

Fondul Proprietatea SA

(this is a translation from the official Romanian version)



Contents

Company Information	2
Overview	5
Significant Events	7
Analysis of the Activity of the Fund	13
Financial Statements Analysis	22

Annexes

Annex 1	Condensed Interim Financial Statements for the nine-month period ended 30 September 2018, prepared in accordance with IAS 34 Interim Financial Reporting and applying the Financial Supervisory Authority ("FSA") Norm no. 39/ 28 December 2015, regarding the approval of the accounting regulations in accordance with International Financial reporting Standards ("IFRS"), applicable to the entities authorised, regulated and supervised by the FSA – Financial Investments and Instruments Sector ("Norm 39/2015").	26
Annex 2	Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 September 2018, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)	57

Company Information

The Company

- Fondul Proprietatea SA (“the Fund” or “Fondul Proprietatea” or “FP”) was incorporated on 28 December 2005 as a joint stock company operating as a closed-end investment company. The Fund is registered with the Bucharest Trade Register under the number J40/21901/2005 and has the sole registration code 18253260.
- The Fund’s Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.
- During the reported period, the Fund was managed by Franklin Templeton International Services S.à r.l. (“FTIS” or “AIFM”) as its Sole Director and AIFM under the Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFM Directive”) and local implementation regulations, under the Management Agreement executed in 2015 that entered into force on 1 April 2016 and under the Management Agreement that entered into force on 1 April 2018, according with the 14 February 2018 General Shareholders Meeting (“GSM”) Resolution (“2018 Management Agreement”). 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 depositary receipts (“GDRs”) issued by The Bank of New York Mellon as GDR Depositary, having the Fund’s shares as support, have been listed on the Specialist Fund Market of the London Stock Exchange (“LSE”).

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

NAV* and share price developments	Notes	Q3 2018	Q3 2017	H1 2018	Change % Q3 2018 vs Q3 2017	Change % Q3 2018 vs H1 2018
Total shareholders’ equity (RON million)		9,895.5	10,605.8	9,781.0	-6.7%	+1.2%
Total NAV (RON million)	a	9,895.7	10,605.9	9,781.2	-6.7%	+1.2%
NAV per share (RON)	a	1.3546	1.2078	1.3294		
NAV per share change in the period (%)	b	+1.9%	+1.0%	+7.4%		
NAV per share total return in the period (%)	h	+1.9%	+1.1%	+13.1%		
Share price as at the end of the period (RON)	c	0.9310	0.8450	0.8840		
Share price low (RON)	c	0.8550	0.8340	0.8830		
Share price high (RON)	c	0.9310	0.8750	0.9740		
Share price change in the period (%)	b	+5.3%	+1.8%	+2.3%		
Share price total return in the period (%)	i	+5.3%	+1.8%	+10.0%		
Share price discount to NAV as at the end of the period (%)	e	31.3%	30.0%	33.5%		
Average discount for the period (%)	e	32.2%	28.6%	27.3%		
Average daily share turnover (RON million)	d, k	3.6	4.3	9.4	-16.3%	-61.7%
GDR price as at the end of the period (USD)		11.50	11.05	11.30		
GDR price low (USD)	f	10.90	10.45	11.20		
GDR price high (USD)	f	11.50	11.40	12.80		
GDR price change in the period (%)	b	+1.8%	+6.3%	-1.3%		
GDR price total return in the period (%)	b, j	+1.8%	+6.3%	+5.5%		
GDR price discount to NAV as at the end of the period (%)	e	31.7%	28.7%	31.9%		
Average GDR price discount for the period (%)	e	32.3%	28.3%	27.2%		
Average daily GDR turnover (USD million)	g, l	1.7	0.9	2.0	+88.9%	-15.0%

Source: Fondul Proprietatea

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

Notes:

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

Share capital information	30 September 2018	30 June 2018	31 December 2017
Issued share capital (RON)	4,771,610,196.08	4,771,610,196.08	4,854,034,784.56
Paid in share capital (RON)	4,582,427,774.08	4,582,427,774.08	4,664,852,362.56
Number of shares in issue	9,176,173,454	9,176,173,454	9,334,682,278
Number of paid shares	8,812,361,104	8,812,361,104	8,970,869,928
Nominal value per share (RON)	0.52	0.52	0.52

Share information

Primary listing	Bucharest Stock Exchange
Since	25 January 2011
Secondary listing	London Stock Exchange
Since	29 April 2015
Bucharest Stock Exchange symbol	FP
London Stock Exchange symbol	FP.
Bloomberg ticker on BVB	FP RO
Bloomberg ticker on LSE	FP/ LI
Reuters ticker on BVB	FP.BX
Reuters ticker on LSE	FPq.L
ISIN	ROFPTAACNOR5
Financial Supervisory Authority register no	PJR09SIIR/400006/18.08.2010
LEI code	549300PVO1VWBFH3DO07
CIVM registration no	AC-4522-3/12.07.2018

Shareholder Structure as at 30 September 2018¹

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights ²
The Bank of New York Mellon (GDRs) ³	29.09%	30.29%	36.52%
Romanian institutional shareholders	16.49%	17.17%	20.70%
Romanian private individuals	15.88%	16.54%	19.95%
Foreign institutional shareholders	15.66%	16.30%	19.66%
Foreign private individuals	2.45%	2.55%	3.08%
Romanian State represented by Ministry of Public Finance ⁴	0.07%	0.08%	0.09%
Treasury shares ⁵	16.39%	17.07%	-
Unpaid shares ⁶	3.97%	-	-

Source: Depozitarul Central SA (Romanian central depository)

As at 30 September 2018, the Fund had 6,239 shareholders and the total number of voting rights was 7,308,271,205.

Largest Shareholders

Shareholder	Latest ownership disclosure	% of voting rights
Anchorage Capital Group LLC	21 September 2018	6.69%
NN Group	27 March 2017	5.02%

Source: ownership disclosures submitted by shareholders

Disclosure of holdings during the period

On 20 August the Fund announced that Elliott Associates has sent a disclosure of holdings below 5% of the total voting rights in the Fund. According to the disclosure, Elliott Associates' combined holdings (shares and GDRs) as of 20 August 2018 represented 2.42% of the subscribed share capital of the Fund and 221,975,459 voting rights, representing 3.02% of the total number of voting rights in Fondul Proprietatea as at 31 July 2018.

On 21 September the Fund announced that Anchorage Capital Group LLC (AIO V (Ireland) Finance Designated Activity Company and AIO VI (Ireland) Finance Designated Activity Company) has sent a disclosure of holdings over 5% of the total voting rights in the Fund. According to the disclosure, Anchorage Capital Group LLC' combined holdings (shares and GDRs) as of 19 September 2018 represented 6.69% of the total number of voting rights.

Contact Details

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

Web: www.fondulproprietatea.ro

E-mail: office@fondulproprietatea.ro
investor.relations@fondulproprietatea.ro

Telephone: +40 21 200 9600

Fax: +40 21 200 9631/32

¹ Information provided based on settlement date of transactions

² 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

³ Fondul Proprietatea held no global depository receipts as at 30 September 2018

⁴ The percentage represents the paid shares; the percentage of subscribed share capital of Romanian State represented by Ministry of Public Finance is 4.04%, including the unpaid shares

⁵ 1,504,089,899 treasury shares acquired by the Fund in the eighth and ninth buy-back programmes, based on settlement date (886,942,299 ordinary shares acquired and 617,147,600 shares corresponding to GDRs acquired, converted into shares)

⁶ Shares unpaid by Romanian State represented by Ministry of Public Finance

Overview

Franklin Templeton International Services S.à r.l, as Sole Director and AIFM of Fondul Proprietatea presents the results of the Fund in accordance with IFRS for the quarter ended 30 September 2018.

RON million	30 September 2018	30 September 2017
Profit for the quarter ended	160.4	197.1
Profit for the nine month period ended	950.2	906.4

The main contributors to the profit recorded in the first nine months of 2018 were the gross annual dividend income, and 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 by 25.4%).

Total shareholders' equity was RON 9,895.5 million as at 30 September 2018 (30 June 2018: RON 9,781.0 million), and decreased by 8.3% compared to the value of RON 10,790.2 million as at 31 December 2017.

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

The Fund reported a Net Asset Value of RON 9,895.7 million as at 28 September 2018 and a Net Asset Value per Share ("NAV per share") of RON 1.3546 (a positive NAV per Share total return of 1.9% compared to 29 June 2018).

In the quarter ended 30 September 2018, the BVB underperformed compared to the largest markets in Central Europe, in both local currency and EUR terms, as shown in the table below:

% change in Q3 2018	in local currency	in EUR
WIG20 (Poland)	+7.01%	+9.35%
PX (Czech Republic)	+3.54%	+4.83%
BUX (Hungary)	+2.89%	+4.88%
ATX (Austria)	+2.71%	+2.71%
BET-XT (Romania)	+1.90%	+2.12%

Source: Bloomberg

The discount of the Fund's share price to NAV was 31.3% as at 28 September 2018, based on the NAV as at the same date. During the third quarter of 2018, the discount calculated according with the Investment Policy Statement ranged between 29.7% and 34.4%.

The following table shows a summary of the Fund's performance in the first three quarters of 2018:

NAV* and share price developments	Notes	Q3 2018	Q2 2018	Q1 2018
Total NAV (RON million)	a	9,895.7	9,781.2	9,839.0
Total NAV change in the period (%)	b	+1.2%	-0.6%	+7.2%
NAV per share (RON)	a	1.3546	1.3294	1.3270
NAV per share total return in the period (%)	b, d	+1.9%	+5.5%	+7.2%
Share price as at the end of the period (RON)		0.9310	0.8840	0.9340
Share price total return in the period (%)	b, e	+5.3%	+1.8%	+8.1%
Share price discount to NAV as at the end of the period (%)	c	31.3%	33.5%	29.6%
GDR price as at the end of the period (USD)		11.50	11.30	12.6
GDR price total return in the period (%)	b, f	+1.8%	-4.1%	+10.0%
GDR price discount to NAV as at the end of the period (%)	c	31.7%	31.9%	28.3%

Source: Fondul Proprietatea

*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 quarter
- 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 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

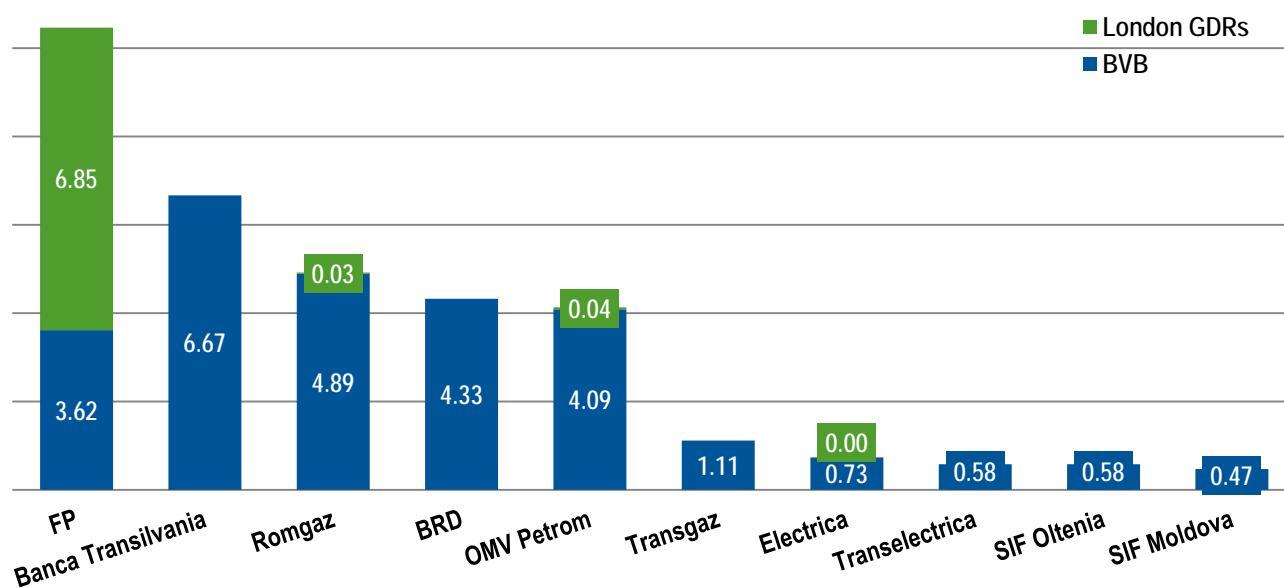
geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS

- e. 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
- f. 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

Significant Events

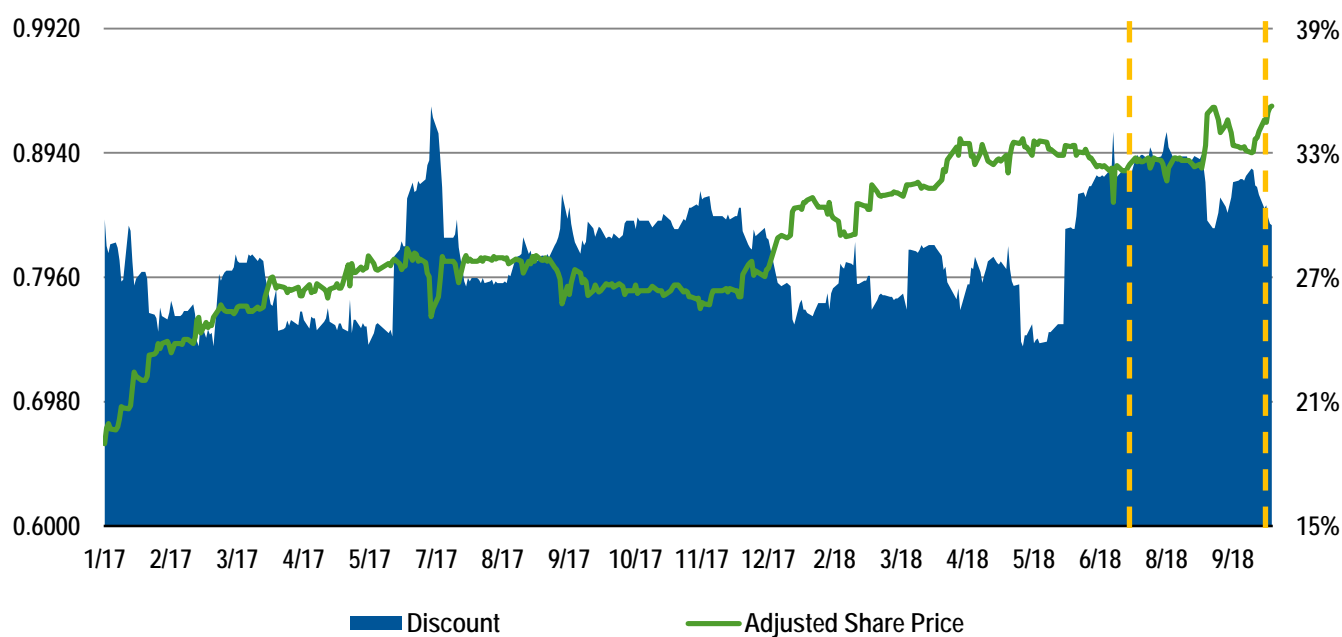
Regulated Stock Market Trading

Average Daily Turnover in the quarter ended 30 September 2018 (RON million)



Source: BVB, Bloomberg

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



Source: BVB

Note: The discount is calculated in accordance with the IPS, i.e. the discount between FP shares closing price on 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 28 September 2018, FP GDRs were trading on LSE at 0.7% discount to FP share price on BVB.

