings in Electrica subsidiaries (i.e. SDEE Distributie Muntenia Nord SA, SDEE Distributie Transilvania Sud SA, SDEE Distributie Transilvania Nord SA and Electrica Furnizare SA) from the initially agreed 31 October 2017 until 30 November 2017.

On 1 November 2017 the Investment Manager announced that Fondul sold its entire holdings in the subsidiaries of Electrica SA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

(all amounts are in RON unless otherwise stated)

22. Subsequent events (continued)

The total value of the transaction amounted to RON 752,031,841 and its details are described below as follows:

- Electrica Furnizare SA was sold to Electrica SA and Electrica Serv SA for an aggregated selling price of RON 167,079,881;
- SDEE Transilvania Nord SA was sold to Electrica SA and SDEE Muntenia Nord SA for an aggregated selling price of RON 201,702,667;
- SDDEE Muntenia Nord SA was sold to Electrica SA and SDEE Transilvania Sud SA for an aggregated selling price of RON 209,744,928;
- SDEE Transilvania Sud SA was sold to Electrica SA and SDEE Transilvania Nord SA for an aggregated selling price of RON 173,504,365.

Also, during November 2017 the Fund collected the outstanding balance of the dividends in amount of RON 97.9 million distributed by Electrica subsidiaries.

(c) Completion of the eight buy-back programme

The eighth buyback programme was completed on 10 November 2017, this being the date when the 26 October 2017 EGM for approving the ninth buyback produced its effects, respectively the date when the EGM Resolution was published in the Official Gazette.

During the eighth buy-back the Fund repurchased a total of 141,869,861 shares (either in form of ordinary shares or GDRs) representing 1.41% of the Fund's total number of issued shares as at 10 November 2017. The shares and GDRs were acquired via daily trading on the regular market (Bucharest Stock Exchange in case of ordinary shares and London Stock Exchange in case of GDRs). The total value of the eighth buy-back programme was RON 122,348,193.26 (excluding brokerage fees and other acquisition related costs), and the weighted average price was approximately RON 0.8591 per share, respectively USD 10.8805 per GDR.

(d) Commencement of the nine buy-back programme

The Investment Manager started the ninth buy-back programme on 14 November 2017. As per EGM Resolution no. 5 of 26 October 2017 published in the Official Gazette no. 4303, Part IV on 10 November 2017, the programme refers to the acquisition of a maximum number of shares and/or equivalent GDRs corresponding to the Fund's shares computed so that inclusive of all the outstanding treasury shares (acquired during this programme and/or previous ones) will not exceed 20% of the issued share capital at the relevant time.

The ninth buy-back programme is valid until 10 May 2019 and WOOD & Company Financial Services, a.s. (as buy-back agent in relation to the purchase of shares listed on Bucharest Stock Exchange) and Jefferies International Limited (as buy-back agent in relation to the purchase of GDRs listed on London Stock Exchange) have been selected to provide brokerage services for this buy-back programme.

