

Fondul Proprietatea SA

(this is a translation from the official Romanian version)



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List of Abbreviations

AIFM	Alternative Investment Fund Manager
AIFM Directive	Directive 2011/61/EU on Alternative Investment Fund Managers
ANRE	Romanian Energy Regulatory Authority
ATS	Alternative Trading System
BVB/ Bucharest Stock Exchange	Bursa de Valori Bucuresti SA
CNVM	Former name of National Securities Commission (currently FSA)
Romanian Central Depository	Depozitarul Central SA
EGO	Emergency Government Ordinance
EU	European Union
Fondul Proprietatea/ the Fund/ FP	Fondul Proprietatea SA
FSA	Romanian Financial Supervisory Authority
FTIML/ Investment Manager	Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch
FTIS/ Alternative Investment Fund Manager/ Sole Director	Franklin Templeton International Services S.à r.l.
GDR	Global Depository Receipt (financial instruments listed on London Stock Exchange having shares issued by Fondul Proprietatea as support)
GSM	General Shareholders Meeting
IFRS	International Financial Reporting Standards as endorsed by the European Union
IPS	Investment Policy Statement
LSE	London Stock Exchange
NAV	Net Asset Value
National Bank of Romania	Banca Nationala a Romaniei
RAB	Regulated Asset Base
REGS	Main market (Regular) of Bucharest Stock Exchange
Management Agreement	Management Agreement that entered into force on 1 April 2018

Overview

Company Information

Fondul Proprietatea 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 to shareholders and the increase of the net asset value per share via investments mainly in Romanian equities and equity-linked securities.

During the reporting period, the Fund was managed by FTIS as its Sole Director and AIFM under the AIFM Directive and local implementation regulations, based on the Management Agreement that entered into force on 1 April 2018 according to 14 February 2018 GSM Resolution. FTIS has delegated the role of Investment Manager, as well as certain administrative functions to FTIML for the entire duration of its mandate as AIFM.

Since 25 January 2011, the Fund's shares have been listed on BVB. Since 29 April 2015, the Fund's GDRs issued by The Bank of New York Mellon as GDR Depository, having the Fund's shares as support, have been listed on the Specialist Fund Market of LSE.

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-4522-5/23.10.2019

Share Capital Information

Share capital information	30 September 2019	30 September 2018	31 December 2018
Issued share capital (RON)	4,733,020,898.32	4,771,610,196.08	4,733,020,898.32
Paid in share capital (RON)	4,543,838,476.32	4,582,427,774.08	4,543,838,476.32
Number of shares in issue	9,101,963,266	9,176,173,454	9,101,963,266
Number of paid shares	8,738,150,916	8,812,361,104	8,738,150,916
Nominal value per share (RON)	0.52	0.52	0.52

Source: Fondul Proprietatea

Largest Shareholders

Shareholder	Latest ownership disclosure	% of voting rights
Anchorage Capital Group LLC	21 September 2018	6.69%
Allianz-Tiriac private pension funds	1 July 2019	5.05%
NN Group	27 March 2017	5.02%

Source: ownership disclosures submitted by shareholders

Disclosure of holdings during the period

On 1 July 2019 the Fund announced that Fondul de Pensii Administrat Privat AZT Viitorul Tau, Fondul de Pensii Facultative AZT Moderato and Fondul de Pensii Facultative AZT Vivace (together Allianz-Tiriac private pension funds) sent an aggregate disclosure of holdings over 5% of the total voting rights in the Fund, according to which

the three pension funds held together, as of 28 June 2019, a number of 359,223,294 voting rights, representing 5.05% of the total number of voting rights in Fondul Proprietatea.

Shareholder Structure as at 30 September 2019¹

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights ²
The Bank of New York Mellon (GDRs) ³	24.05	25.05	31.73
Romanian institutional shareholders	21.28	22.16	28.08
Romanian private individuals	15.02	15.65	19.83
Foreign institutional shareholders	12.95	13.49	17.08
Foreign private individuals	2.41	2.51	3.18
Romanian State represented by Ministry of Public Finance	4.07	0.08	0.10
Treasury shares ⁴	20.22	21.06	-

Source: Depozitarul Central SA

As at 30 September 2019 the Fund had 6,344 shareholders and the total number of voting rights was 6,897,472,460.