Source: BVB, LSE, for the period 29 April 2015 – 28 September 2018

Performance Objectives

According to the 2018 Management Agreement in force starting with 1 April 2018, the first Reporting Period of the mandate is from 1 January until 31 December 2018 and every subsequent Reporting Period shall be from 1 January until 31 December of the following year.

In accordance with the Fund's IPS, there are two performance objectives that the AIFM is aiming to achieve. The NAV objective refers to a higher adjusted NAV¹ per share in the last day of the Reporting Period, than the reported NAV per share as at the end of the previous Reporting period. For the avoidance of doubt, the term "previous Reporting Period", when applied to the first Reporting Period under 2018 Management Agreement, is to be understood as being the last Reporting Period derived from either the current or the previous management agreement (i.e. 30 June 2017).

The discount objective implies the discount between the closing price of the Fund's shares and the latest reported NAV per share to be equal to, or lower than 15%, in at least 2/3 of the trading days in the Reporting Period.

Discount Objective – First reporting period (interim monitoring)

In the period between 1 January 2018 and 28 September 2018, the discount to NAV was greater than 15%, for both shares and GDRs.

Discount Evolution²

Discount as at 28 September 2018	Minimum discount in the interim monitoring period	Maximum discount in the interim monitoring period	Average discount for the interim monitoring period
29.8%	23.8%	34.4%	29.0%

Source: Fondul Proprietatea

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

¹ Summarizing the provisions of the IPS, the adjusted NAV for a given date is calculated as the sum of: (i) the reported NAV as at the end of the Reporting Period; (ii) any distributions to shareholders, being either dividend or non-dividend ones (i.e. in the last case following reductions of the par value of the shares and distribution to the shareholders), implemented after the end of the previous Reporting Period, and (iii) any distribution fee and any transaction/ distribution costs relating to either dividend or non-dividend distributions including buy-backs of shares/ GDRs/ depositary interests executed through daily acquisitions or public tenders after the end of the previous Reporting Period. The adjusted NAV per share is equal to the adjusted NAV divided by the total number of the Fund's paid shares, less FP ordinary shares bought back and less equivalent in FP ordinary shares of FP GDRs acquired and not yet converted into FP ordinary shares, on the last day of the Reporting Period. For more details, please refer to the IPS available on the Fund's webpage.

² The daily discount is calculated in accordance with the IPS, i.e. the discount between the FP shares closing price on the BVB for each trading day and the latest reported NAV per share at the date of calculation.

NAV Objective – First reporting period (interim monitoring)

As at 28 September 2018, the adjusted NAV per share was 19.4% higher than the 30 June 2017 NAV per share of RON 1.1953.

NAV Objective	Amount RON	Details
Total NAV as 28 September 2018	9,895,659,101	
Dividend distribution from 2017 profits	499,976,344	Dividend distribution approved by shareholders during 26 April 2018 GSM, based on eligible shares as at dividend record date - 11 June 2018 (total issued shares less unpaid shares less shares bought-back and held by the Fund)
Costs related to buy-backs after 30 June 2017	13,904,200	Fees related to eighth buy-back programme after 30 June 2017; ninth buy-back programme, including the FSA fees of 1% of the tender offer value, and excluding the distribution fees for buy-backs
Distribution fees for buy-backs performed after 30 June 2017	14,567,016	Distribution fees for buy-backs, including the tender offer within the ninth buy-back programme
Distribution fees for dividends after 30 June 2017	4,999,763	Distribution fees for distributions to shareholders in the form of dividends
Costs related to the returns of capital after 30 June 2017	46,868	Fees charged by the Central Depositary and Paying Agent for the payments performed after 30 June 2017
Total Adjusted NAV as at 28 September 2018	10,429,153,292	
Number of Fund's paid shares, less treasury shares and GDRs held as at 28 September 2018	7,305,157,535	
Adjusted NAV per share as at 28 September 2018	1.4277	
NAV per share as at 30 June 2017	1.1953	
Difference	0.2324	
%	19.44%	

Source: Fondul Proprietatea

Investor Relations Update

In the third quarter of the year, in our efforts to increase the visibility and the profile of the Fund, as well as the local capital market, and Romania, to a broader international institutional investor base, the Fund's management team participated in 5 regional emerging and frontier market conferences in the United Kingdom, Poland, Croatia, and Romania, and met 61 investment professionals interested in finding out more details about the Fund and its equity story, and in receiving updates on the Fund, its corporate actions, and the main portfolio holdings, as well as on the Romanian macro-economic environment.

During this period, we also organised 2 road-shows in the United States and met with representatives of over 15 institutional investment firms, both current shareholders and potential investors.

Between 5 to 7 September, we organised the 11th edition of the Fondul Proprietatea Investor Days event in Bucharest. 82 investors from 53 investment houses (with over EUR 500 billion collectively in assets under management) participated in the event. Also, representatives of the Romanian Government, US and UK Embassies in Romania, National Bank of Romania, International Monetary Fund, Romanian Fiscal Council, FSA, European Bank for Reconstruction and Development, Bucharest Stock Exchange, and Pension Funds industry, corporates, journalists and other parties joined the event, bringing the total number of attendees to over 190.

During the first day of the event, we organised a group site visit to the Hidroelectrica Iron Gates power plant on the Danube, the third largest in Europe.

The first half of the second day of the event was dedicated to speeches from representatives of the Romanian Government, and the US and UK Embassies in Romania. We also organised 3 panels on Romanian macroeconomics, Romanian energy sector, and Romanian capital market, with speakers from the National Bank of Romania, International Monetary Fund, Fiscal Council, OMV Petrom, Hidroelectrica, Citigroup, FSA, European Bank for Reconstruction and Development, BVB, NN Pension Fund, and WOOD & Co.

In the second part of the day, and the entire day on 7 September, we organised together with WOOD & Co, the Frontier Investor Days conference. 448 investor meetings – individual and group meetings - were organised between the institutional investors and the 62 representatives of the 31 corporates present at the event, Romanian

listed and unlisted companies, as well as foreign corporates from other Frontier markets (Georgia, Croatia, Slovenia, Ukraine, Moldova) and from UK.

On 14 August, we organised a conference call to present and discuss the Fund's first six months results. 29 analysts and investors participated to the call and received information regarding the financial results published on the same day.

Furthermore, during the quarter, we organised 11 additional meetings with analysts, brokers, current and prospective investors, and held 14 conference calls with institutional investors and analysts covering Fondul Proprietatea, interested in the latest developments regarding the Fund's corporate actions and its portfolio companies. Also, we represented Fondul Proprietatea in the *Development of Capital Markets and Fondul case* panel during the Romanian Capital Day in Zagreb conference.

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 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 61,174,489 GDRs as at 30 September 2018, each GDR representing 50 shares. As at 30 September 2018, 29.09% of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depositary bank, accounting for 36.52% of the voting rights. Out of these, there were 53,378,762 GDRs issued as at 30 September 2018, representing 87.25% of the GDR facility. The difference is represented by shares held by The Bank of New York Mellon that were not converted in GDRs as at 30 September 2018.

Buy-back Programmes

Share cancellation for the remaining shares acquired during the eighth buy-back programme

During the 4 September 2018 GSM the shareholders approved the decrease of the subscribed share capital of the Fund from RON 4,771,610,196.08 to RON 4,733,020,898.32 pursuant to the cancellation of 74,210,188 own shares, having a par value of RON 0.52, acquired by the Fund during the eighth buy-back programme.

The subscribed share capital decrease approved by shareholders on 4 September 2018 will take place on the basis of Article 207 paragraph 1 letter (c) of Companies Law no. 31/1990, as subsequently amended 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 on 12 September 2018 and the two-month period ends on 12 November 2018);
- (ii) FSA endorses the amendment of Article 7 paragraph (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders, where required by applicable law or regulation;
- (iii) the shareholders' resolution for approving the share capital decrease is registered with the Trade Registry.

As at the date of publication of this report the condition (i) above was completed, while conditions (ii) and (iii) were ongoing.

Overview of share buy-backs during the quarter ended 30 September 2018

During the quarter ended 30 September 2018, the Fund bought back a total number of 52,209,861 own shares within the ninth buy-back programme (out of which 36,684,761 ordinary shares and 15,525,100 ordinary shares corresponding to GDRs), representing 0.6% of the total issued shares as at 30 June 2018, for a total acquisition value of RON 46,719,512, excluding transaction costs.

The total number of own shares (including GDRs) held by the Fund as at 30 September 2018 is 1,507,203,569 shares, having a total nominal value of RON 783,745,856 (RON 0.52 per share). On 4 September 2018 the shareholders approved the cancellation of 74,210,188 own shares acquired by Fondul Proprietatea during the eighth buy-back programme, which will be recorded after all the legal and regulatory requirements are completed, as detailed above.

During the quarter ended 30 September 2018 the Fund converted 323,709 of the GDRs acquired into 16,185,450 ordinary shares. As at 30 September 2018, the Fund held 62,240 GDRs.

The table below shows a summary of the buy-back programmes during the nine-month period ended 30 September 2018 (information based on transaction date):

Programme	Description	No of shares	Equivalent shares of GDRs	Total no of shares
7th	Opening balance as at 1 January 2018	90,849,151	-	90,849,151
	Cancellations	(90,849,151)	-	(90,849,151)
	Closing balance as at 30 September 2018	-	-	-
8th	Opening balance as at 1 January 2018	141,869,861	-	141,869,861
	Cancellations	(67,659,673)	-	(67,659,673)
	Closing balance as at 30 September 2018	74,210,188	-	74,210,188
9th	Opening balance as at 1 January 2018	19,159,328	-	19,159,328
	Acquisitions	812,003,353	601,830,700	1,413,834,053
	Conversions during the period	598,718,700	(598,718,700)	-
	Closing balance as at 30 September 2018	1,429,881,381	3,112,000	1,432,993,381
	Weighted average price* (RON per share; USD per GDR)	0.9316	12.3251	
All BBs	Total shares in balance as at 30 September 2018	1,504,091,569	3,112,000	1,507,203,569

* Weighted average price is calculated based on transaction price, excluding the related transaction costs

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

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

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

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

The table below shows the movement of the negative reserves during the first nine months of 2018:

Opening balance of the negative reserve as at 1 January 2018 (audited)	256,073,589
Coverage of negative reserves according with GSM Resolution no 7 / 26 April 2018	(256,073,589)
Negative equity reserve arising on the cancellation of the remaining balance of shares acquired during 7th buyback programme (on 29 June 2018) according to Extraordinary General Shareholders Meeting ("EGM") resolution no. 4/26 September 2017	31,068,596
Negative equity reserve arising on the partial cancellation of the shares acquired during 8th buyback programme (on 29 June 2018) according to EGM resolution no. 4/26 September 2017	24,396,485
Closing balance of the negative equity reserve at 30 September 2018 (unaudited)	55,465,081

The table below shows additional details on the negative reserves booked during the first nine months of 2018 and the estimated negative reserve that will arise upon the cancellation of the treasury shares in balance as at 30 September 2018:

		Buy-back programme 7	Buy-back programme 8	Buy-back programme 9
Number of shares cancelled during 1 January – 30 September 2018	(1)	90,849,151	67,659,673	-
Total costs (including transaction costs and other costs) (RON)	(2)	82,852,613	60,077,806	-
Less the impact of the Nominal Value decrease (RON)*	(3)	(4,542,458)	(498,291)	-
Accounting value of the cancelled treasury shares as at cancellation date (RON)	(4)=(2)+(3)	78,310,155	59,579,515	-
Correspondent Nominal Value at the cancellation date (NV = RON 0.52 per share) (RON)	(5) = (1)*NV	47,241,559	35,183,030	-
Negative equity reserve on the cancellation (RON)	(6)=(5)-(4)	(31,068,596)	(24,396,485)	-

Negative reserve that will arise on cancelation of the treasury shares in balance as at 30 September 2018		Buy-back programme 7	Buy-back programme 8	Buy-back programme 9
Number of shares to be cancelled	(1)	-	74,210,188	1,432,993,381
Total costs as at 30 September 2018 (including transaction costs and other costs) (RON)	(2)	-	64,034,586	1,362,616,176
Less the impact of nominal value decrease (RON)**	(3)	-	-	-
Accounting value as at 30 September 2018 of the treasury shares to be cancelled in the future (RON)	(4)=(2)+(3)	-	64,034,586	1,362,616,176
Correspondent nominal value (NV= RON 0.52 per share) as at 30 September 2018 (RON)	(5)=(1)*NV	-	38,589,298	745,156,558
Estimated negative reserve to be booked on cancelation (RON)	(6)=(5)-(4)	-	(25,445,288)	(617,459,618)

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

** there was no share capital decrease through the reduction of the nominal value for the treasury shares in balance as at 30 September 2018

The coverage of the negative reserve balance reflected in the audited financial statements for the financial year ending 31 December 2018 will be subject to shareholders' approval during the 2019 annual GSM.

Article 75 from Norm 39/2015 mentions that the negative balance arising on the cancellation of equity instruments may be covered from the retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting. As at 30 September 2018, the Fund's equity elements that could be used to cover the negative reserve are sufficient and include retained earnings and share capital.

General Shareholders Meeting Resolutions during the Quarter Ended 30 September 2018

The main resolution approved by the Fund's shareholders during the **4 September 2018 GSM** was the one approving the decrease of the subscribed share capital of Fondul Proprietatea from RON 4,771,610,196.08 to RON 4,733,020,898.32 pursuant to the cancellation of 74,210,188 own shares acquired by Fondul Proprietatea during the eighth buy-back programme.

Subsequent Events

The resolutions adopted by shareholders during the 14 November 2018 GSM

The main decisions of the shareholders approved during 14 November 2018 GSM were the following:

- The termination of the ninth buy-back programme, approved by the resolution of the extraordinary shareholders' meeting of Fondul Proprietatea no. 5 of 26 October 2017, starting with 31 December 2018. The share capital decrease for cancelling the shares acquired during this buy-back programme will be subject to Fondul Proprietatea shareholders' approval during 2019;
- The tenth buy-back programme for a maximum number of 750,000,000 treasury shares, starting with 1 January 2019 until 31 December 2019, at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share;
- The 2019 budget of Fondul Proprietatea.