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 29 September 2017, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	30 December 2016				29 September 2017				Differences	
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	RON	
I. Total assets	100.4201%	100.0000%		11,475,358,724.04	100.4425%	100.0000%		10,652,884,670.02	(822,474,054.02)	
1 Securities and money market instruments, out of which:	24.6421%	24.5389%		2,815,929,874.99	23.0488%	22.9473%		2,444,550,013.17	(371,379,861.82)	
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	24.6421%	24.5389%		2,815,929,874.99	23.0488%	22.9473%		2,444,550,013.17	(371,379,861.82)	
1.1.1 listed shares traded in the last 30 trading days	21.6780%	21.5873%	-	2,477,213,080.14	22.1675%	22.0700%	-	2,351,088,359.07	(126,124,721.07)	
1.1.2 listed shares not traded in the last 30 trading days	0.0887%	0.0883%	-	10,133,492.11	0.1053%	0.1048%	-	11,164,492.45	1,031,000.34	
1.1.3 Government bonds	2.8754%	2.8633%	-	328,583,302.74	0.7760%	0.7725%	-	82,297,161.65	(246,286,141.09)	
1.1.4 allotment rights not admitted at trading on a regulated market	-	-	-	-	-	-	-	-	-	
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-	-	-	-	-	-	-	-	
1.2.1 listed shares traded in the last 30 trading days	-	-	-	-	-	-	-	-	-	
1.2.2 listed shares not traded in the last 30 trading days	-	-	-	-	-	-	-	-	-	
1.3. securities and money market instruments admitted on a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the FSA	-	-	-	-	-	-	-	-	-	
2 New issued securities	-	-	-	-	-	-	-	-	-	
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	66.0359%	65.7595%	-	7,546,147,063.97	69.9911%	69.6826%	-	7,423,223,216.50	(122,923,847.47)	
- shares not admitted at trading on a regulated market	66.0359%	65.7595%	-	7,546,147,063.97	69.9911%	69.6826%	-	7,423,223,216.50	(122,923,847.47)	
4 Bank deposits, out of which:	2.6721%	2.6609%		305,335,161.21	5.4022%	5.3784%		572,962,009.02	267,626,847.81	
4.1. bank deposits made with credit institutions from Romania	2.6721%	2.6609%	-	305,335,161.21	5.4022%	5.3784%	-	572,962,009.02	267,626,847.81	
- in RON	2.6721%	2.6609%		305,335,161.21	5.4022%	5.3784%		572,962,009.02	267,626,847.81	
- in euro	-	-	-	-	-	-	-	-	-	
4.2. bank deposits made with credit institutions from an EU state	-	-	-	-	-	-	-	-	-	
4.3. bank deposits made with credit institutions from a non-EU state	-	-	-	-	-	-	-	-	-	
5 Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	-	-	-	
6 Current accounts and petty cash out of which:	0.0506%	0.0504%		5,781,686.46	0.2152%	0.2143%		22,821,800.31	17,040,113.85	
- in RON	0.0506%	0.0504%	-	5,778,094.78	0.2148%	0.2139%	-	22,785,985.95	17,007,891.17	
- in EUR	0.0000%	0.0000%	EUR 222.45	1,010.17	0.0000%	0.0000%	EUR 532.52	2,449.11	1,438.94	
- in USD	0.0000%	0.0000%	USD 232.92	1,002.32	0.0002%	0.0002%	USD 4,285.66	16,704.22	15,701.90	
- in GBP	0.0000%	0.0000%	GBP 298.18	1,579.19	0.0002%	0.0002%	GBP 3,197.22	16,661.03	15,081.84	
7 Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	6.8382%	6.8099%	-	781,436,770.50	0.5936%	0.5910%	-	62,959,143.91	(718,477,626.59)	
- Treasury bills with discount with original maturities of less than 1 year	6.8382%	6.8099%	-	781,436,770.50	0.5936%	0.5910%	-	62,959,143.91	(718,477,626.59)	
8 Participation titles of OCIU and/or of UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-	
9 Other assets out of which:	0.1812%	0.1804%		20,728,166.91	1.1916%	1.1864%		126,368,487.11	105,640,320.20	
- net dividend receivable from Romanian companies	-	-	-	-	1.0701%	1.0654%	-	113,495,259.25	113,495,259.25	
- receivable representing the amount transferred to Central Depository for 2015 return of capital and not yet paid to / collected by shareholders until the end of the period	0.1053%	0.1049%	-	12,042,812.70	0.0159%	0.0159%	-	1,688,466.90	(10,354,345.80)	
- tax on dividends to be recovered from the State Budget	0.0061%	0.0060%	-	692,489.00	0.0066%	0.0066%	-	697,732.00	5,243.00	
- tax on profit to be recovered from the State Budget	0.0641%	0.0639%	-	7,330,440.00	0.0691%	0.0688%	-	7,330,440.00	-	
- intangible assets	0.0048%	0.0047%	-	548,806.76	0.0033%	0.0032%	-	343,004.21	(205,802.55)	
- other receivables	0.0003%	0.0003%	-	35,811.24	0.0245%	0.0244%	-	2,590,957.85	2,555,146.61	
- in RON	0.0003%	0.0003%	-	35,811.24	0.0241%	0.0240%	-	2,554,165.05	2,518,353.81	
- in EUR	-	-	-	-	0.0004%	0.0004%	EUR 8,000.00	36,792.80	36,792.80	
- prepaid expenses	0.0006%	0.0006%	-	77,807.21	0.0021%	0.0021%	-	222,626.90	144,819.69	
II. Total liabilities	0.4201%	0.4184%		48,007,343.57	0.4425%	0.4407%		46,951,798.89	(1,055,544.68)	
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1119%	0.1114%	-	12,782,412.56	0.1148%	0.1143%	-	12,179,992.14	(602,420.42)	
2 Liabilities related to the fees payable to the depositary bank	0.0006%	0.0006%	-	66,204.54	0.0005%	0.0005%	-	56,461.87	(9,742.67)	
3 Liabilities related to the fees payable to intermediaries	0.0561%	0.0558%	-	6,406,659.99	0.0455%	0.0453%	-	4,829,282.77	(1,577,377.22)	
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-	
5 Interest payable	-	-	-	-	-	-	-	-	-	
6 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-	
7 Liabilities in relation with the fees/commissions to FSA	0.0073%	0.0073%	-	833,574.93	0.0075%	0.0075%	-	797,239.90	(36,335.03)	
8 Liabilities related to audit fees	-	-	-	-	0.0017%	0.0017%	-	180,606.66	180,606.66	
9 Other Liabilities, out of which:	0.2442%	0.2433%		27,918,491.55	0.2725%	0.2714%		28,908,215.55	989,724.00	
- liabilities related to the return of capital	0.1768%	0.1761%	-	20,208,048.75	0.2302%	0.2292%	-	24,413,022.89	4,204,974.14	
- provisions	0.0075%	0.0075%	-	856,247.22	0.0081%	0.0081%	-	856,247.22	-	
- liabilities related to buybacks under settlement	0.0025%	0.0025%	-	287,823.53	0.0239%	0.0238%	-	2,538,546.55	2,250,723.02	
- remunerations and related contributions	0.0003%	0.0003%	-	31,950.00	0.0006%	0.0006%	-	68,289.00	36,339.00	
- VAT payable to State Budget	-	-	-	-	0.0003%	0.0003%	-	33,581.13	33,581.13	