Summary of Financial Results

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

NAV* and share price developments**	Notes	Q1 2019	Q2 2019	Q3 2019	Q3 2018
Total shareholders' equity at the end of the period (RON million)		10,170.8	10,734.4	10,735.6	9,895.5
Total NAV at the end of the period (RON million)	a	10,171.0	10,734.7	10,735.5	9,895.7
NAV per share at the end of the period (RON)	a	1.4190	1.5112	1.5570	1.3546
NAV per share change in the period (%)		+0.7%	+6.5%	+3.0%	+1.9%
NAV per share total return in the period (%)	g	+0.7%	+13.6%	+3.0%	+1.9%
Share price as at the end of the period (RON)	b	0.9150	1.0700	1.1900	0.9310
Share price low in the period (RON)	b	0.8000	0.9200	1.0450	0.8550
Share price high in the period (RON)	b	0.9150	1.1000	1.2000	0.9310
Share price change in the period (%)		+3.6%	+16.9%	+11.2%	+5.3%
Share price total return in the period (%)	h	+3.6%	+16.9%	+11.2%	+5.3%
Share price discount to NAV as at the end of the period (%)	d	35.5%	29.2%	23.6%	31.3%
Average share price discount in the period (%)	d	37.7%	29.4%	26.7%	32.2%
Average daily share turnover in the period (RON million)	c, j	4.2	5.5	8.3	3.6
GDR price as at the end of the period (USD)	e	10.8000	12.6000	13.5000	11.5000
GDR price low in the period (USD)	e	9.6500	10.6000	12.2000	10.9000
GDR price high in the period (USD)	e	10.8000	12.7000	13.5000	11.5000
GDR price change in the period (%)		+2.9%	+16.7%	+7.1%	+1.8%
GDR price total return in the period (%)	i	+2.9%	+17.6%	+6.3%	+1.8%
GDR price discount to NAV as at the end of the period (%)	d	35.4%	30.7%	24.6%	31.7%
Average GDR price discount in the period (%)	d	38.3%	30.6%	27.8%	32.3%
Average daily GDR turnover in the period (USD million)	f, k	0.8	0.6	1.0	1.7

Source: Fondul Proprietatea, BVB (for shares), LSE and Bloomberg (for GDRs)

* NAV for the end of each period was computed in the last working day of the month

** Period should be read as first quarter of 2019/ second quarter of 2019/ third quarter of 2019/ third quarter of 2018, respectively

Notes:

- Prepared based on local rules issued by the capital market regulator
- Source: BVB - REGS market - Closing prices
- Source: BVB

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 did not hold any global depository receipts as at 30 September 2019

⁴ 1,840,678,456 treasury shares out of which 352,685,887 treasury shares acquired in the tenth buyback program and 1,487,992,569 treasury shares acquired in the ninth buyback program

- d. 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 - REGS/ 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 to IPS, using the latest published NAV per share at the date of calculation
- e. Source: LSE - Closing prices
- f. Source: LSE and Bloomberg
- g. 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
- h. 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
- i. 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
- j. Including the tender offer carried by the Fund in August 2019 with a total value of RON 109.0 million (excluding transaction costs) for the 90.1 million shares acquired on BVB
- k. Including the tender offer carried by the Fund in August 2019 with a total value of USD 17.0 million (excluding transaction costs) for the 59.9 million shares equivalent to the GDRs acquired on LSE

The table below presents the unaudited results of the Fund in accordance with IFRS for the nine months ended 30 September 2019:

RON million	30 September 2019	30 September 2018
Profit for the quarter ended	252.9	160.4
Profit for the nine months ended	1,936.1	950.2

The main contributors to the profit recorded in the first nine months of 2019 were the gross annual dividend income of RON 723.4 million, and the positive net change in fair value of equity investments classified at fair value through profit or loss of RON 1,267.9 million, mainly related to OMV Petrom SA, as a result of the positive evolution of the share price of this company during the period (increase by 41.3%).

Total shareholders' equity was RON 10,735.6 million as at 30 September 2019, 9.2% higher compared to the value of RON 9,828.4 million as at 31 December 2018.

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

The Fund reported a NAV of RON 10,735.5 million as at 30 September 2019 and a NAV per Share of RON 1.5570 (a positive NAV per Share total return of 3.0% compared to 28 June 2019 and 17.8% compared to 31 December 2018).

The discount of the Fund's share price to NAV was 23.6% as at 30 September 2019, based on the NAV as at the same date. During the third quarter of 2019, the discount calculated according with the IPS ranged between 22.3% and 29.2%.