Corporate changes at the level of the Fund

On 5 October 2018 the Investment Manager announced that starting with 12 December 2018 the legal representation of the Fund will be as follows:

- At the level of the AIFM: Mr. Craig Blair, Mr. Dan Gheorghe, Mr. Calin Metes, Mr. Johan Meyer, Mr. Daniel Naftali, Mr. Mike Sommer and Mrs. Denise Voss, as permanent representatives, with Mr. Johan Meyer being also the portfolio manager of the Fund;
- At the level of the Investment Manager: Mr. Johan Meyer as CEO and legal representative and Mr. Dan Gheorghe, Mr. Calin Metes, Mr. Daniel Naftali as legal representatives.

Analysis of the Activity of the Fund

NAV methodology

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.

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

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

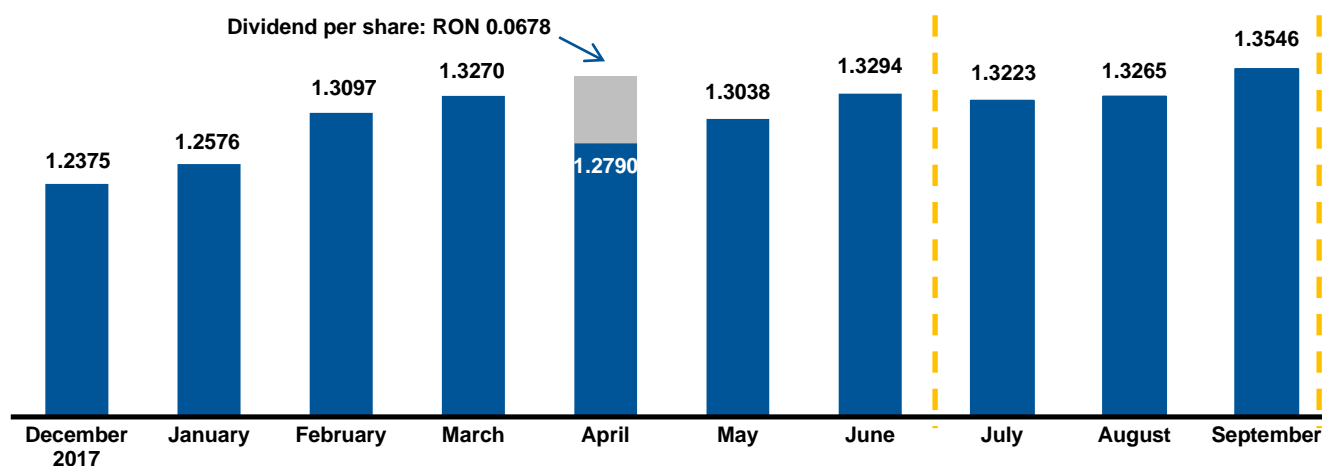
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards which permit fair valuation.

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

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

NAV per share (RON per share)

The following chart shows information on the monthly published NAVs per share for the period 29 December 2017 to 28 September 2018:



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

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

During the **second quarter of 2018** the NAV per share had an increase of 0.2% compared with the end of the previous quarter, mainly due to the recording of 2017 dividend receivables from portfolio companies and due to

the ninth buy-back programme carried out by the Fund during this period, netted off by the dividends payable approved by shareholders during the 2018 Annual GSM.

In June 2018 the Fund performed valuation updates for certain unlisted holdings. The valuation was performed with the assistance of the independent valuator KPMG Advisory, in accordance with International Valuation Standards. The valuation date was 31 March 2018 and the reports for Hidroelectrica SA and CN Aeroporturi Bucuresti SA also considered the dividends approved after valuation date. The overall impact was an increase by RON 7.0 million or RON 0.0009 per share, compared to 31 May 2018 NAV:

No.	Portfolio company name	Value in 29 June 2018 NAV (RON million)	Value in 31 May 2018 NAV (RON million)	Impact on Total NAV (RON million)	% 29 June 2018 NAV vs. 31 May 2018 NAV	Impact on NAV per share ¹ (RON)
1	Hidroelectrica SA	3,531	3,566	(35)	-1.0%	(0.0047)
2	CN Aeroporturi Bucuresti SA	791	774	17	+2.2%	0.0023
3	Societatea Nationala a Sariei SA*	258	233	25	+10.7%	0.0034
TOTAL		4,580	4,573	7	+0.2%	0.0009

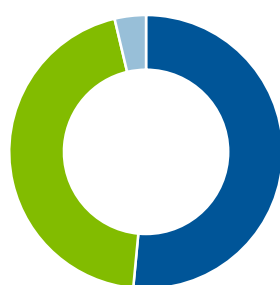
*does not include the impact of dividend distribution

During the **third quarter of 2018**, the NAV per share had an upward trend compared with the end of the previous quarter, mainly due to the positive share price evolution of OMV Petrom SA (impact on the Fund's NAV of RON 237.9 million or RON 0.0323 per share) and due to the ninth buy-back programme carried by the Fund during this period.

Investment Strategy and Portfolio Analysis

The Fund's Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. The equity exposure amounted to 96.3% of the Fund's NAV as at 28 September 2018. As at that date, the portfolio was composed of holdings in 35 companies (8 listed and 27 unlisted), a combination of privately held and state-controlled entities.

Portfolio Structure – by Controlling Ownership

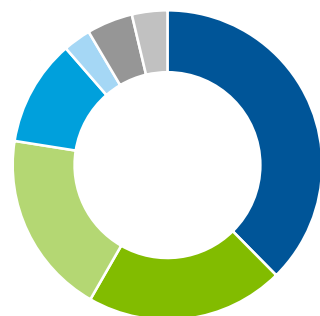


State controlled entities.....	51.5%
Private entities.....	44.8%
Net Cash and Receivables.....	3.7%

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

Source: Fondul Proprietatea, data as at 28 September 2018, % in total NAV

Portfolio Structure - by Sector

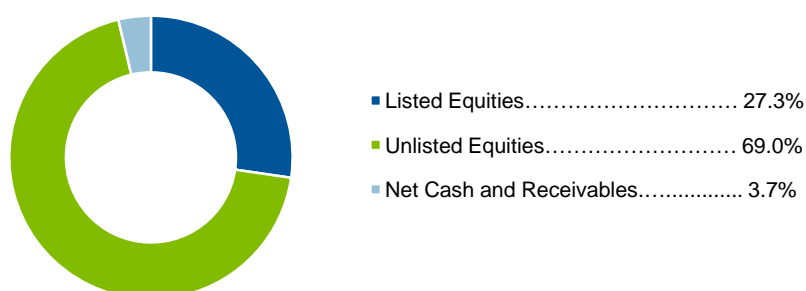


Power utilities: generation.....	37.6%
Oil & Gas.....	20.7%
Power&Gas Utilities: distrib,supply.....	19.2%
Infrastructure.....	11.1%
Heavy industry.....	2.9%
Others.....	4.8%
Net Cash and Receivables.....	3.7%

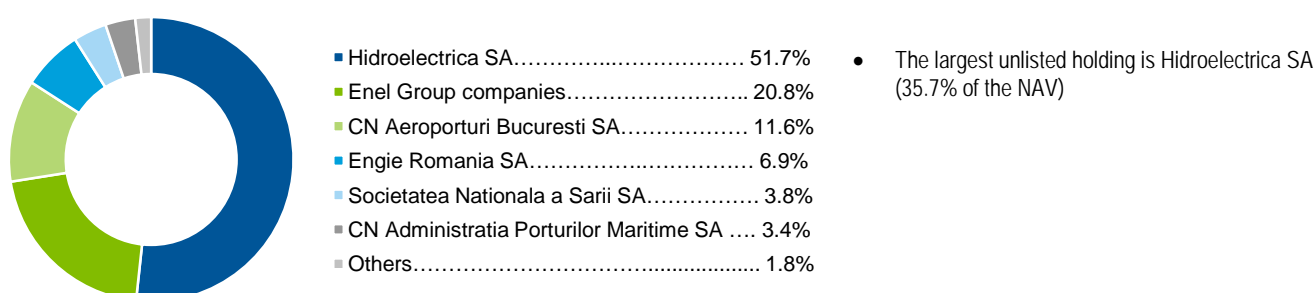
- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 77.5% of the NAV), through a number of listed and unlisted Romanian companies

Source: Fondul Proprietatea, data as at 28 September 2018, % in total NAV

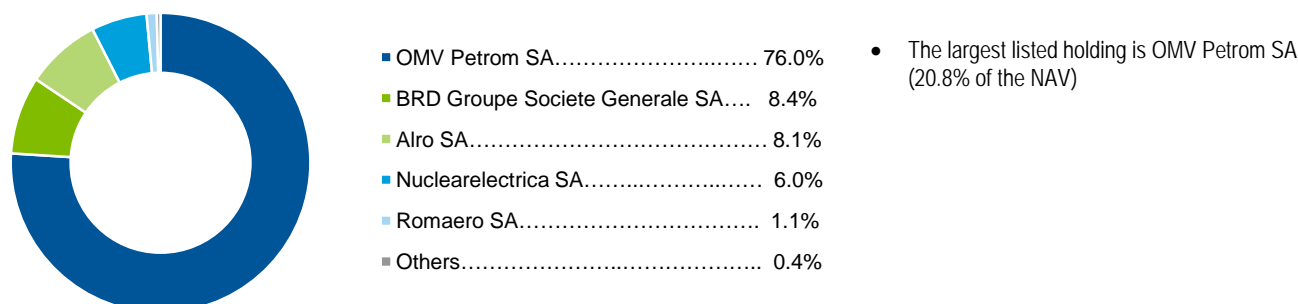
¹ Computed based on the number of shares used in NAV per share computation as at 31 May 2018

Portfolio Structure – by Asset Type¹

Source: Fondul Proprietatea, data as at 28 September 2018, % in total NAV

Portfolio Structure – Unlisted holdings

Source: Fondul Proprietatea, data as at 28 September 2018; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

Portfolio Structure – Listed holdings

Source: Fondul Proprietatea, data as at 28 September 2018; the chart reflects the company NAV value as a % in total NAV value of listed holdings

¹ Note: the value of listed shares compared to total assets of the Fund based on NAV values is 27.2% as at 30 September 2018

Top 10 equity investments

No	Name	Fund's stake (%)	Value as at 28 September 2018 ¹ (RON million)	% of NAV as at 28 September 2018 ¹
1	Hidroelectrica SA	19.94%	3,531.0	35.7%
2	OMV Petrom SA	10.00%	2,053.0	20.8%
3	CN Aeroporturi Bucuresti SA	20.00%	791.0	8.0%
4	E-Distributie Banat SA	24.13%	545.0	5.5%
5	Engie Romania SA	12.00%	472.0	4.8%
6	E-Distributie Muntenia SA	12.00%	419.0	4.2%
7	E-Distributie Dobrogea SA	24.09%	342.0	3.5%
8	Societatea Nationala a Sarii SA	49.00%	258.0	2.6%
9	CN Administratia Porturilor Maritime SA	20.00%	230.0	2.3%
10	BRD Groupe Societe Generale SA	2.40%	226.8	2.3%
Top 10 equity holdings			8,867.8	89.6%
Total equity holdings			9,533.5	96.3%
Net cash and receivables			362.20	3.7%
Total NAV			9,895.70	100.0%

Source: Fondul Proprietatea, based on NAV reports submitted to FSA (28 September 2018 NAV report)

¹Rounded to one decimal

Key Portfolio Developments in the Period

Dividends

During the quarter ended 30 September 2018 the Fund recorded dividends of RON 42.3 million from Societatea Nationala a Sarii SA. The total amount of gross dividends recorded during the first nine months of 2018 is RON 575.0 million and the most significant amounts relate to OMV Petrom SA and Hidroelectrica SA. For more details regarding the Fund's dividend income, please refer to section *Financial Statement Analysis*.

Acquisitions and disposals

Disposals

During the quarter ended 30 September 2018 the Fund sold part of its holding in Nuclearelectrica SA.

Energy sector updates

New regulatory framework for the electricity distribution companies

On 18 September 2018 ANRE published Order 169 regarding the methodology for energy distribution tariff calculation, which sets the new regulatory framework for the distribution companies operating in the electricity sector. One of the most important changes brought by the regulation is the decrease of the rate of return (RRR) from 7.7% to 5.66%, with a significant impact on the activity and profitability of the distribution companies.

	2014 – 2018 (3rd Regulatory Period)	2019 – 2023 (4th Regulatory Period)
Regulated rate of return (RRR)	7.70%	5.66% 6.66% for new investments (not yet approved by ANRE)
Regulated Asset Base (RAB)	Initial RAB at the privatization + Follow on investments after privatization + Scheduled estimated in the new regulatory period	Initial RAB at the privatization – Undepreciated value of the existing assets at the privatization which were sold/ idled + Follow on investments after privatization + Scheduled estimated in the new regulatory period

	2014 – 2018 (3rd Regulatory Period)	2019 – 2023 (4th Regulatory Period)
Regulated revenues and controllable costs	Reference controllable costs at the beginning of the regulatory period are based on the actual costs in the last year of the previous regulated period after deducting half of the average efficiency gains from the previous regulated period	In determining the regulated revenues, the following type of costs are no longer recognized ¹ : <ul style="list-style-type: none"> • salary expenses for management/ board of directors representing bonuses; • compensatory salary expenses with management and board members (expenses related to laying offs resulted from a restructuring program are still recognized) • financial costs Reference controllable costs at the beginning of the regulatory period are based on a comparative analysis between the distribution companies in the previous regulated period and adjusted for each individual company (elements considered: length of the network, number of users etc.)
Efficiency gains (controllable costs)	<ul style="list-style-type: none"> • Efficiency factor is applied to all controllable costs • Efficiency factor is at least 1.5% • 50% of efficiency gains above the target stay with consumers 	<ul style="list-style-type: none"> • Efficiency factor is applied to all controllable costs, except salary costs • Efficiency factor is maximum 2% • 50% of efficiency gains above the target stay with consumers
Technological losses (non-controllable costs)	<ul style="list-style-type: none"> • Set by ANRE • 50% of efficiency gains on low voltage grid and 25% for the high and medium voltage grid above the target stay with the company if the actual technological losses are lower than approved losses • Acquisition cost of the energy used to cover the losses is estimated using the acquisition cost 	<ul style="list-style-type: none"> • Set by ANRE based on the current grid losses for each distributor (different targets if the losses are currently > 15%, between 14-15%, between 13-14%) • 50% of efficiency gains on low voltage grid and 25% for the high and medium voltage grid above the target stays with the company if the actual technological losses are lower than approved losses • Acquisition cost of the energy used to cover the losses is estimated using the same reference price for all distributors = an average of the acquisition cost for the distributors and the transporter for the previous 12 months, after eliminating the 2 extreme values

Source: Fondul Proprietatea, based on ANRE Order 72/ 2 October 2013, ANRE Order 168/ 17 September 2018, Order 169/ 18 September 2018, and ANRE press release dated 17 September 2018

New Offshore Law²

On 24 October the Romanian Parliament passed the new Offshore Law. The main provisions of the law are:

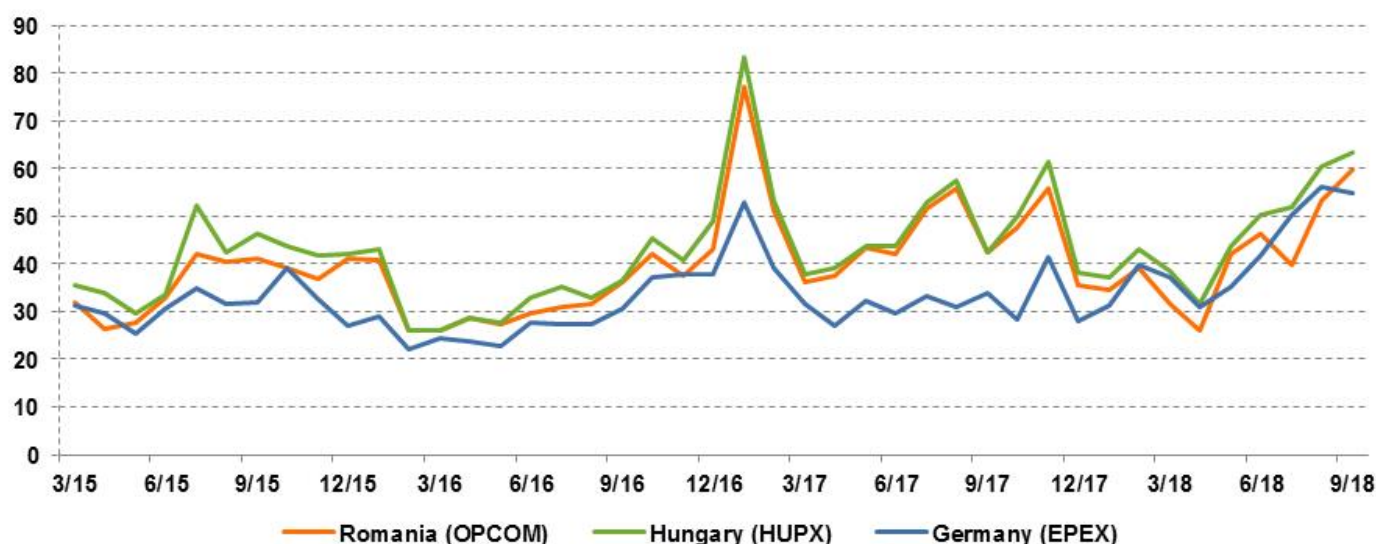
1. Maximum limit of tax deductions for investments realised in the upstream segment cannot exceed 30% of the extra revenues
2. Minimum 50% of the gas must be sold on the domestic gas market
3. Minimum 25% of the employees on the offshore projects must be Romanian citizens
4. Value of windfall taxes as detailed in the table below:

Interval	Windfall tax
between RON 47.71 and 85 per MWh	30%
between RON 85 and 100 per MWh	15%
between RON 100 and 115 per MWh	20%
between RON 115 and 130 per MWh	25%
between RON 130 and 145 per MWh	30%
between RON 145 and 160 per MWh	35%
between RON 160 and 175 per MWh	40%
between RON 175 and 190 per MWh	45%
above RON 190 per MWh	40%

The fiscal regime remains unchanged for the entire duration of the projects.

¹ The list is not exhaustive

² The law was approved in Parliament and has been sent for promulgation

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 – September 2018			January - September 2017			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	3,526.2	3,097.5	428.7	3,873.9	3,483.6	390.3	(9.0)	(11.1)	9.8
Crude oil	8,664.2	2,526.3	6,137.9	8,158.6	2,574.7	5,583.9	6.2	(1.9)	9.9
Usable natural gas	6,975.1	6,196.4	778.7	6,652.9	6,103.5	549.4	4.8	1.5	41.7
Hidro, nuclear, and import energy	3,999.5	3,842.1	157.4	3,883.8	3,636.5	247.3	3.0	5.7	(36.4)
Import oil products	2,041.1	0.0	2,041.1	2,255.4	0.0	2,255.4	(9.5)	0.0	(9.5)
Others	332.0	0.0	332.0	366.7	0.0	366.7	(9.5)	0.0	(9.5)
Total resources	25,538.1	15,662.3	9,875.8	25,191.3	15,798.3	9,393.0	1.4	(0.9)	5.1

Source: National Institute of Statistics webpage

Update on the largest 10 portfolio holdings**BRD – Groupe Société Générale SA**

RON million	2016	2017	9M 2017	9M 2018	Budget 2017*	Budget 2018
Operating income	2,777.6	2,785.9	2,059.8	2,289.4	Around 4% increase	Growth**
Net operating profit	1,390.1	1,312.6	996.6	1,184.9	Around 5% increase	Stable
Net cost of risk	(483.5)	359.5	271.9	169.7	Further normalisation trajectory	Below 60 bp
Net profit	763.5	1,414.6	1,065.5	1,141.6	Improvements	ROE > 12%
Dividends	508.7	1,142.9	-	-		

Source: Consolidated IFRS financial statements

* Budgeted figures based on individual IFRS financial statements

** Solid net interest income growth, fee & commission under strong price pressure

September: the Board appointed Ms. Liliana Feleaga as temporary independent director following the expiration of Mr. Aurelian Dochia's mandate. Ms. Feleaga is dean of the Faculty of Accounting and Management Information Systems from the Academy of Economic Studies in Bucharest. Ms. Feleaga's appointment is subject to the National Bank of Romania's approval.

November: the bank reported for the first nine months of the year a consolidated net profit of RON 1,141.6 million, up 7.1% y.o.y. The operating income during the period advanced by 11.1 % y.o.y. to RON 2,289.4 million on the back of robust retail banking activities and rising RON interest rates, while operating expenses advanced by 3.9% y.o.y. to RON 1,104.5 million leading to a net operating profit of RON 1,184.9 million, up 18.9% y.o.y. Over the period, the net cost of risk continued to have a positive contribution of RON 169.7 million to the results, down 37.6% y.o.y. due to significant net provision reversals still related to recoveries and portfolio improvement. At the end of September 2018, the bank's capital adequacy ratio stood at 19.4%.

CN Administratia Porturilor Maritime SA

RON million	2016	2017	H1 2017	H1 2018	Budget 2017	Budget 2018
Operating revenue	314.0	330.5	155.6	160.9	315.0	325.9
Operating profit	54.8	93.8	78.0	85.2	64.0	75.1
Net profit	36.8	79.7	68.0	74.9	50.1	61.9
Dividends	55.0	20.3	-	-	25.1	16.5

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

August: For the first six months of the year, the company reported a turnover of RON 148.4 million, up 4.3% y.o.y. an operating profit of RON 85.2 million, up 9.2% y.o.y. and a net profit of RON 74.9 million, up 10.1% y.o.y. During the period, the total volume of operated goods advanced by 8.8% y.o.y. to nearly 27 million tones.

CN Aeroporturi Bucuresti SA

RON million	2016	2017	H1 2017*	H1 2018	Budget 2017	Budget 2018
Total revenue	910.3	1,076.5	423.8	464.4	983.2	1,215.3
Operating profit	276.6	393.3	149.0	225.4	225.7	428.3
Net profit	234.5	337.5	122.7	192.4	185.9	368.3
Dividends	214.8	305.9	-	-	95.9	187.6

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

*Restated figures

August: the company reported the financial results for H1 2018. The highlights include: operating revenues of RON 458.2 million (+11.7% y.o.y.), operating profit of RON 225.4 million (+51.2% y.o.y.) and net profit of RON 192.4 million (+56.8% y.o.y.). The good financial results were on the back of the increase in passengers number that reached 6.3 million (+ 7.1% y.o.y.).

November: the company reported an increase of 7.57% in the number of passengers transiting the airports in the first nine months of 2018, compared to the same period last year, to 10.5 million passengers.

On 6 November the shareholders approved a share capital increase with the land owned by the state. The total value of the share capital increase is RON 336.5 million, consisting of RON 269.1 million as contribution in-kind with the land and RON 67.3 million as cash to be contributed by Fondul Proprietatea in order to preserve its stake in the company.

E-Distributie Banat SA

RON million	2016	2017	Budget 2017	Budget 2018
Operating revenue	557.8	550.5	483.6*	446.7**
Operating profit (EBIT)	107.8	87.4	90.4	74.4
Net profit	93.6	82.8	72.8	66.4
Dividends	37.0	31.9	-	-

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

*Revenue from operating activity

**Electrical business revenue

August: The majority shareholder decided to transfer the ownership of the shares from Enel Investment Holding to Enel Spa.

E-Distributie Dobrogea SA

RON million	2016	2017	Budget 2017	Budget 2018
Operating revenue	480.3	475.3	414.1*	401.2**
Operating profit (EBIT)	84.8	56.6	68.4	52.5
Net profit	73.5	49.5	53.8	44.5
Dividends	27.4	17.7	-	-

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

*Revenue from operating activity

**Electrical business revenue

August: The majority shareholder decided to transfer the ownership of the shares from Enel Investment Holding to Enel Spa.

E-Distributie Muntenia SA

RON million	2016	2017	Budget 2017	Budget 2018
Operating revenue	921.7	856.6	848.7*	717.9**
Operating profit (EBIT)	178.5	77.3	185.0	97.7
Net profit	151.7	85.9	156.8	96.6
Dividends	-	-	-	-

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

*Revenue from operating activity

**Electrical business revenue

August: The majority shareholder decided to transfer the ownership of the shares from Enel Investment Holding to Enel Spa.

Engie Romania SA

RON million	2016	2017	Budget 2017	Budget 2018
Turnover	4,473.1	4,839.9	4,018.7	4,718.3
Operating profit	453.0	422.9	358.9	273.9
Net profit	366.7	343.1	289.4	227.5
Dividends*	110.9	168.6	-	-

Source: Consolidated IFRS financial statements (2016 figures are restated)

Budgeted figures are on a consolidated basis

*Dividends are based on the separate financial statements

Hidroelectrica SA

RON million	2016	2017	H1 2017	H1 2018
Turnover	3,338.0	3,253.6	1,705.1	1,992.2
Operating profit	1,540.3	1,581.8	844.4	1,130.8
Net profit	1,227.7	1,359.6	716.7	961.6
Dividends	1,035.7	1,134.4	-	-

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

August: during the first six months of the year, the company had a net profit of RON 961.6 million, 34.2% higher compared with the same period of the previous year. During the first six months of the year, Hidroelectrica distributed 90% from the historic 2017 profit in the form of dividends.

OMV Petrom SA

RON million	2016*	2017	9M 2017	9M 2018	Budget 2017	Budget 2018
Sales	16,646.6	19,435.1	14,293.5	16,110.6	13,487.0	13,680.0
Operating profit	1,476.2	3,270.4	2,450.2	3,462.1	1,851.0	2,936.0
Net profit	1,037.7	2,489.3	1,848.8	2,667.4	1,827.0	2,582.0
Dividends**	849.7	1,132.9	-	-	-	-

Source: Consolidated IFRS financial statements

*Restated figures

**Based on separate IFRS financial statements

October: the company reported the financial results for the first nine months of 2018. The highlights include: sales increased by 12.7% compared to the same period of 2017 to RON 16,110.6 million, operating profit increase by 41.3% compared to the same period of 2017 to RON 3,462.1 million and net profit increase by 44.3%. The increase in sales was generated by higher prices across all petroleum products offered by the company and higher electricity demand.

Societatea Nationala a Sarii SA (Salrom)

RON million	2016	2017	Budget 2017	Budget 2018
Operating revenue	315.0	388.8	338.4	373.5
Operating profit	43.3	101.6	57.5	53.2
Net profit	30.1	86.4	48.2	42.3
Dividends	28.1	86.4	48.2	42.3

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

July: in the first half of 2018 the company recorded an increase in turnover of 8% compared to the same period of the previous year, up to RON 186.1 million, while the total revenues increase up to RON 197.2 million.

November: the General Manager resigned starting with 8 November and a new interim General Manager was appointed for a four-month mandate. Mr. Constantin Jujan, the new interim General Manager, was a non-executive board member selected according with Law 111/2016 in January 2018.

The results for the first nine months of 2018 show operating revenues of RON 279.3 million, operating profit of RON 70.0 million and a net profit of 61.9 million. The profitability remained strong compared with last year, when the company recorded an all-time high net profit.

Financial Statements Analysis

The unaudited IFRS financial statements for the nine-month period ended 30 September 2018, prepared in accordance with IAS 34 Interim Financial Reporting and applying the FSA Norm 39/2015 with subsequent amendments, are included in full in Annex 1 to this Report. The captions Statement of Financial Position and Statement of Comprehensive Income presented in the quarterly report may differ from the ones included in the IFRS financial statements due to other regulatory requirements.

This section provides an overview of the Fund's financial position and performance for the nine-month period ended 30 September 2018.

Statement of Financial Position

RON million	30 September 2018 Unaudited	30 June 2018 Unaudited	31 March 2018 Unaudited	31 December 2017 Audited	30 September 2017 Unaudited	30 Sep 2018 vs 31 Dec 2017 (%)	30 Sep 2018 vs 30 Sep 2017 (%)
Cash and current accounts	23.3	62.7	17.4	19.2	22.8		
Deposits with banks	213.3	68.7	292.4	1,276.7	573.0		
Treasury bills	-	-	13.3	46.3	63.0		
Government bonds	147.3	36.5	-	195.9	82.3		
Dividend receivables	12.0	300.2	-	-	113.5		
Equity investments	9,533.5	9,402.9	9,549.7	9,278.2	9,033.5		
Non-current assets held for sale	-	-	-	-	752.0		
Other assets	4.5	14.3	11.2	10.7	12.8		
Total assets	9,933.9	9,885.3	9,884.0	10,827.0	10,652.9	-8.2%	-6.7%
Payables	13.4	37.9	25.3	15.2	21.8		
Other liabilities	25.0	66.4	19.8	21.6	25.3		
Total liabilities	38.4	104.3	45.1	36.8	47.1	4.3%	-18.5%
Total equity	9,895.5	9,781.0	9,838.9	10,790.2	10,605.8	-8.3%	-6.7%
Total liabilities and equity	9,933.9	9,885.3	9,884.0	10,827.0	10,652.9	-8.2%	-6.7%

Overview

The cash and cash equivalents of the Fund during the first nine months of 2018 include term **deposits with banks**, **government bonds** and **treasury bills** issued by the Ministry of Public Finance of Romania. All instruments are denominated in RON and have maturities of up to one year.

The decrease in liquid assets by 75% during the nine-month period ended 30 September 2018 was mainly due to the cash outflow for funding the Public Tender Offer settled during February (RON 1,134.8 million, including transaction costs) and the dividend distribution in June (RON 467.2 million net dividends paid until 30 September 2018), netted off by the inflows from the dividends collected from portfolio companies (RON 554.3 million) and by the proceeds from disposal of equity instruments (RON 173.0 million).