FONDUL PROPRIETATEA SA

Item	30 December 2016				29 September 2017				Differences
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
- other liabilities out of which:	0.0571%	0.0569%	-	6,534,422.05	0.0094%	0.0094%	-	998,528.76	(5,535,893.29)
- in RON	0.0557%	0.0555%	-	6,374,591.32	0.0072%	0.0072%	-	763,085.98	(5,611,505.34)
- in USD	0.0009%	0.0009%	USD 25,007.00	107,612.62	0.0009%	0.0009%	USD 25,007.00	97,469.78	(10,142.84)
- in euro	0.0005%	0.0005%	EUR 11,499.00	52,218.11	0.0013%	0.0013%	EUR 30,000.00	137,973.00	85,754.89
III. Net Asset Value (I - II)	100.0000%	99.5816%		11,427,351,380.47	100.0000%	99.5593%		10,605,932,871.13	(821,418,509.34)

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

Unitary Net Asset Value

Item	29 September 2017	30 December 2016	Differences
Net Asset Value	10,605,932,871.13	11,427,351,380.47	(821,418,509.34)
Number of outstanding shares	8,781,020,187	9,630,931,675	(849,911,488)
Unitary net asset value	1.2078	1.1865	0.0213

DETAILED STATEMENT OF INVESTMENTS AS AT 29 SEPTEMBER 2017
Securities admitted or traded on a regulated market in Romania, out of which:
1.1 listed shares traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alro Slatina SA	ALR	29/Sep/2017	72,884,714	0.5	2.0000	145,769,428.00	10.21%	1.3684%	1.3744%	Closing price
BRD-Groupe Societe Generale SA	BRD	29/Sep/2017	22,143,136	1	12.4400	275,460,611.84	3.17%	2.5858%	2.5972%	Closing price
Conpet SA	COTE	29/Sep/2017	524,366	3.3	105.0000	55,058,430.00	6.05%	0.5168%	0.5191%	Closing price
OMV Petrom SA	SNP	29/Sep/2017	5,663,548,078	0.1	0.2890	1,636,765,394.54	9.99%	15.3645%	15.4325%	Closing price
Palace SA	PACY	27/Sep/2017	5,832,482	0.1	0.4700	2,741,266.54	15.42%	0.0257%	0.0258%	Reference price - Average price
Romaero SA	RORX	22/Sep/2017	1,311,691	2.5	25.8000	33,841,627.80	20.99%	0.3177%	0.3191%	Reference price - Average price
Nuclearelectrica SA	SNN	29/Sep/2017	27,408,381	10	7.3500	201,451,600.35	9.09%	1.8911%	1.8994%	Closing price
Total						2,351,088,359.07		22.0700%	22.1675%	