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Significant Events

Regulated Stock Market Trading

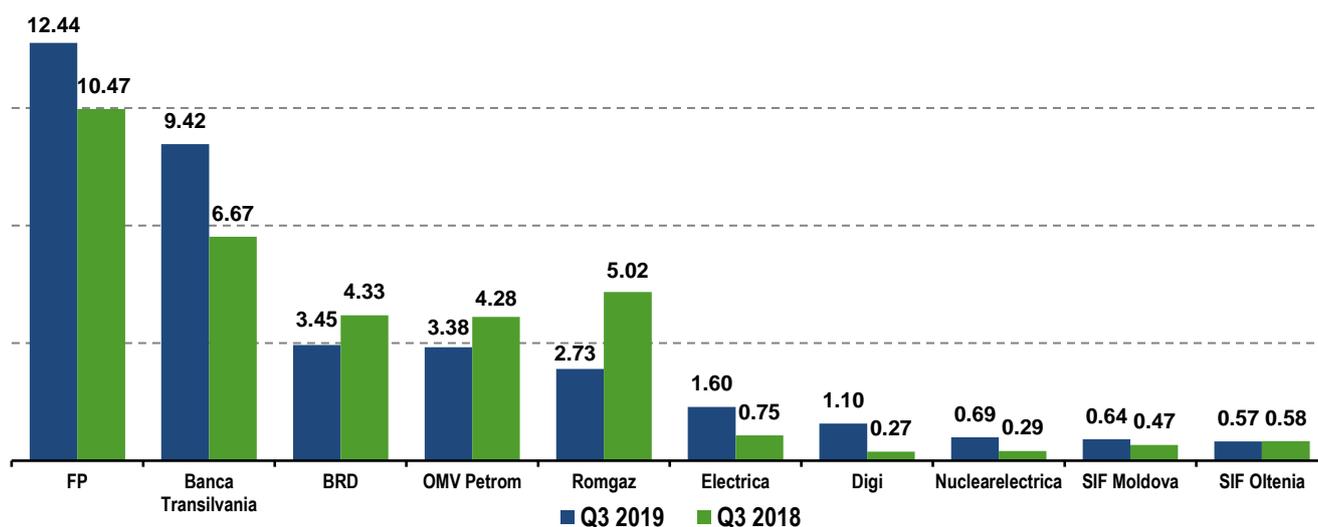
Local Stock Market Evolution

In the quarter ended 30 September 2019 the BVB had the best performance compared to the largest markets in Central Europe, in both local currency and EUR terms, as shown in the table below:

% change in Q3 2019	in local currency	in EUR
BET-XT (Romania)	+8.62%	+8.29%
ATX (Austria)	+1.11%	+1.11%
PX (Czech Republic)	+0.00%	-1.34%
BUX (Hungary)	+0.80%	-2.76%
WIG20 (Poland)	-6.63%	-9.33%

Source: Bloomberg

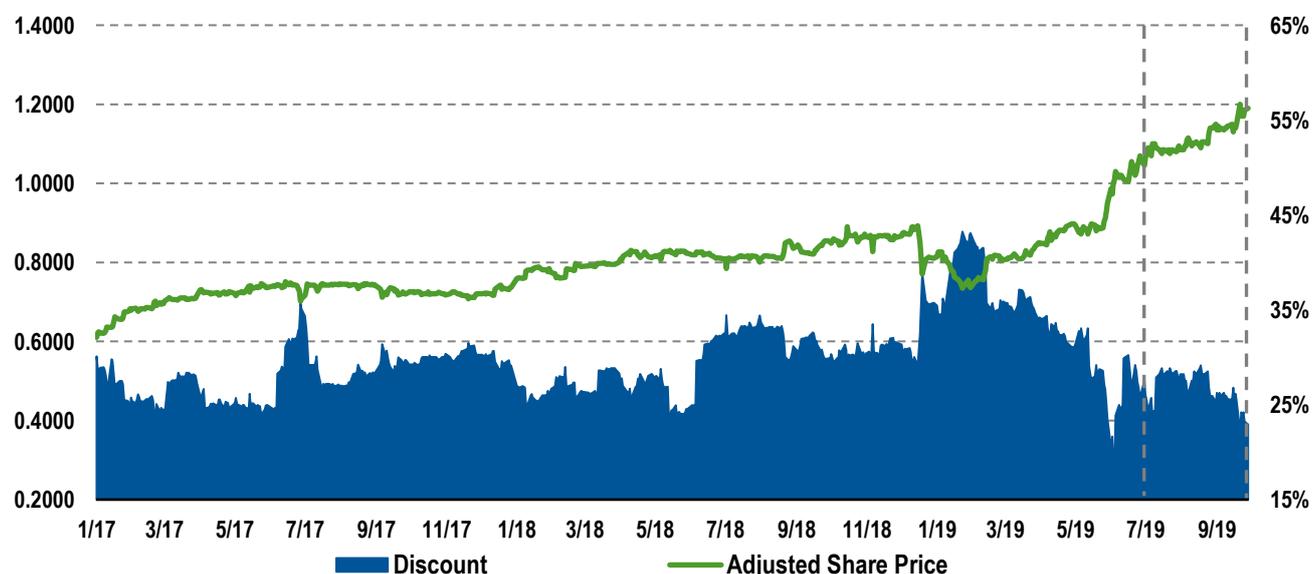
Average Daily Turnover (RON million)