The increase in **equity investments** of RON 255.3 million in the nine-month period ended 30 September 2018 is mainly due to the increase in OMV Petrom SA share price (RON 433.3 million), netted off by the disposal of portfolio companies (partial disposal of shares in BRD Groupe Societe Generale SA and Nuclearelectrica SA and disposal of entire holdings in Conpet SA and Palace SA, total impact RON 173.0 million).

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

Equity investments

Classification and measurement of equity investments

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

Starting 1 January 2018 the Fund adopted IFRS 9 and classified all its equity investments (other than subsidiaries and associates) as equity investments at fair value through profit or loss (the default option under IFRS 9).

Additional disclosures and detailed analysis and comparison between the measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 are included in the Fund's Condensed Interim IFRS Financial Statements for the nine-month period ended 30 September 2018.

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

Valuation

As at 30 September 2018 substantially all the equity investments of the Fund were carried at fair value.

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

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

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

Statement of Comprehensive Income

RON million	Q1 2018	Q2 2018	Q3 2018	Q3 2017	9-month period ended 30 September 2018	9-month period ended 30 September 2017
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Gross dividend income	-	532.6	42.4	184.4	575.0	724.3
Net gain/ (loss) from equity investments at fair value through profit or loss	309.8	(15.9)	132.0	26.2	425.9	185.2
Interest income	2.6	1.9	2.3	0.4	6.8	7.7
Reversal of impairment losses on receivables, net	-	0.1	(0.3)	(0.3)	(0.2)	36.4
Net gain on disposal of equity investments available for sale	n.a.	n.a.	n.a.	17.3	n.a.	38.3
Net loss from disposal of non-current assets held for sale	-	-	-	(14.5)	-	(14.5)
Other (expenses)/ income, net*	(0.7)	7.7	(0.5)	(0.5)	6.5	2.0
Net operating income	311.7	526.4	175.9	213.0	1,014.0	979.4
Administration fees recognised in profit and loss	(11.2)	(15.4)	(9.9)	(12.4)	(36.5)	(66.4)
Other operating expenses	(6.9)	(6.3)	(5.5)	(10.0)	(18.7)	(22.2)
Operating expenses	(18.1)	(21.7)	(15.4)	(22.4)	(55.2)	(88.6)
Finance costs	-	-	(0.2)	(0.2)	(0.2)	(0.2)
Profit before income tax	293.6	504.7	160.3	190.4	958.6	890.6
Income tax	-	(8.5)	0.1	6.7	(8.4)	15.8
Profit for the period	293.6	496.2	160.4	197.1	950.2	906.4
Other comprehensive income	-	-	-	(60.8)	-	46.1
Total comprehensive income for the period	293.6	496.2	160.4	136.3	950.2	952.5

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

Gross dividend income for the nine-month period ended 30 September 2018 included the dividend income earned from the Fund's portfolio companies, mainly from Hidroelectrica SA (RON 226.2 million), OMV Petrom SA (RON 113.3 million), CN Aeroporturi Bucuresti SA (RON 61.2 million), Societatea Nationala a Sarii SA (RON 42.3 million), Alro SA (RON 39.0 million), BRD Groupe Societe Generale SA (RON 36.3 million), Engie Romania SA (RON 20.2 million) and Nuclearelectrica SA (RON 19.5 million).

The **net gain from equity investments at fair value through profit or loss** of RON 425.9 million in the first nine months of 2018 was mainly generated by OMV Petrom SA, as a result of the positive share price evolution for this company (RON 433.3 million, share price increase by 26.7%). The gain for the first nine months of 2017 was also generated by OMV Petrom SA, as a result of the positive evolution of the share price for this company (RON 193.5 million, share price increase by 10.7%).

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

The **reversal of impairment losses** for the nine-month period ended 30 September 2017 relates to the receivable for the unpaid amounts from the Ministry of Public Finance. Following the reduction of the nominal value of the Fund's shares from RON 0.85 to RON 0.57 recorded in March 2017 and from RON 0.57 to RON 0.52 recorded in June 2017, the receivable for the unpaid amounts and the related impairment adjustments decreased accordingly, generating a positive impact in profit or loss of RON 36.4 million.

Administration fees recognised in profit and loss in the first nine months of 2018 included the base fee of RON 31.5 million and distribution fee of RON 5.0 million (first nine months of 2017: base fee of RON 35.6 million and distribution fee of RON 30.8 million). Starting with the financial statements for the year ended 31 December 2017, the distribution fee related to buy-backs is recognised directly in equity together with the value of the underlying shares. This change was not applied to the comparative amounts for the nine months ended 30 September 2017, as the effect is not significant.

Additional details on the administration fees for the period and comparatives are presented below:

RON million	9-month period ended 30 September 2018	9-month period ended 30 September 2017
Recognised in profit or loss	36.5	66.4
Base fee	31.5	35.6
Distribution fee for buy-back programmes	-	14.5
Distribution fee for return of capital/ dividends	5.0	16.3
Recognised in other comprehensive income	13.2	-
Distribution fee for buy-back programmes	13.2	
Total administration fees	49.7	66.4

In the first nine months of 2017, the **other comprehensive income** mainly comprised the changes in fair value of available for sale equity investments (mainly Nuclearelectrica SA, BRD Groupe Societe Generale SA and Alro SA), net of related deferred tax. Starting 1 January 2018, all equity investments are classified as fair value through profit and loss, following implementation of IFRS 9.

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

Other operating expenses

RON million	Q1 2018 Unaudited	Q2 2018 Unaudited	Q3 2018 Unaudited	9-month period ended 30 September 2018 Unaudited	9-month period ended 30 September 2017 Unaudited
FSA monthly fees	2.4	2.2	2.3	6.9	7.7
Transactions costs	0.5	0.5	0.2	1.2	3.0
Depository fees	0.2	0.1	0.2	0.5	0.6
Other expenses	3.8	3.5	2.8	10.1	10.9
Total other operating expenses	6.9	6.3	5.5	18.7	22.2

In the first nine months of 2018 and 2017 the **other expenses** caption comprised mainly legal and litigation assistance expenses, Board of Nominees remuneration and related expenses, investor relation expenses, external audit expenses and public relation expenses.

Financial Ratios

Description	30 September 2018		
1. Current liquidity ratio			
<u>Current Assets</u>	=		10.41
Current Liabilities			
2. Debt-to-equity ratio (%)			
<u>Borrowings</u>	x 100	=	-
Shareholders' Equity			
*The Fund had no borrowings as at 30 September 2018, therefore this ratio is nil			
3. Receivables turnover ratio - customers (number of days)			
<u>Average balance of receivables</u>	x 270	=	n.a.
Turnover			
This ratio is not applicable to an investment fund and cannot be calculated.			
4. Turnover of non-current assets			
<u>Turnover</u>	=		0.106
Non-current assets			
For the computation of this ratio, "Turnover" includes dividend income, net gain/ (loss) from financial instruments at fair value through profit or loss, interest income and other income for the nine-month period ended 30 September 2018, while "Non-current assets" included equity investments and other assets classified as non-current as at 30 September 2018.			
This ratio has no significance for an investment fund.			

Signatures:

14 November 2018

Johan Meyer

Permanent Representative

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

Prepared by

Catalin Cadaru

Financial Reporting Manager

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, acting as Investment Manager on behalf of Fondul Proprietatea SA

Annex 1

FONDUL PROPRIETATEA SA

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

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

(This is a translation from the official Romanian version)

Contents

Condensed Statement of Comprehensive Income	28
Condensed Statement of Financial Position	29
Condensed Statement of Changes in Shareholders' Equity	30
Condensed Statement of Cash Flows	32
Notes to the Condensed Interim Financial Statements	33

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD
ENDED 30 SEPTEMBER 2018**

(all amounts are in RON unless otherwise stated)

		9 months ended 30 September 2018	9 months ended 30 September 2017
	<i>Note</i>		
Gross dividend income	5	574,973,642	724,325,268
Net gain from equity investments at fair value through profit or loss	12	425,858,073	185,154,702
Interest income		6,816,715	7,723,149
Other income, net		4,973,152	7,196,608
Net gain/ (loss) from other financial instruments at fair value through profit or loss		2,110,376	(5,740,215)
Net foreign exchange (loss)/ gain		(553,258)	608,427
Reversal of impairment losses on receivables, net		(183,915)	36,386,411
Realised loss from disposal of non-current assets held for sale	12	-	(14,540,000)
Gain on disposal of equity investments classified as available for sale, net		n/a	38,302,857
Net operating income		1,013,994,785	979,417,207
Operating expenses	6	(55,208,183)	(88,607,659)
Finance costs	7	(167,111)	(152,997)
Profit before income tax		958,619,491	890,656,551
Income tax	8	(8,451,863)	15,774,558
Profit for the period		950,167,628	906,431,109
Other comprehensive income			
Net change in fair value of available for sale equity investments		n/a	101,450,158
Deferred tax on other comprehensive income		n/a	(17,602,167)
Decrease in fair value reserve following the disposal of available for sale equity investments		n/a	(37,766,734)
Total other comprehensive income		-	46,081,257
Total comprehensive income for the period		950,167,628	952,512,366
Basic and diluted earnings per share	9	0.1240	0.0998

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

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

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, acting as
Investment Manager on behalf of Fondul Proprietatea SA
Catalin Cadaru
Financial Reporting Manager

The notes on pages 33 to 56 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018
 (all amounts are in RON unless otherwise stated)

	<i>Note</i>	30 September 2018	31 December 2017
Assets			
Cash and current accounts	10	23,304,843	19,173,567
Deposits with banks	10	213,260,020	1,276,669,452
Treasury bills		-	46,277,947
Government bonds		147,336,377	195,923,820
Dividends receivable	11	11,964,216	-
Equity investments	12	9,533,546,263	9,278,201,345
Other assets		4,454,384	10,710,812
Total assets		9,933,866,103	10,826,956,943
Liabilities			
Payable to shareholders	14 (a)	24,067,629	20,705,311
Other liabilities and provisions	14 (b)	14,343,012	16,007,479
Total liabilities		38,410,641	36,712,790
Equity			
Share capital	15 (a)	4,582,427,774	4,664,852,363
Other reserves related to the unpaid share capital	15 (a)	189,182,422	189,182,422
Fair value reserve on available for sale financial assets, net of deferred tax	15 (b)	n/a	4,248,175,069
Other reserves	15 (c)	276,418,671	254,954,179
Treasury shares	15 (d)	(1,426,650,762)	(218,255,507)
Retained earnings		6,274,077,357	1,651,335,627
Total equity		9,895,455,462	10,790,244,153
Total liabilities and equity		9,933,866,103	10,826,956,943

The notes on pages 33 to 56 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

	Share capital	Other reserves related to the unpaid share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2018	4,664,852,363	189,182,422	4,248,175,069	254,954,179	(218,255,507)	1,651,335,627	10,790,244,153
Changes on initial application of IFRS 9 (see Note 3)	-	-	(4,248,175,069)	-	-	4,248,175,069	-
Restated balance as at 1 January 2018	4,664,852,363	189,182,422	-	254,954,179	(218,255,507)	5,899,510,696	10,790,244,153
Profit for the period	-	-	-	-	-	950,167,628	950,167,628
Coverage of losses from cancellation of treasury shares	-	-	-	75,624,623	-	(75,624,623)	-
Total comprehensive income for the period	-	-	-	75,624,623	-	874,543,005	950,167,628
Transactions with owners, recorded directly in equity							
Dividends declared	-	-	-	-	-	(499,976,344)	(499,976,344)
Acquisition of treasury shares	-	-	-	-	(1,346,284,925)	-	(1,346,284,925)
Cancellation of treasury shares	(82,424,589)	-	-	(55,465,081)	137,889,670	-	-
Distributions for which the statute of limitation occurred	-	-	-	1,304,950	-	-	1,304,950
Total transactions with owners recorded directly in equity	(82,424,589)	-	-	(54,160,131)	(1,208,395,255)	(499,976,344)	(1,844,956,319)
Balance as at 30 September 2018	4,582,427,774	189,182,422	-	276,418,671	(1,426,650,762)	6,274,077,357	9,895,455,462

The notes on pages 33 to 56 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2017	9,168,314,117	4,333,537,124	585,468,652	(654,145,163)	(2,047,223,082)	11,385,951,648
Comprehensive income for the period						
Profit for the period	-	-	-	-	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 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						
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 33 to 56 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED**30 SEPTEMBER 2018**

(all amounts are in RON unless otherwise stated)

	9 months ended 30 September 2018	9 months ended 30 September 2017
Cash flows from operating activities		
Dividends received (net of withholding tax)	554,326,314	608,812,394
Proceeds from disposal of equity investments	173,047,862	479,279,937
Disposal/ maturity of treasury bills and bonds	94,636,651	1,456,658,125
Interest received	7,700,361	11,197,171
Amounts collected from the depository Bank of the Fund's GDRs	4,518,246	7,088,990
Suppliers and other taxes and fees paid	(97,411,571)	(102,013,336)
Acquisition of treasury bills and bonds	(36,480,654)	(501,089,955)
Other payments, net	(3,120,433)	(4,056,855)
Net cash flows from operating activities	697,216,776	1,955,876,471
Cash flows from financing activities		
Short term bank loans	-	237,000,000
Payments to shareholders related to the return of capital	(6,093,964)	(906,903,077)
Acquisition cost of treasury shares	(1,318,051,847)	(764,167,391)
Repayment of short term bank loans	-	(237,000,000)
Payment of interest and fees related to the short term bank loans	(113,778)	(152,997)
Dividends paid (net of withholding tax)	(467,205,695)	(5,243)
Net cash flows used in financing activities	(1,791,465,284)	(1,671,228,708)
Net increase/ (decrease) in cash and cash equivalents	(1,094,248,508)	284,647,763
Cash and cash equivalents at the beginning of the period	1,441,188,216	311,105,488
Cash and cash equivalents at the end of the period as per the Statement of Cash Flows	346,939,708	595,753,251

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

	30 September 2018	30 September 2017
Cash and current accounts (see Note 10)	23,304,843	22,821,725
Bank deposits with original maturities of less than three months (see Note 10)	213,198,218	572,931,526
Government bonds with original maturities of less than three months	110,436,647	-
	346,939,708	595,753,251
Interest accrued on bank deposits (see Note 10)	61,802	41,453
Fair value changes related to the government securities in balance	115,557	-
Treasury bills and government bonds with original maturities of more than three months and less than one year	36,784,173	145,264,741
Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position	383,901,240	741,059,445

The notes on pages 33 to 56 are an integral part of these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

1. General information

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

Starting 1 April 2016, Fondul Proprietatea is considered to be an alternative investment fund as defined by Romanian legislation.