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	10/Feb/2017	89,249	2.5	111.0012	9,906,746.10	71.89%	0.0930%	0.0934%	Shareholders' equity as of 31 December 2016
IOR SA	IORB	11/Aug/2017	2,622,273	0.1	0.4075	1,068,576.25	2.81%	0.0100%	0.0101%	Fair value (Reuters adjusted price)
Mecon SA	MECP	6/Jul/2017	60,054	11.6	3.1500	189,170.10	12.51%	0.0018%	0.0018%	Fair value (Last trading price)
Total						11,164,492.45		0.1048%	0.1053%	

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%	0.0159%	0.0160%	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%	0.0340%	0.0342%	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	0.9700	343,833.96	20.43%	0.0032%	0.0032%	Unlisted companies, in function	Fair value/share (Selling price)
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	77.0272	15,648,845.95	20.00%	0.1469%	0.1475%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2016 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	127.5586	3,514,749.66	20.00%	0.0330%	0.0331%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2016 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Maritime SA	21,237	19/Jul/2005	1,351,671	141.2310	2,999,322.75	20.00%	0.0282%	0.0283%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2016 adjusted with dividends declared/ share)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	65,511,444	81.2601	215,999,747.09	19.99%	2.0276%	2.0366%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
CN Aeroporturi Bucuresti SA ***	2,875,443	5/Feb/2010	131,168,263	264.6548	760,999,792.08	20.00%	7.1436%	7.1752%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Complexul Energetic Oltenia SA*****	27,387,940	31/May/2012	670,353,852	0.0000	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Comsig SA	75,655	19/Jul/2005	132,633	0.0000	0.00	69.94%	0.0000%	0.0000%	Unlisted companies, in function	Fair value/share (zero value)
E-Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	65.0605	599,899,708.96	24.12%	5.6313%	5.6563%	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%	3.5690%	3.5848%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
E-Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	138.0053	449,399,906.90	12.00%	4.2186%	4.2373%	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	122.2764	167,079,940.28	22.00%	1.5684%	1.5753%	Unlisted companies, in function	Fair value / share (As per Aggregated Value agreed in the Memorandum of Understanding concluded with Electrica SA) (see below Note)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	158.3140	70,299,964.96	12.00%	0.6599%	0.6628%	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%	0.7087%	0.7119%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	189.6517	453,399,939.89	11.99%	4.2561%	4.2750%	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	89,381,593	19/Jul/2005	3,107,701,576	37.8601	3,383,996,049.14	19.94%	31.7660%	31.9066%	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%	0.0202%	0.0203%	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	3.0258	44,999,537.23	25.00%	0.4224%	0.4243%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 December 2016)
Romplumb SA	1,595,520	28/Jun/2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Salubriserv SA	43,263	19/Jul/2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
SDEE Muntenia Nord SA	7,796,022	19/Jul/2005	165,221,141	26.9041	209,744,955.49	21.99%	1.9689%	1.9776%	Unlisted companies, in function	Fair value / share (As per Aggregated Value agreed in the Memorandum of Understanding concluded with Electrica SA) (see below Note)
SDEE Transilvania Nord SA	8,167,813	19/Jul/2005	113,299,904	24.6948	201,702,508.47	22.00%	1.8934%	1.9018%	Unlisted companies, in function	Fair value / share (As per Aggregated Value agreed in the Memorandum of Understanding concluded with Electrica SA) (see below Note)
SDEE Transilvania Sud SA	9,327,282	19/Jul/2005	125,918,629	18.6018	173,504,234.31	21.99%	1.6287%	1.6359%	Unlisted companies, in function	Fair value / share (As per Aggregated Value agreed in the Memorandum of Understanding concluded with Electrica SA) (see below Note)

FONDUL PROPRIETATEA SA

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
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Juridical 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%	1.6991%	1.7066%	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 2016)
Zirom SA	5,677,083	28/Jun/2007	56,558,072	4.4938	25,511,675.59	100.00%	0.2395%	0.2405%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Total			5,118,101,991		7,423,223,216.50		69.6826%	69.9911%		

Legend:

* = where the date of acquisition is shown as earlier than Fondul Proprietatea's date of incorporation (28 December 2005), the date of acquisition refers to the date of publishing in the Official Gazette of Law no. 247 / 19 July 2005, which determined that these investments would be transferred to Fondul Proprietatea on its future incorporation.

** = The acquisition price includes the initial value of Fondul Proprietatea's final portfolio of shares contributed by the Romanian State in December 2005 and June 2007 determined based on the valuation performed in October 2007 by an independent valuer (Finevex SRL Constanta) and the subscriptions to share capital increase of portfolio companies, if the case, (both in cash and in form of free of charge shares received) less the disposals (if the case). Fondul Proprietatea did not perform any acquisition of unlisted shares from its incorporation date until now.