Source: BVB, Bloomberg

Note: the values include the Fund's tender offer from August 2019, of RON 109.0 million for the 90.1 million shares acquired on BVB and RON 72.5 million for the 59.9 million shares equivalent to the GDRs acquired on LSE. The values for FP, Electrica, OMV Petrom and Romgaz also include the GDR trading on LSE.

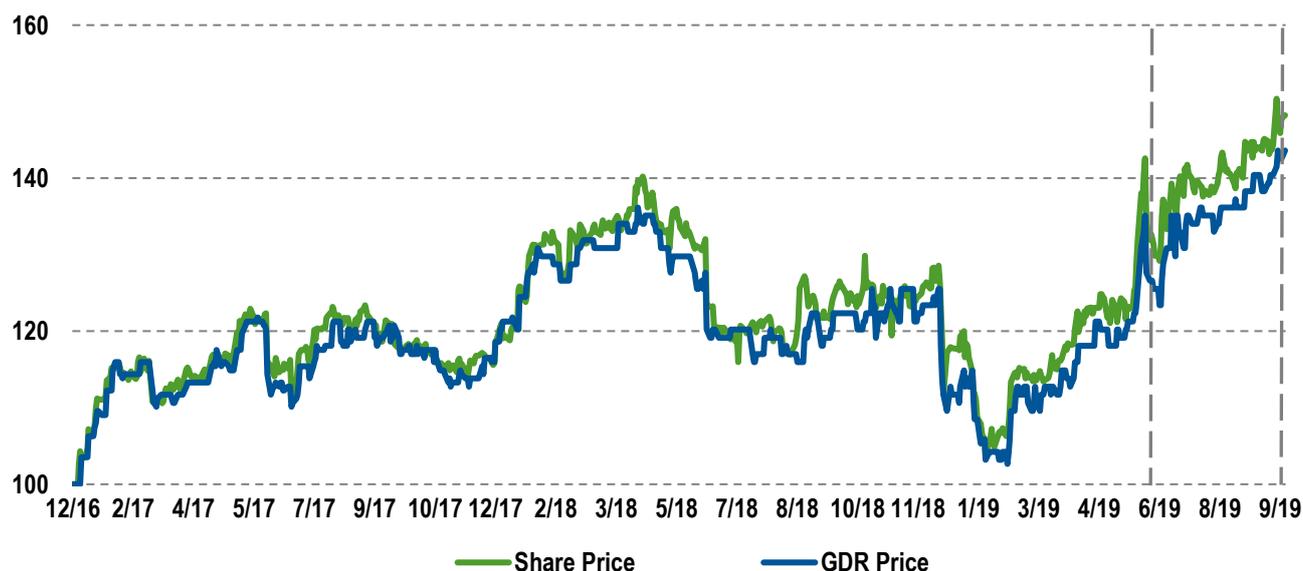
Fund's Share Price and Discount History (RON per share)



Source: Bloomberg for Adjusted Share Price, Fondul Proprietatea for Discount

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

FP Share Price vs. FP GDR price (%)



Source: Bloomberg

The share price performed well during the first nine months of the year following the significant drop at the end of 2018 caused by the publishing and entering into force of the EGO no. 114/2018. On 30 May 2019, the share price reached for the first time the RON 1.00 per share threshold, which was the nominal value set by the Romanian State prior to the Fund's listing on the Bucharest Stock Exchange for the compensation of Romanian individuals who could not receive in kind the properties lost during the communist regime. The share price continued to increase, reaching an all-time high of RON 1.20 per share on 23 September 2019. The tender offer closed during the third quarter was successfully finalised at a price of RON 1.21 per share.

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 the Second Reporting Period is from 1 January until 31 December 2019.

In accordance with the Fund's IPS, there are two performance objectives that the AIFM is aiming to achieve. The NAV objective refers to an Adjusted NAV¹ per share in the last day of the Reporting Period higher than the reported NAV per share as at the end of the previous Reporting Period. The discount objective implies the discount between the closing price of the Fund's shares on BVB – REGS 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 – Second reporting period (interim monitoring)

In the period between 1 January 2019 and 30 September 2019, the discount to NAV was greater than 15%, for both shares and GDRs.