The Fund undertakes its activities in accordance with Law 24/2017 on issuers of financial instruments and market operations, Law 74/2015 regarding Alternative Investment Fund Managers, Law 247/2005, Law 297/2004 regarding the capital market, as subsequently amended and Companies Law 31/1990 republished as subsequently amended and it is an entity authorised, regulated and supervised by the FSA, as an issuer. Until 2013, FSA was 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 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 and local implementation regulations. The initial FTIS’ mandate for a period of two years commenced on 1 April 2016 and expired on 31 March 2018. On 14 February 2018, the Fund’s shareholders approved the renewal of FTIS’ mandate for another two years starting with 1 April 2018 under a new Management Agreement which became effective starting with the same date (i.e. 1 April 2018). Under both agreements FTIS has delegated the role of Investment Manager as well as certain administrative functions to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML” or “Investment Manager”) for the entire duration of its mandate as AIFM.

Starting with 29 September 2010 until 31 March 2016, the Sole Director and the Investment Manager 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 2018 are not audited.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

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

The Fund is an investment entity and does not consolidate its subsidiaries as it applies IFRS 10, IFRS 12 and IAS 27 (Investment Entities). In consequence, the Fund does not prepare consolidated financial statements, the separate financial statements being the Fund's only financial statements. The Fund has reassessed the criteria for being an investment entity for the nine-month period ended 30 September 2018 and continues to meet them.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates

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

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

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

- Note 12 – Equity investments;
- Note 13 – Deferred tax;
- Note 16 – Contingencies.

3. Significant accounting policies

Except for the changes related to the adoption of IFRS 9 Financial Instruments ("IFRS 9") described below, the accounting policies applied in these condensed interim financial statements are the same as those applied in the Fund's financial statements for the year ended 31 December 2017 and have been applied consistently to all periods presented in these condensed interim financial statements.

Adoption of IFRS 9

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)

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

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

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

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

In accordance with the transitional provisions of IFRS 9, the Fund through its Sole Director, FTIS, chose to not restate prior periods.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018
 (all amounts are in RON unless otherwise stated)

4. Financial assets and financial liabilities
Accounting classifications and fair values

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

	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value	
30 September 2018						
Cash and current accounts	23,304,843	-	-	23,304,843	23,304,843	
Deposits with banks	213,260,020	-	-	213,260,020	213,260,020	
Government bonds	-	147,336,377	-	147,336,377	147,336,377	
Dividends receivable	11,964,216	-	-	11,964,216	11,964,216	
Equity investments	-	9,533,546,263	-	9,533,546,263	9,533,546,263	
Other financial assets	-	2,955,628	-	2,955,628	2,955,628	
Other financial liabilities	-	-	(36,688,353)	(36,688,353)	(36,688,353)	
	248,529,079	9,683,838,268	(36,688,353)	9,895,678,994	9,895,678,994	
	Loans and receivables	Available for sale	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
31 December 2017						
Cash and current accounts	19,173,567	-	-	-	19,173,567	19,173,567
Deposits with banks	1,276,669,452	-	-	-	1,276,669,452	1,276,669,452
Treasury bills	-	-	46,277,947	-	46,277,947	46,277,947
Government bonds	-	-	195,923,820	-	195,923,820	195,923,820
Equity investments	-	7,386,690,849	1,891,510,496	-	9,278,201,345	9,278,201,345
Other financial assets	1,647,570	-	-	-	1,647,570	1,647,570
Other financial liabilities	-	-	-	(35,000,138)	(35,000,138)	(35,000,138)
	1,297,490,589	7,386,690,849	2,133,712,263	(35,000,138)	10,782,893,563	10,782,893,563

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

5. Gross dividend income

	9 months ended 30 September 2018	9 months ended 30 September 2017
Hidroelectrica SA	226,245,815	337,188,756
OMV Petrom SA	113,270,962	106,763,221
CN Aeroporturi Bucuresti SA	61,193,113	82,955,766
Societatea Nationala a Sarii SA	42,337,557	13,760,169
Alro SA	39,010,085	6,863,554
BRD Groupe Societe Generale SA	36,314,743	18,515,323
Engie Romania SA	20,232,568	13,308,134
Nuclearelectrica SA	19,451,565	9,044,766
E-Distributie Banat SA	7,694,517	8,922,810
E-Distributie Dobrogea SA	4,269,700	6,604,290
CN Administratia Porturilor Maritime SA	4,054,315	11,008,413
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
Conpet SA	-	8,695,227
Others	898,702	2,726,680
	574,973,642	724,325,268

The dividend income was subject to 5% Romanian withholding tax in 2018 and 2017. In cases where the relevant shareholding of the Fund was above 10% of total share capital of the paying company, for at least one year prior to the dividend distribution date, a withholding tax exemption was applied.

In 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. Operating expenses

	9 months ended 30 September 2018	9 months ended 30 September 2017
Administration fees	36,506,478	66,399,440
Third party services	7,780,786	8,471,740
FSA monthly fees	6,927,388	7,725,377
Intermediaries and other fees related to disposal of portfolio holdings	1,196,023	2,958,819
BON remunerations and related taxes	1,085,535	1,082,075
Depository bank fee	471,986	550,769
Other operating expenses	1,239,987	1,419,439
	55,208,183	88,607,659

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

6. Operating expenses (continued)

The total administration fees for the nine-month period ended 30 September 2018 included the base fee of RON 31,512,829 (nine-month period ended 30 September 2017: RON 35,610,391) and the distribution fee of RON 18,219,389 out of which RON 13,225,740 was related to the buy-backs and thus recognised directly in equity as buy-backs acquisition cost (nine-month period ended 30 September 2017: RON 30,789,049 out of which RON 14,525,638 represented distribution fee related to the buy-backs). Starting with the financial statements for the year ended 31 December 2017, the distribution fee related to buy-backs is recognised directly in equity together with the underlying shares. This change was not applied on the comparative amounts as at 30 September 2017 as the effect is not significant. The administration fees are invoiced and paid on a quarterly basis.

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

During the nine-month period ended 30 September 2018 and the nine-month period ended 30 September 2017, the FSA fee was 0.0078% per month applied on the total net asset value.

7. 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. On 29 June 2018, the Fund extended the existing credit facility concluded with BRD - Groupe Societe Generale SA for a period of two years, until 29 June 2020.

The permitted use of the credit facility is for general corporate and operational use, and has a new maximum committed amount of RON 400,000,000. The Fund may access, subject to the bank's approval and in accordance with the provisions of the credit facility agreement, additional financing in excess of the committed amount, without exceeding a total amount of RON 600,000,000 at any given time.

The finance costs of RON 167,111 for the nine-month period ended 30 September 2018 comprised the commitment fee on undrawn amounts from the credit facility.

The finance costs of RON 152,997 for the nine-month period ended 30 September 2017 comprised the interest expense on the amount of RON 237,000,000 drawn from the credit facility on 27 June 2017 and repaid on 25 July 2017. The amount drew was used for the funding of June 2017 return of capital to shareholders.

There are no outstanding amounts from the credit facility as at 30 September 2018 and 31 December 2017.

8. Income tax

There was no current profit tax recorded during the nine-month period ended 30 September 2018 and the nine-month period ended 30 September 2017. The income tax recorded during the nine-month period ended 30 September 2018 of RON 8,451,863 relates to the withholding tax on the Fund's dividends received from portfolio companies (nine-month period ended 30 September 2017: RON 1,827,609 was related to the Fund's dividends received from portfolio companies).

There was no deferred tax recognised in profit or loss during the nine-month period ended 30 September 2018 (nine-month period ended 30 September 2017: net deferred income tax of RON 17,602,167 out of which RON 18,799,713 represented deferred tax income related to the fiscal loss and RON 1,197,546 represented deferred tax expense related to the equity investments).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

8. Income tax (continued)

	9 months ended 30 September 2018	9 months ended 30 September 2017
Reconciliation of effective tax rate		
Net profit for the period	950,167,628	906,431,109
Income tax	(8,451,863)	15,774,558
Profit excluding income tax	958,619,491	890,656,551
 Income tax using the standard tax rate (16%)	 (153,379,119)	 (142,505,048)
<i>Impact on the income tax expense of:</i>		
Taxation applied on dividend income	(8,451,863)	(1,827,609)
Elements similar to revenues (taxable equity items)	(33,824,311)	(60,514,433)
Non-taxable income	166,467,078	489,996,699
Non-deductible expenses	(81,963,300)	(360,025,711)
Fiscal result impact in the current period	102,699,652	73,048,493
Deferred tax movement during the period	-	17,602,167
Income tax	(8,451,863)	15,774,558

See *Note 13 Deferred tax* for details regarding the deferred tax computation and recognition.

9. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary paid shares in issue during the period, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares (based on their settlement date). As at 30 September 2018 and 30 September 2017, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted earnings per share are the same.

	9 months ended 30 September 2018	9 months ended 30 September 2017
Profit for the period	950,167,628	906,431,109
Weighted average number of ordinary shares	7,663,166,187	9,081,283,032
Basic and diluted earnings per share	0.1240	0.0998

10. Cash and current accounts and deposits with banks

	30 September 2018	31 December 2017
Petty cash	6	973
Current accounts with banks	133,574	80,094
Distributions bank accounts	23,171,263	19,092,500
Cash and current accounts	23,304,843	19,173,567

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

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

	30 September 2018	31 December 2017
Bank deposits with original maturities of less than three months	213,198,218	1,275,849,317
Interest accrued on bank deposits	61,802	820,135
Deposits with banks	213,260,020	1,276,669,452

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

11. Dividends receivable

	30 September 2018	31 December 2017
Dividends receivable		
E-Distributie Banat SA	7,694,516	-
E-Distributie Dobrogea SA	4,269,700	-
Other dividends receivable	1,389,769	1,158,522
	13,353,985	1,158,522
Impairment loss allowance	(1,389,769)	(1,158,522)
	11,964,216	-

12. Equity investments

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

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

	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2018	1,891,510,496	7,386,690,849	9,278,201,345
Reclassification following the adoption of IFRS 9 (see Note 3)	7,386,690,849	(7,386,690,849)	-
Net gain from equity investments at fair value through profit or loss (i)	425,858,073	-	425,858,073
Subscriptions to share capital increase of portfolio companies	2,498,120	-	2,498,120
Disposals (ii)	(173,011,275)	-	(173,011,275)
30 September 2018	9,533,546,263	-	9,533,546,263
	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
Reclassification to non-current assets held for sale (iii)	(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 (i)	186,582,738	-	186,582,738
Subscriptions to share capital increase of portfolio companies	2,720,000	33,580	2,753,580
Disposals (ii)	(6,528,164)	(74,016,715)	(80,544,879)
30 September 2017	1,855,341,141	7,178,109,463	9,033,450,604

(i) Net gain from equity investments at fair value through profit or loss

The net gain from equity investments at fair value through profit or loss for the nine-month period ended 30 September 2018 of RON 425,858,073 (for the nine-month period ended 30 September 2017: RON 186,582,738) was mainly generated by the change in fair value for the holding in OMV Petrom SA, as a result of the increase of this company's share price during the respective period.

(ii) Disposals

During the nine-month period ended 30 September 2018, the Fund sold its entire holdings in Conpet SA and Palace SA and part of its holdings in Nuclearelectrica SA and BRD Groupe Societe Generale SA.

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, part of its holding in OMV Petrom SA and BRD Groupe Societe Generale.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

(iii) Reclassification to non-current assets held for sale

There were no financial instruments classified as non-current assets held for sale as at 30 September 2018.

As at 30 June 2017, based on the assessment made by the Fund, all the criteria for classifying as held-for-sale the holdings in SDEE Muntenia Nord SA, SDEE Transilvania Sud SA, SDEE Transilvania Nord SA and Electrica Furnizare SA required by IFRS 5 were met and consequently these holdings were reclassified from equity investments available for sale category to non-current assets held for sale. The total value of the transaction amounted to RON 752,031,841. The disposal transaction of Fund's holdings in the subsidiaries of Electrica SA was completed on 1 November 2017.

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 through an accelerated book-build offering. Consequently, the Fund reclassified, in accordance with IFRS 5 requirements, the part of the holding in OMV Petrom SA subject to the book-build offering, from equity investments at fair value through profit or loss category to non-current assets held for sale. The offering was completed in September 2017. 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).

Portfolio

As at 30 September 2018 and 31 December 2017 the Fund's portfolio comprised the following holdings:

	30 September 2018	31 December 2017
Hidroelectrica SA	3,531,000,000	3,566,000,000
OMV Petrom SA	2,053,036,178	1,619,774,750
CN Aeroporturi Bucuresti SA	791,000,000	774,000,000
E-Distributie Banat SA	545,000,000	545,000,000
Engie Romania SA	472,000,000	472,000,000
E-Distributie Muntenia SA	419,000,000	419,000,000
E-Distributie Dobrogea SA	342,000,000	342,000,000
Societatea Nationala a Sarii SA	258,000,000	233,000,000
Administratia Porturilor Maritime SA	230,000,000	230,000,000
BRD Groupe Societe Generale SA	226,813,902	285,646,454
Alro SA	219,382,989	238,333,015
Nuclearelectrica SA	161,214,131	197,340,343
Enel Energie Muntenia SA	61,000,000	61,000,000
Enel Energie SA	57,000,000	57,000,000
Complexul Energetic Oltenia SA	32,000,000	32,000,000
Romaero SA	28,857,202	30,168,893
Zirom SA	26,839,000	26,839,000
Aeroportul International Traian Vuia Timisoara	22,000,000	22,000,000
Conpet SA	-	52,121,980
Other	57,402,861	74,976,910
Total equity investments	9,533,546,263	9,278,201,345

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

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

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

Fair value hierarchy

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

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

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

As at 30 September 2018:

	Level 1	Level 2	Level 3	Total
Equity investments	2,660,447,200	-	6,873,099,063	9,533,546,263
Government bonds	147,336,377	-	-	147,336,377
	2,807,783,577	-	6,873,099,063	9,680,882,640

As at 31 December 2017:

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

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

	9 months ended 30 September 2018	9 months ended 30 September 2017
Opening balance	6,884,984,802	7,592,183,120
Subscriptions to share capital increase of portfolio companies	2,498,120	2,753,580
Net unrealised loss recognised in profit or loss	(11,700,917)	(6,892,608)
Net change in fair value recorded in other comprehensive income	-	(110,538,948)
Disposals	(2,682,942)	(6,528,164)
Transfers in/ (out) of Level 3	-	-
Closing balance	6,873,099,063	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 2018

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

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

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

As the valuation reports were prepared as at 30 September 2017, except for the valuation reports for the holding in Hidroelectrica SA, CN Aeroporturi Bucuresti SA and Societatea Nationala a Sarii SA which were prepared as at 31 March 2018 (for 30 September 2017: as at 30 September 2016, except for the valuation report for the holding in Posta Romana SA which was prepared as at 31 December 2016), based on financial information available for the companies under valuation at the respective dates, the Fund's management has analysed the period between the date of the valuation reports and the reporting date. There was no information known or available to the Fund's management which may have significant impact on the fair values of the equity investments as at the reporting date, as they are presented in these condensed interim financial statements.