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

**** = company resulting from the merger of 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.

Note:

The individual values for the holdings in Electrica Furnizare SA, SDEE Muntenia Nord SA, SDEE Transilvania Nord SA and SDEE Transilvania Sud SA were determined based on the aggregated transaction value in the Memorandum of Understanding concluded with Electrica SA on 14 July 2017 and based on the information included in the GSM Convening Notice published by Electrica SA on 4 September 2017.

Bonds or other debt instruments issued or guaranteed by the state or central public administration authorities
Treasury bills with discount

Series and number of the issue	No. of instruments	Date of acquisition	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Intermediary Bank	Evaluation method
RO1718CTN0C3	10,000	25/Sep/2017	25/Jul/2018	49,690,470.00	1,035.22	1,035.22	49,691,505.22	0.4665%	0.4685%	Banca Comerciala Romana	Acquisition price cumulated with the related interest since the acquisition date
RO1718CTN0C3	2,670	25/Sep/2017	25/Jul/2018	13,266,256.79	276.38	1,381.90	13,267,638.69	0.1245%	0.1251%	Banca Comerciala Romana	
Total							62,959,143.91	0.5910%	0.5936%		

Government bonds

Issuer	ISIN code	No. of instruments	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Cumulated discount/premium	Market price / Reference composite price	Current value	Stake in FP total assets	Stake in FP net asset	Evaluation method
Ministry of Finance	RO1418DBN040	10,000	2/Aug/2017	17/Jan/2018	17/Jan/2018	50,000,000.00	4,452.06	1,139,726.03	0.00	100.5920%	51,435,726.03	0.4828%	0.4850%	Fair value (reference composite price published by Reuters, including the cumulated interest)
Ministry of Finance	RO1418DBN040	6,000	25/Sep/2017	17/Jan/2018	17/Jan/2018	30,000,000.00	2,671.23	683,835.62	0.00	100.5920%	30,861,435.62	0.2897%	0.2910%	
Total											82,297,161.65	0.7725%	0.7760%	

FONDUL PROPRIETATEA SA

Bank deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
ING BANK	14/Sep/2017	5/Oct/2017	22,800,000.00	171.00	2,736.00	22,802,736.00	0.2141%	0.2150%	
CITI Bank	21/Sep/2017	12/Oct/2017	23,800,000.00	132.22	1,190.00	23,801,190.00	0.2234%	0.2244%	
ING BANK	25/Sep/2017	2/Oct/2017	68,100,000.00	945.84	4,729.17	68,104,729.17	0.6393%	0.6421%	
BRD Groupe Societe Generale	25/Sep/2017	2/Oct/2017	68,100,000.00	586.41	2,932.08	68,102,932.08	0.6393%	0.6421%	
ING BANK	25/Sep/2017	16/Oct/2017	68,100,000.00	945.84	4,729.17	68,104,729.17	0.6393%	0.6421%	
CITI Bank	25/Sep/2017	9/Oct/2017	68,100,000.00	643.16	3,215.83	68,103,215.83	0.6393%	0.6421%	
Banca Comerciala Romana	25/Sep/2017	16/Oct/2017	68,100,000.00	851.25	4,256.25	68,104,256.25	0.6393%	0.6421%	
Banca Comerciala Romana	29/Sep/2017	2/Oct/2017	58,700,000.00	2,136.03	2,136.03	58,702,136.03	0.5510%	0.5535%	
Raiffeisen Bank	29/Sep/2017	6/Oct/2017	58,700,000.00	2,119.72	2,119.72	58,702,119.72	0.5510%	0.5535%	
BRD Groupe Societe Generale	29/Sep/2017	2/Oct/2017	9,731,526.07	318.98	318.98	9,731,845.05	0.0914%	0.0918%	
Raiffeisen Bank	29/Sep/2017	2/Oct/2017	58,700,000.00	2,119.72	2,119.72	58,702,119.72	0.5510%	0.5535%	
Total						572,962,009.02	5.3784%	5.4022%	

Bank deposit value cumulated with the daily related interest for the period from starting date

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

	31 December 2015	30 December 2016	29 September 2017
Net Asset	12,093,456,192.73	11,427,351,380.47	10,605,932,871.13
NAV/share	1.1570	1.1865	1.2078

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

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