Discount Evolution²

Discount as at 30 September 2019	Minimum discount during the interim monitoring period	Maximum discount during the interim monitoring period	Average discount during the interim monitoring period
22.9%	18.7%	43.2%	31.2%

Source: Fondul Proprietatea

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 – REGS for each trading day and the latest reported NAV per share at the date of calculation.

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.

NAV Objective – Second reporting period (interim monitoring)

The Adjusted NAV per share as at 30 September 2019 was 17.21% higher than the 31 December 2018 NAV per share of RON 1.4095.

NAV Objective	Amount RON	Details
Total NAV as 30 September 2019	10,735,547,537	
Dividend gross distribution from 2018 profit	642,318,809	Dividend distribution of RON 0.0903 per share with Ex-date 7 June 2019, Registration date 10 June 2019 and Payment date 1 July 2019
Distribution fees for cash distributions after 31 December 2018	6,423,188	Distribution fee for the dividend distribution from 2018 profits
Distribution fees for buy-backs performed after 31 December 2018	3,800,440	Distribution fees for the tenth buy-back programme
Costs related to buy-backs after 31 December 2018	2,487,470	Fees related to tenth buy-back programme, excluding the distribution fees for buy-backs
Costs related to the returns of capital and dividends after 31 December 2018	22,561	Fees charged by the Central Depository and Paying Agent for returns of capital and dividends
Total Adjusted NAV as at 30 September 2019	11,390,600,006	
Number of Fund's paid shares, less treasury shares and GDRs held as at 30 September 2019	6,894,709,862	
Adjusted NAV per share as at 30 September 2019	1.6521	
NAV per share as at 31 December 2018	1.4095	
Difference	0.2426	
%	+17.21%	

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 7 regional emerging and frontier market conferences and roadshows in the United Kingdom, US, and Romania, and met 69 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.

Between 5 to 6 September, we organised the 12th edition of the Fondul Proprietatea Investor Days event in Bucharest. 55 investors from 37 investment houses participated in the event. Also, representatives of the US and UK Embassies in Romania, National Bank of Romania, Raiffeisen and ING banks, Bucharest Stock Exchange, Renaissance Capital, major issuers on the Bucharest Stock Exchange, corporates, and other related parties joined the event, bringing the total number of attendees to over 190.

The first half of the first day of the event was dedicated to speeches from Deputy Chief Mission of the US Embassy in Romania, and the UK Ambassador to Romania. We also organised 3 panels on Romanian macroeconomics, Romanian energy sector, and Romanian capital market, with speakers from the National Bank of Romania, Raiffeisen Bank SA, ING Bank SA, OMV Petrom SA, Electrica SA, Hidroelectrica SA, Nuclearelectrica SA, Bucharest Stock Exchange, Renaissance Capital, and WOOD & Co.

In the second part of the day, and the entire day on 6 September, we organised together with WOOD & Co, the Frontier Investor Days conference. 343 investor meetings - individual and group meetings - were organised between the institutional investors and the 63 representatives of the 28 corporates present at the event, Romanian listed and unlisted companies, as well as foreign corporates from other Frontier markets (Georgia, Croatia, Slovenia, Moldova, and Kazakhstan).

On 14 August, we organised a conference call to present and discuss the Fund's first six months results. 27 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 15 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.

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 60,679,755 GDRs as at 30 September 2019, each GDR representing 50 shares. As at 30 September 2019, 2,188,795,700 of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depositary bank, accounting for 43,775,914 GDRs, representing 72.14% 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 2019.

Credit Facility Agreement

On 29 June 2018, the Fund extended the credit facility from BRD – Groupe Societe Generale SA for a two-year period, until 29 June 2020, with a maximum committed amount of RON 400 million.

On 25 July 2019, the Fund decided to partially waive the existing credit facility from BRD Groupe Societe Generale SA, which has a new maximum committed amount of RON 45 million. The permitted use of the credit facility is for general corporate and operational use. The Fund may access, subject to the bank's approval and in accordance with the provisions of the credit facility, additional financing in excess of the said committed amount, without exceeding a total amount of RON 245 million at any given time. The new limit of the credit facility is effective starting 19 August 2019.

The Fund did not use the credit facility during the nine months ended 30 September 2019 and the outstanding balance is nil.