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

As a result of strong volatility in the capital markets and severe restrictions in the credit markets both globally and in Romania, notwithstanding any potential economic stabilisation measures that may be put into place by the Romanian State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, the future development of the market and demand for goods and services they produce. These economic uncertainties are expected to continue in the foreseeable future and, as a consequence, there is a possibility that the assets of the Fund are not recovered at their carrying amounts in the ordinary course of business. A corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of these condensed interim financial statements.

For the financial 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 2018, unlisted equity investments and listed illiquid equity investments with a total carrying amount of RON 6,873,099,063 (31 December 2017: RON 6,884,984,802 out of which RON 3,908,505,337 represented the total net change in fair value recognised in equity), were classified as Level 3 of the fair value hierarchy. Out of the total value of the equity investments classified as Level 3 of the fair value hierarchy, 99% were assessed with the assistance of an independent valuer, using valuation methods in accordance with the International Valuation Standards and 1% were determined based on values used in the calculation of the net asset value of the Fund as at that date, calculated in accordance with the regulations issued by the FSA/CNVM.

The following table sets out information about the significant unobservable inputs used at 30 September 2018 and 31 December 2017 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

Financial assets	Fair value as at 30 September 2018	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	6,873,099,063			
Unlisted equity instruments	6,470,000,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.46 - 10.92 (8.06) 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	286,829,000	Income approach - discounted cash flow method	Weighted average cost of capital: 12.69% or 13.50% or 13.82% (13.52%) Discount for lack of marketability: 12% or 15% or 17% (15.17%) Discount for lack of control: 0% or 18% or 26% (24%) Long-term revenue growth rate: 1.5% or 2% (1.95%)	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	17,300,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 13.34 (13.34) Discount for lack of marketability: 24.4% (24.4%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	32,000,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.78 (0.78) Discount for lack of marketability: 15% (15%)	The higher the Revenue multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	2,441,000	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.46 (0.46) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Listed illiquid equity instruments	42,462,601	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	22,066,462	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 2018

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

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

Significant unobservable inputs are the following:

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

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

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

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

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

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

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

13. Deferred tax

	Deductible temporary differences	Related deferred tax asset, out of which:	Recognised deferred tax asset	Not recognised deferred tax asset
30 September 2018				
Fiscal loss carried forward	3,272,883,438	523,661,350	-	523,661,350
	Deductible temporary differences	Related deferred tax asset/ (liability), out of which:	Recognised deferred tax asset/ (liability)	Not recognised deferred tax asset
31 December 2017				
Equity investments	(210,096,993)	(33,615,519)	(33,615,519)	-
Fiscal loss carried forward	3,914,756,220	626,360,995	33,615,519	592,745,476
	3,704,659,227	592,745,476	-	592,745,476

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

13. Deferred tax (continued)

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

9 months ended 30 September 2018	Balance at 1 January 2018	Reversed through profit or loss	Balance at 30 September 2018
Equity investments	(33,615,519)	33,615,519	-
Fiscal loss carried forward	33,615,519	(33,615,519)	-
	-	-	-

9 months ended 30 September 2017	Balance at 1 January 2017	Recognised in profit or loss	Recognised in equity (other comprehensive income)	Balance at 30 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)	-

As at 30 September 2018 the net deferred tax position is nil as the Fund did not recognise any deferred tax asset or deferred tax liability.

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

14. Liabilities

(a) Payable to shareholders

The payable to shareholders as at 30 September 2018 in amount of RON 24,067,629 (31 December 2017: RON 20,705,311) comprises the amounts due to shareholders related to the returns of capital of RON 11,693,879 (31 December 2017: RON 20,705,311) and to the dividends due to shareholders in total amount of RON 12,373,750 (31 December 2017: nil).

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

	9 months ended 30 September 2018	9 months ended 30 September 2017
Opening balance	20,705,311	20,208,049
Gross distributions payable to shareholders started during the period	499,976,344	924,046,244
Less the withholding tax due to State Budget for the distributions paid during the period	(20,396,899)	-
Payments related to the distributions to shareholders performed from the Fund's dedicated bank accounts	(474,879,853)	(906,903,077)
Payments related to 2015 return of capital performed directly by Central Depositary from the amount transferred by the Fund in their account in 2015	(32,324)	(10,354,346)
Distributions for which the statute of limitation occurred	(1,304,950)	(2,583,847)
Closing balance	24,067,629	24,413,023

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

14. Liabilities (continued)**(b) Other liabilities and provisions**

	30 September 2018	31 December 2017
Administration fees	10,395,630	11,752,658
Payables related to treasury shares under settlement	1,407,638	-
Provision for litigations	856,247	856,247
Financial Supervisory Authority fees	758,110	829,634
Intermediaries and other transactions fees related to disposal of portfolio holdings	483,491	1,236,632
Other liabilities	441,896	1,332,308
	14,343,012	16,007,479

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

On 29 June 2018, the paid in share capital of the Fund decreased by RON 82,424,588.48 following the cancellation of 158,508,824 treasury shares acquired by the Fund, respectively 90,849,151 shares repurchased within the seventh buy-back programme and 67,659,673 shares repurchased within the eighth buy-back programme.

The movements in the share capital components are presented below:

	Share capital paid-in	Share capital unpaid	Total share capital
31 December 2016	8,859,073,619	309,240,498	9,168,314,117
Coverage of the cumulated accounting losses	(2,233,361,731)	(83,676,841)	(2,317,038,572)
Decrease of the nominal value of the shares	(971,026,839)	(36,381,235)	(1,007,408,074)
Cancellation of treasury shares	(989,832,686)	-	(989,832,686)
Total as per Trade Registry evidence	4,664,852,363	189,182,422	4,854,034,785
Presentation adjustment related to the unpaid share capital	-	(189,182,422)	(189,182,422)
31 December 2017	4,664,852,363	-	4,664,852,363
Cancellation of treasury shares	(82,424,589)	-	(82,424,589)
30 September 2018	4,582,427,774	-	4,582,427,774

Unpaid share capital represents the nominal value of certain contributions due to the Fund by the Romanian State, represented by the Ministry of Public Finance as shareholder, which were initially recorded as paid in share capital (based on Law 247/2005) and in 2011 were considered unpaid following the final results of several litigations that took place in the past. Holders of unpaid shares are not entitled to vote or to receive dividends or other cash distributions, until the matters are legally clarified. Due to the fact that there are no clear provisions regarding the unpaid share capital in the special legislation related to the Fund and that according to the general framework provided by the Companies' Law the deadline for the payment by the Romanian State represented by Ministry of Public Finance of the unpaid share capital expired, the Fund recorded a presentation adjustment as at 31 December 2017 for the entire balance of unpaid share capital against other reserves.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

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

This adjustment was recorded in the financial statements only for presentation purpose, while the actual cancellation of the unpaid share capital in the accounting will follow the legal requirements and will be booked only after the successful completion of the necessary legal steps.

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

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

	30 September 2018	31 December 2017
Number of shares in issue	9,176,173,454	9,334,682,278
Number of paid shares	8,812,361,104	8,970,869,928
Number of unpaid shares	363,812,350	363,812,350
Nominal value per share (RON)	0.52	0.52

The shareholder structure as at 30 September 2018 was as follows:

Shareholder categories	% of subscribed share capital	% of paid-in share capital
The Bank of New York Mellon (depository bank for the Fund's GDRs)	29.09%	30.29%
Romanian institutional investors	16.49%	17.17%
Romanian private individuals	15.88%	16.54%
Foreign institutional investors	15.66%	16.30%
Foreign private individuals	2.45%	2.55%
Romanian State	0.07%	0.08%
Treasury shares	16.39%	17.07%
Unpaid shares	3.97%	-
Total	100%	100%

Source: Depozitarul Central SA

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

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

(c) Other reserves

	30 September 2018	31 December 2017
Legal reserve	330,578,802	330,578,802
Losses from cancellation of treasury shares	(55,465,081)	(256,073,589)
Gains from cancellation of treasury shares	-	177,865,119
Distributions for which the statute of limitation occurred	1,304,950	2,583,847
	276,418,671	254,954,179

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

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

The legal reserve cannot be used for distributions to shareholders.

Losses from cancellation of treasury shares comprise the reserves related to the losses on the cancellation of treasury shares acquired at an acquisition value higher than the nominal value. This amount may be covered from the retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting ("GSM").

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

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

The table below shows the changes in the negative reserves recorded as result of the losses from cancellation of treasury shares during the nine-month period ended 30 September 2018:

1 January 2018	256,073,589
Coverage of negative balance according to Resolution of 26 April 2018 GSM	(256,073,589)
Negative equity reserve arising on the cancellation of the remaining balance of shares acquired during 7th buy-back programme (recorded on 29 June 2018) according to GSM Resolution no. 4/26 September 2017	31,068,596
Negative equity reserve arising on the partial cancellation of the shares acquired during 8th buy-back programme (recorded on 29 June 2018) according to GSM Resolution no. 4/26 September 2017	24,396,485
30 September 2018	55,465,081

During nine-month period ended 30 September 2017 the Fund did not recorded any negative reserve in the accounting.

Gains from cancellation of treasury shares comprise the reserves related to the net gain on the cancellation of treasury shares acquired at an acquisition value lower than the nominal value.

(d) Treasury shares

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

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

The table below summarises the details regarding the ninth buy-back programme, respectively the buy-back programme valid during the nine-month period ended 30 September 2018:

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

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

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

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

	Opening balance 1 Jan 2018	Acquisitions during the period	Cancellations during the period	Closing balance 30 September 2018
Seventh buy-back	90,849,151	-	90,849,151	-
Eighth buy-back	141,869,861	-	67,659,673	74,210,188
Ninth buy-back	19,159,328	1,413,834,053	-	1,432,993,381
	251,878,340	1,413,834,053	158,508,824	1,507,203,569

	Opening balance 1 Jan 2017	Acquisitions during the period	Cancellations during the period	Closing balance 30 September 2017
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 movement in the treasury shares carrying amounts during the first nine months of 2018 and the first nine months of 2017 is presented in the table below:

	Opening balance 1 Jan 2018	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 30 September 2018
Seventh buy-back	78,310,155	-	(78,310,155)	-
Eighth buy-back	123,615,960	-	(59,579,515)	64,036,445
Ninth buy-back	16,329,392	1,346,284,925	-	1,362,614,317
	218,255,507	1,346,284,925	(137,889,670)	1,426,650,762

	Opening balance 1 Jan 2017	Cost of treasury shares acquired	Cancellation of treasury shares	Decrease of the nominal value of the shares	Closing balance 30 September 2017
Sixth buy-back	590,746,115	-	(590,746,115)	-	-
Seventh buy-back	63,399,048	688,691,681	-	(46,482,304)	705,608,425
Eighth buy-back	-	86,121,342	-	(498,291)	85,623,051
	654,145,163	774,813,023	(590,746,115)	(46,980,595)	791,231,476

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

15. Shareholders' equity (continued)

(e) Dividend distribution

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

The shareholders registered in the shareholders' registry with the Central Depository on 11 June 2018 have the right to receive a gross dividend of RON 0.0678 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 29 June 2018 and by 30 September 2018, shareholders had collected almost 98% of the total distribution.

16. Contingencies

Litigations

As at 30 September 2018, the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets the Fund considers that there are no litigations which may have significant effects on the Fund's financial position or profitability.

Other contingencies

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

Title II, Article 4 of Government Emergency Ordinance no. 81/2007 stipulated the transfer of receivables from World Trade Center Bucuresti 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.

Between 2008 and 2010 the Fund recovered from World Trade Center Bucuresti 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 Bucuresti SA, the above amounts were recognised on receipt basis in the Fund's financial statements.

In August 2013, World Trade Center Bucuresti SA filed a claim against the Fund asking the Fund to pay back all the amounts received through the enforcement procedure during 2010 and 2011 (EUR 148,701, USD 10,131 and RON 8,829,663).

On 7 July 2016, the Bucharest Court admitted the claim filed by World Trade Center Bucuresti 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 Bucuresti SA. The Court decision is irrevocable.

The amounts recovered from the enforcement procedure were originally accounted for by the Fund as contributions of the Romanian State to the share capital of the Fund, decreasing the receivable related to the unpaid capital. Consequently, these amounts are to be recovered by the Fund from the Romanian State (being accounted for as a receivable over this shareholder of the Fund, for which an impairment adjustment was recorded), while the legal interest was recorded as an expense with provisions for litigations.

The next hearing for the file started by the Fund against the Romanian State, represented by Ministry of Public Finance, for recovering the contributions of the Romanian State to the share capital of the Fund, was set for 11 December 2018 and the file is in the first stage.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

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

	9 months ended 30 September 2018	9 months ended 30 September 2017
Remunerations		
Members of the Board of Nominees	1,085,535	900,000

Following the taxation changes regarding salaries and other income assimilated to salaries starting 1 January 2018, respectively the transfer of the social contributions from employers to employees, the Fund's shareholders approved during 14 February 2018 GSM, the increase of the gross remuneration paid to the Board of Nominees starting with 1 January 2018, so that the net remuneration of Board of Nominees members to remain the same as in December 2017. The net remuneration per each member of the Board of Nominees did not increase in 2018 compared to December 2017, but remained the same.

There were no loans to or other transactions between the Fund and the members of the Board of Nominees neither in the first nine months of 2018 nor in the first nine months of 2017.

FTIS is the Sole Director and Alternative Investment Fund Manager of the Fund starting with 1 April 2016. The initial mandate was for a two-year period and this was renewed for another two years starting with 1 April 2018. The role of investment manager and certain administrative functions have been delegated by FTIS to FTIML.

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

	9 months ended 30 September 2018	9 months ended 30 September 2017
Transactions		
Administration fees	49,732,218	66,399,440

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

	9 months ended 30 September 2018	9 months ended 30 September 2017
Transactions		
Rental expense	58,448	49,983
Operating cost	19,676	18,246
	78,124	68,229

During the first nine months of 2018, the Fund also recorded RON 1,024,314 representing expenses incurred by FTIML on its behalf (nine-month period ended 30 September 2017: RON 1,094,492). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the management agreement in place at the respective moment and was subject to Board of Nominees' approval.

The outstanding liabilities owed by the Fund were as follows:

Amounts due to:	30 September 2018	31 December 2017
FTIS	10,395,630	11,752,658
FTIML	113,637	69,752
	10,509,267	11,822,410

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

17. Related parties (continued)
(b) Subsidiaries

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

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

During the first nine months of 2018, the Fund participated in the cash share capital increase of Zirom SA, subscribing 235,000 new shares, at the nominal value of RON 10 per share (in total of RON 2,350,000).

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

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

	30 September 2018	31 December 2017
Zirom SA	26,839,000	26,839,000
Alcom SA	12,832,632	9,906,746
Comsig SA	-	-
	39,671,632	36,745,746

As at 30 September 2018, the Fund has no commitment or intention to provide financial or other support to its subsidiaries, including commitments or intentions to assist the subsidiaries in obtaining financial support.