Corporate Changes at the Level of the Fund

With effect from 8 August 2019, Mr. Eric Bedell, Mr. John Hosie, Mr. Rafal Kwasny, Mr. Luis Perez and Mr. Boris Petrovic have been registered with the Trade Registry as permanent representatives of FTIS in its capacity as the Fund's AIFM and Sole Director. Therefore, effective as of 8 August 2019, the legal representation at the level of the AIFM and Sole Director was as follows: Mr. Eric Bedell, Mr. Craig Blair, Mr. Dan Gheorghe, Mr. John Hosie, Mr. Rafal Kwasny, Mr. Calin Metes, Mr. Johan Meyer, Mr. Daniel Naftali, Mr. Luis Perez, Mr. Boris Petrovic and Mrs. Denise Voss, as permanent representatives, with Mr. Johan Meyer being also the portfolio manager of the Fund.

For additional updates on corporate changes, please see section *Subsequent Events*.

Changes in the Composition of Board of Nominees

On 9 August 2019, Mr. Sorin Mindrutescu, who has served as a member of the Fund's Board of Nominees since September 2010 and as its Chairman since April 2012, decided to step down with immediate effect from the positions held within the Fund's Board of Nominees and Consultative Committees.

On 29 September 2019, Ms. Vivian Nicoli and Mr. Mark Gitenstein started a 3-year mandate as members of the Board of Nominees. The composition of the Board of Nominees as at 30 September 2019 is:

- Mark Gitenstein – mandate until 29 September 2022
- Steven van Groningen – mandate until 14 April 2021
- Julian Healy – mandate until 5 April 2021
- Vivian Nicoli – mandate until 29 September 2022 and

- Piotr Rymaszewski – mandate until 5 April 2021

The Board of Nominees decided to appoint a new chairman during the first meeting after the start of the mandate for Vivian Nicoli and Mark Gitenstein and for all Board of Nominees' meetings between 8 August and 14 November the Board of Nominees agreed to have Piotr Rymaszewski as chairman of the meetings.

The Resolutions Adopted by Shareholders during the Quarter Ended 30 September 2019

During the **4 September 2019 GSM** of the Fund the shareholders approved:

- The appointment of the two members of the Board of Nominees - details are mentioned above in section *Changes in the Composition of Board of Nominees*;
- The appointment of Deloitte Audit SRL as the auditor of the Fund for financial year ended 31 December 2020.

New GSM Called for 15 November 2019

In September 2019 the AIFM called a new GSM of the Fund for **15 November 2019**, having on the agenda:

- The approval of the eleventh buyback programme for 800 million shares applicable for calendar year 2020;
- A rewording of article 19 of the Constitutive Act as recommended by the FSA;
- The approval of the 2020 budget of the Fund.

2018 Dividend Distribution

On 4 April 2019, the shareholders approved the distribution of a gross dividend of RON 0.0903 per share, with Ex-date on 7 June 2019 and Registration date on 10 June 2019. The Fund started the payment of dividends on 1 July 2019. The payments of the distributions to shareholders are performed through the Central Depository, according to the legislation in force, as follows:

a) for shareholders having a custodian/ brokerage account, directly by the respective custodian bank or broker;

b) for all other shareholders:

(i) by the Central Depository, through BRD Groupe Societe Generale (acting as Payment Agent), for bank transfers when the supporting documentation required by the Central Depository, along with a payment request, have been submitted

(ii) by the Payment Agent for cash payments at any of its agencies, or by bank transfer (when the supporting documentation required by the Payment Agent and a payment request were submitted to the Payment Agent)

Also, as an important notice to shareholders, this dividend payment is subject to the general statute of limitation. As such, shareholders may request the payments only within a three-year term starting with the Payment Date, namely by 1 July 2022.