(c) Associates

As at 30 September 2018 and 31 December 2017 the Fund had two associates, both of them incorporated in Romania:

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

During the nine-month period ended 30 September 2018, the Fund recorded a dividend receivable from Societatea Nationala a Sarii SA of RON 42,337,557. As at 30 September 2018, the balance due by Societatea Nationala a Sarii SA to the Fund amounted RON 377,851 and comprised the outstanding dividend receivable of RON 376,978 and the penalties for delay payment of dividends of RON 873. The outstanding balance due by Societatea Nationala a Sarii SA to the Fund is fully impaired.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

(all amounts are in RON unless otherwise stated)

18. Subsequent events

Decisions of shareholders at the meeting held on 14 November 2018

The main decisions of the shareholders at the 14 November 2018 meeting were the following:

- The approval of the termination of the ninth buy-back programme, approved by the resolution of the extraordinary shareholders' meeting of the Fund on 26 October 2017, starting with 31 December 2018. The share capital decrease for cancelling the shares acquired during this buy-back programme will be subject to the Fund's shareholders' approval during 2019.
- The approval of the tenth buy-back programme for a maximum number of 750,000,000 treasury shares (being in the form of shares and/ or global depositary receipts corresponding to shares), starting with 1 January 2019 until 31 December 2019, at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share.
- The approval of 2019 budget of Fondul Proprietatea.

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 28 September 2018, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	29 December 2017			28 September 2018			Differences
	% of the net asset	% of the total asset	Currency Lei	% of the net asset	% of the total asset	Currency Lei	
I. Total assets	100.3372%	100.0000%		100.3853%	100.0000%		
1 Securities and money market instruments, out of which:*	24.3997%	24.3177%		28.8026%	28.6922%		
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	24.3997%	24.3177%	-	28.8026%	28.6922%	-	
1.1.1 listed shares traded in the last 30 trading days	22.4907%	22.4152%	-	27.1822%	27.0780%	-	
1.1.2 listed shares not traded in the last 30 trading days	0.0936%	0.0932%	-	0.1319%	0.1314%	-	
1.1.3 Government bonds	1.8154%	1.8093%	-	1.4885%	1.4828%	-	
1.1.4 allotment rights not admitted at trading on a regulated market	-	-	-	-	-	-	
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-	-	-	-	-	
1.2.1 listed shares traded in the last 30 trading days	-	-	-	-	-	-	
1.2.2 listed shares not traded in the last 30 trading days	-	-	-	-	-	-	
1.3. securities and money market instruments admitted on a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the Financial Supervisory Authority ("FSA.")	-	-	-	-	-	-	
2 New issued securities	-	-	-	-	-	-	
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	63.4009%	63.1879%	-	69.0265%	68.7615%	-	
- shares not admitted at trading on a regulated market	63.4009%	63.1879%	-	69.0265%	68.7615%	-	
4 Bank deposits, out of which:	11.8307%	11.7910%		2.1548%	2.1466%		
4.1. bank deposits made with credit institutions from Romania	11.8307%	11.7910%	-	2.1548%	2.1466%	-	
- in RON	11.8307%	11.7910%	-	2.1548%	2.1466%	-	
- in euro	-	-	-	-	-	-	
4.2. bank deposits made with credit institutions from an EU state	-	-	-	-	-	-	
4.3. bank deposits made with credit institutions from an non-EU state	-	-	-	-	-	-	
5 Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	
6 Current accounts and petty cash out of which:	0.1777%	0.1771%		0.2355%	0.2346%		
- in RON	0.1777%	0.1771%	-	0.2354%	0.2345%	-	
- in euro	0.0000%	0.0000%	EUR 671.64	0.0000%	0.0000%	EUR 649.31	
- in USD	0.0000%	0.0000%	USD 331.35	0.0000%	0.0000%	USD 422.32	
- in GBP	0.0000%	0.0000%	GBP 328.61	0.0000%	0.0000%	GBP 516.33	
7 Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	0.4289%	0.4274%	-	-	-	-	
- Treasury bills with original maturities of less than 1 year	0.4289%	0.4274%	-	-	-	-	
8 Participation titles of OCII and/or UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	
9 Other assets out of which:	0.0993%	0.0989%		0.1659%	0.1651%		
- net dividend receivable from Romanian companies	-	-	-	0.1209%	0.1203%	-	
- receivable representing the amount transferred to Central Depository for 2015 return of capital and not yet paid to / collected by shareholders until the end of the period	0.0150%	0.0149%	-	-	-	-	
- tax on dividends to be recovered from the State Budget	0.0068%	0.0067%	-	0.0073%	0.0072%	-	
- tax on profit to be recovered from the State Budget	0.0679%	0.0677%	-	-	-	-	
- intangible assets	0.0070%	0.0070%	-	0.0048%	0.0047%	-	
- advance payments for intangible assets	0.0002%	0.0002%	-	0.0002%	0.0002%	-	
- other receivables out of which:	0.0001%	0.0001%	-	0.0299%	0.0298%	-	
- in RON	0.0001%	0.0001%	-	0.0299%	0.0298%	-	
- prepaid expenses	0.0023%	0.0023%	-	0.0029%	0.0029%	-	
II. Total liabilities	0.3372%	0.3363%		0.3853%	0.3838%		
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1066%	0.1063%	-	0.1028%	0.1024%	-	
2 Liabilities related to the fees payable to the depositary bank	0.0004%	0.0004%	-	0.0005%	0.0005%	-	
3 Liabilities related to the fees payable to intermediaries	0.0111%	0.0111%	-	0.0049%	0.0049%	-	
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	0.0072%	0.0072%	-	0.0071%	0.0071%	-	
8 Liabilities related to audit fees	-	-	-	-	-	-	
9 Other Liabilities, out of which:	0.2119%	0.2113%		0.2700%	0.2689%		
- liabilities to the Fund's shareholders related to the dividend distribution	-	-	-	0.1250%	0.1245%	-	
- liabilities related to the return of capital	0.1918%	0.1912%	-	0.1182%	0.1177%	-	

FONDUL PROPRIETATEA SA

Item	29 December 2017				28 September 2018				Differences Lei
	% of the net asset	% of the total asset	Currency	Lei	% of the net asset	% of the total asset	Currency	Lei	
- provisions	0.0079%	0.0079%	-	856,247.22	0.0087%	0.0086%	-	856,247.22	-
- liabilities related to buybacks under settlement	0.0000%	0.0000%	-	-	0.0142%	0.0142%	-	1,407,637.59	1,407,637.59
- remunerations and related contributions	0.0004%	0.0004%	-	40,065.00	0.0005%	0.0005%	-	50,055.00	9,990.00
- VAT payable to State Budget	-	-	-	-	0.0001%	0.0001%	-	7,296.18	7,296.18
- tax on dividends payable to State Budget	-	-	-	-	0.0006%	0.0006%	-	56,270.96	56,270.96
- other liabilities out of which:	0.0118%	0.0118%	-	1,278,378.05	0.0027%	0.0027%	-	270,255.88	(1,008,122.17)
- in RON	0.0070%	0.0070%	-	762,042.01	0.0027%	0.0027%	-	270,255.88	(491,786.13)
- in USD	0.0009%	0.0009%	USD 25,007.00	97,314.74	-	-	-	-	(97,314.74)
- in GBP	0.0039%	0.0039%	GBP 79,768.00	419,021.30	-	-	-	-	(419,021.30)
III. Net Asset Value (I - II)	100.0000%	99.6637%		10,790,418,333.80	100.0000%	99.6162%		9,895,659,100.55	(894,759,233.25)

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

Unitary Net Asset Value

Item	28 September 2018	29 December 2017	Differences
Net Asset Value	9,895,659,100.55	10,790,418,333.80	(894,759,233.25)
Number of outstanding shares	7,305,157,535	8,718,991,588	(1,413,834,053)
Unitary net asset value	1.3546	1.2375	0.1171

DETAILED STATEMENT OF INVESTMENTS AS AT 28 SEPTEMBER 2018
Securities admitted or traded on a regulated market in Romania, out of which:
1.1 listed shares traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alro Slatina SA	ALR	28/Sep/2018	72,884,714	0.5	3.0100	219,382,989.14	10.21%	2.2085%	2.2170%	Closing price
BRD-Groupe Societe Generale SA	BRD	28/Sep/2018	16,751,396	1	13.5400	226,813,901.84	2.40%	2.2833%	2.2921%	Closing price
Mecon SA	MECP	28/Sep/2018	60,054	11.6	9.2000	552,496.80	12.51%	0.0056%	0.0056%	Reference price - Average price
OMV Petrom SA	SNP	28/Sep/2018	5,663,548,078	0.1	0.3625	2,053,036,178.28	9.99%	20.6672%	20.7468%	Closing price
Romaero SA	RORX	21/Sep/2018	1,311,691	2.5	22.0000	28,857,202.00	20.03%	0.2905%	0.2916%	Reference price - Average price
Nuclearelectrica SA	SNN	28/Sep/2018	21,268,355	10	7.5800	161,214,130.90	7.05%	1.6229%	1.6291%	Closing price
Total						2,689,856,898.96		27.0780%	27.1822%	

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	143.7846	12,832,631.77	71.89%	0.1292%	0.1297%	Shareholders' equity as of 31 December 2017
IOR SA	IORB	26/Jul/2018	2,622,273	0.1	0.0840	220,270.93	2.02%	0.0022%	0.0022%	Fair value (Last trading price)
Total						13,052,902.70		0.1314%	0.1319%	

FONDUL PROPRIETATEA SA
Instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:
Unlisted shares

Issuer	No. of shares held	Date of acquisition *	Acquisition price (total price of acquisition of shares)**	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19/Jul/2005	1,490,898	105.4017	2,440,997.97	20.00%	0.0246%	0.0247%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19-iul.-2005	2,652,588	687.1564	21,999,999.30	20.00%	0.2215%	0.2223%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
BAT Service SA	194,022	19-iul.-2005	656,686	0.0000	0.00	33.00%	0.0000%	0.0000%	Bankruptcy	Priced at zero
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	78.9335	16,036,129.86	20.00%	0.1614%	0.1621%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2017 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	133.3266	3,673,681.14	20.00%	0.0370%	0.0371%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2017 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Maritime SA	21,237	19/Jul/2005	1,351,671	110.9691	2,356,650.78	20.00%	0.0237%	0.0238%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2017 adjusted with dividends declared/ share)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	65,511,444	86.5270	229,999,841.46	19.99%	2.3153%	2.3242%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
CN Aeroporturi Bucuresti SA ***	2,875,443	5/Feb/2010	131,168,263	275.0880	790,999,863.98	20.00%	7.9627%	7.9934%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 March 2018)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	1.1683	31,997,330.30	21.55%	0.3221%	0.3233%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Comsig SA	75,655	19/Jul/2005	132,633	0.0000	0.00	69.94%	0.0000%	0.0000%	Liquidation	Priced at zero
E-Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	59.1065	544,999,994.59	24.12%	5.4863%	5.5075%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
E-Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	50.6432	341,999,961.29	24.09%	3.4428%	3.4561%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
E-Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	128.6698	418,999,822.04	12.00%	4.2179%	4.2342%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	137.3706	60,999,964.41	12.00%	0.6141%	0.6164%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	33.9285	56,999,880.00	12.00%	0.5738%	0.5760%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	197.4318	471,999,809.40	11.99%	4.7515%	4.7698%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,396,405	19/Jul/2005	3,107,849,696	39.4982	3,530,997,083.97	19.94%	35.5453%	35.6823%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 March 2018)
Plafar SA	132,784	28/Jun/2007	3,160,329	14.9867	1,989,993.97	48.99%	0.0200%	0.0201%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	1.1632	17,299,048.75	6.48%	0.1741%	0.1748%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Romplumb SA	1,595,520	28/Jun/2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Salubriserv SA	43,263	19/Jul/2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	128.6215	257,999,808.91	48.99%	2.5972%	2.6072%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 March 2018)
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 2017)
Zirom SA	5,912,083	28/Jun/2007	58,908,072	4.5396	26,838,491.99	100.00%	0.2702%	0.2712%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Total			4,698,221,925		6,830,628,354.11		68.7615%	69.0265%		

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 Baneca - Aurel Vlaicu" S.A.

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

Bonds or other debt instruments issued or guaranteed by the state or central public administration authorities

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	RO1318DBN034	3,500	23/Apr/2018	28/Nov/2018	28/Nov/2018	35,000,000.00	5,369.86	1,637,808.22	0.00	100.3875%	36,773,433.22	0.3702%	0.3716%	Fair value (reference composite price published by Reuters, including the cumulated interest)
Ministry of Finance	RO1318DBN034	4,000	12/Sep/2018	28/Nov/2018	28/Nov/2018	40,000,000.00	6,136.98	1,871,780.82	0.00	100.3875%	42,026,780.82	0.4231%	0.4247%	
Ministry of Finance	RO1318DBN034	4,000	18/Sep/2018	28/Nov/2018	28/Nov/2018	40,000,000.00	6,136.98	1,871,780.82	0.00	100.3875%	42,026,780.82	0.4231%	0.4247%	
Ministry of Finance	RO1318DBN034	2,519	18/Sep/2018	28/Nov/2018	28/Nov/2018	25,190,000.00	3,864.77	1,178,753.97	0.00	100.3875%	26,466,365.22	0.2664%	0.2675%	
Total								6,560,123.83			147,293,360.08	1.4828%	1.4885%	

Bank deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
CITI Bank	24/Sep/2018	8/Oct/2018	26,100,000.00	1,558.75	7,793.75	26,107,793.75	0.2628%	0.2638%	Bank deposit value cumulated with the daily related interest for the period from starting date
Unicredit Tiriac Bank	25/Sep/2018	16/Oct/2018	47,200,000.00	2,884.45	11,537.78	47,211,537.78	0.4753%	0.4771%	
ING BANK	26/Sep/2018	3/Oct/2018	50,300,000.00	2,808.42	8,425.25	50,308,425.25	0.5064%	0.5084%	
Unicredit Tiriac Bank	27/Sep/2018	25/Oct/2018	29,100,000.00	2,101.66	4,203.33	29,104,203.33	0.2930%	0.2941%	
BRD Groupe Societe Generale	28/Sep/2018	1/Oct/2018	8,498,218.16	389.50	389.50	8,498,607.66	0.0856%	0.0859%	
Banca Comerciala Romana	28/Sep/2018	1/Oct/2018	52,000,000.00	3,322.22	3,322.22	52,003,322.22	0.5235%	0.5255%	
Total			213,198,218.16		35,671.83	213,233,889.99	2.1466%	2.1548%	

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

	30 December 2016	29 December 2017	28 September 2018
Net Asset	11,427,351,380.47	10,790,418,333.80	9,895,659,100.55
NAV/share	1.1865	1.2375	1.3546

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

Johan Meyer
Permanent representative

BRD Groupe Societe Generale

Claudia Ionescu
DirectorVictor Strâmbei
Manager Depositary
Department

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, acting as Investment Manager on behalf of Fondul Proprietatea SA

Marius Nechifor
Compliance Officer



FONDUL
PROPRIETATEA

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