Buy-back Programmes

Overview of share buy-back programmes since listing

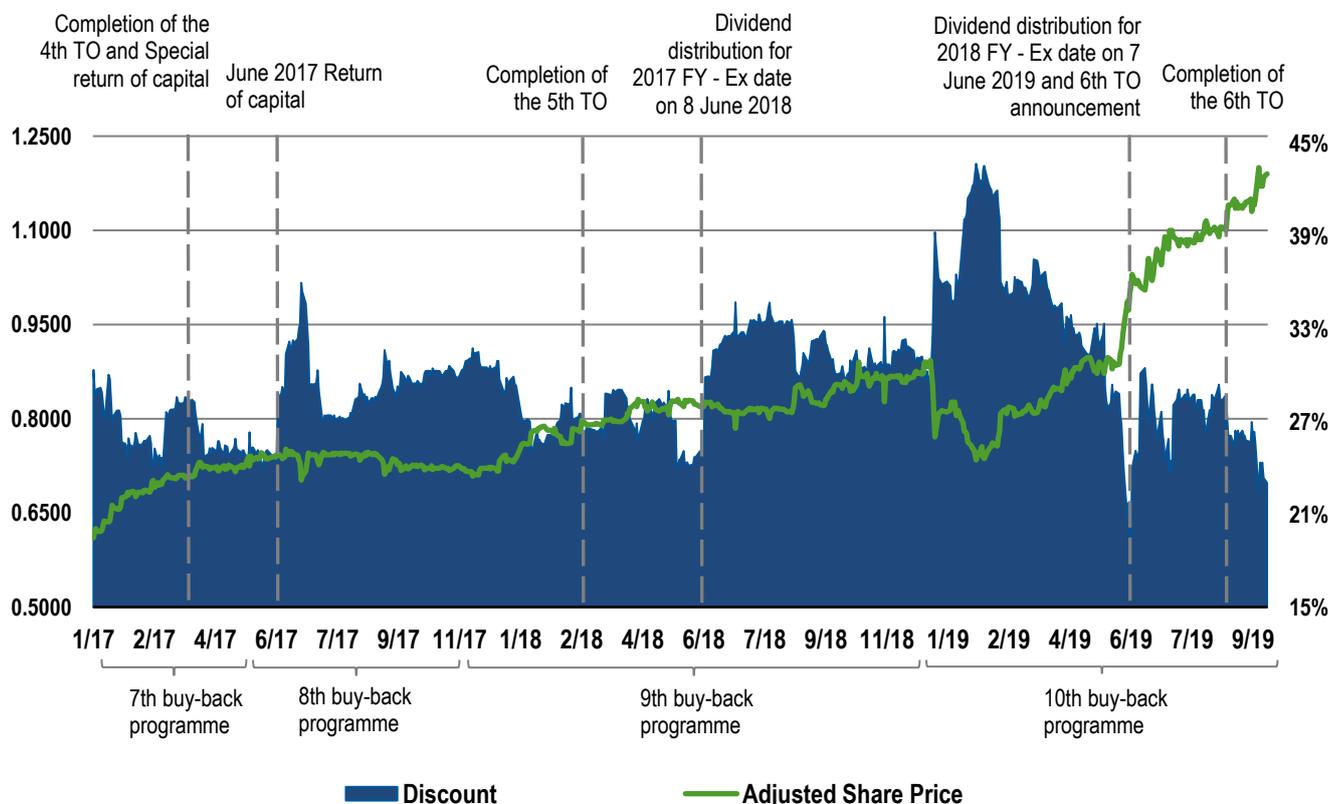
Nine buy-back programmes were completed since listing. Please see below the details regarding the buy-back programmes performed by the Fund since 2011:

Programme	Period	No. of shares repurchased (million shares)	Tender offer	Cancellation of shares
First	May – Sep 2011	240.3	N/A	Completed
Second	Apr – Dec 2013	1,100.9	Oct – Nov 2013	Completed
Third	Mar – Jul 2014	252.9	N/A	Completed
Fourth	Oct 2014 – Feb 2015	990.8	Nov – Dec 2014	Completed
Fifth	Feb – Jul 2015	227.5	N/A	Completed
Sixth	Sep 2015 – Sep 2016	891.7	Aug – Sep 2016	Completed
Seventh	Sep 2016 – May 2017	830.2	Feb – Mar 2017	Completed
Eight	May – Nov 2017	141.9	N/A	Completed
Ninth	Nov 2017 – Dec 2018	1,488.0	Jan – Feb 2018	The cancellation of shares was completed on 15 October 2019. For more details, please see section <i>Subsequent Events</i> .

Programme	Period	No. of shares repurchased (million shares)	Tender offer	Cancellation of shares
Tenth	Jan – Dec 2019	355.4	Jul – Aug 2019	The cancellation of shares will be on the agenda of annual shareholders meeting from April 2020
TOTAL		6,519.6		

Evolution of the discount and buy-back programmes

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



Source: Bloomberg for Adjusted Share Price, Fondul Proprietatea for Discount

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

During the first nine months of 2019, the Fund bought back a total number of 355,448,485 own shares within the tenth buy-back programme (out of which 262,149,635 ordinary shares and 93,298,850 ordinary shares corresponding to GDRs), representing 3.91% of the total issued shares as at 30 September 2019, for a total acquisition value of RON 381,873,934.75, excluding transaction costs. The total number of own shares (including shares corresponding to GDRs) held by the Fund as at 30 September 2019 is 1,843,441,054 own shares, having a total nominal value of RON 958,589,348.08 (RON 0.52 per share), representing 20.3% of the total issued shares as at 30 September 2019. During the first nine months of 2019 the Fund converted 1,890,977 GDRs acquired into 94,548,850 ordinary shares. The Fund did not hold any GDRs as at 30 September 2019.

The table below shows a summary of the buy-back programmes during the nine-month period ended 30 September 2019 (information based on the transaction date):

Programme	Description	No of shares	Equivalent shares of GDRs	Total no of shares	% of issued share capital**
9th	Opening balance as at 1 January 2019	1,486,742,569	1,250,000	1,487,992,569	
	Acquisitions	-	-	-	
	Converted during the period	1,250,000	(1,250,000)	-	
	Closing balance as at 30 September 2019	1,487,992,569	-	1,487,992,569	16.35%
	Weighted average price (RON per share; USD per GDR)*	0.9318	12.3097		

Programme	Description	No of shares	Equivalent shares of GDRs	Total no of shares	% of issued share capital**
10th	Opening balance as at 1 January 2019	-	-	-	
	Acquisitions	262,149,635	93,298,850	355,448,485	
	Converted during the period	93,298,850	(93,298,850)	-	
	Closing balance as at 30 September 2019	355,448,485	-	355,448,485	3.91%
	Weighted average price (RON per share; USD per GDR)*	1.0614	13.0680		
All	Total balance of treasury shares as at 30 September 2019	1,843,441,054	-	1,843,441,054	20.25%

* Weighted average price is calculated based on transaction price, excluding the related transaction costs, for the entire buy-back programme up to reporting date

**calculated as the total number of shares acquired within the programme (own shares and shares corresponding to GDRs) divided by the number of shares corresponding to the issued share capital at the end of the programme (for completed programmes)/ at the reporting date (for ongoing programmes)

Tender Offer within the tenth buy-back programme

On 24 June 2019 the Fund submitted to the FSA an application for the endorsement of a tender offer to accelerate the tenth buy-back programme. Under the tender offer the Fund intended to repurchase up to 150,000,000 shares from its shareholders, both in the form of shares and GDRs.

The daily execution of the tenth buy-back programme for both shares on BVB and GDRs on LSE was suspended starting with 14 June 2019.

The Fund engaged Banca Comerciala Romana SA and Auerbach Grayson as dealer managers and Banca Comerciala Romana SA as intermediary in relation to the purchase of shares and the Bank of New York Mellon as tender agent in relation to the purchase of GDRs.

On 9 July 2019, the FSA approved the Fund's application for the tender offer. The subscription period was from 15 July until 19 August 2019 and the purchase price was RON 1.21 per share and the USD equivalent of RON 60.5 per GDR. The tender offer price represented a premium of 18.6% to the closing price on 24 June 2019, when the first announcement regarding the tender offer was released.

On 19 August 2019, the Investment Manager announced the results of the tender offer: total subscriptions of 4,672,180,622 shares representing 3,114.8% of the Offer (2,805,099,522 in the form of shares and 1,867,081,100 shares in the form of GDRs, namely 37,341,622 GDRs).

Under the tender offer, the Fund repurchased 150,000,000 shares (90,057,550 in the form of shares and 59,942,450 shares in the form of GDRs, namely 1,198,849 GDRs) at a purchase price of RON 1.21 per share and the USD equivalent of RON 60.50 per GDR, computed in accordance with the terms and conditions of the offer documentation.

The daily execution of the tenth buy-back programme was resumed on 28 August 2019 on BVB and on 29 August 2019 on LSE.

Cancellation of the shares acquired within the ninth buy-back programme

During the Annual GSM held on 4 April 2019 the shareholders approved the decrease of the subscribed share capital of the Fund from RON 4,733,020,898.32 to RON 3,959,264,762.44 pursuant to the cancellation of 1,487,992,569 own shares acquired during the ninth buy-back programme.

The cancellation of shares was completed on 15 October 2019 - for more details please see section *Subsequent Events*.

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

The Fund recognises the treasury shares (repurchases of own shares and GDRs) at trade date as a deduction from 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 no. 39/2015, article 75.

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. At the cancellation date, only a reallocation between the equity accounts is booked, without any impact

on profit or loss and without generating additional shareholders' equity decrease (the decrease is recorded at share acquisition date).

Article 75 from Norm no. 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.

Coverage of the negative reserves

The total negative reserves recorded by the Fund as at 31 December 2018 of RON 80,910,369 were related to the partial cancellation of the shares acquired within the seventh buy-back programme and the cancellation of all the shares acquired within the eighth buy-back programme. During the 4 April 2019 Annual GSM, the shareholders approved the coverage of the negative reserves in amount of RON 80,910,369, as recorded in the annual audited IFRS financial statements of the Fund, from 2016 profit remained under unallocated retained earnings.

The table below shows the movement of the negative reserves during the first nine months of 2019:

	<i>All amounts in RON</i>
Opening balance of the negative reserve as at 1 January 2019 (audited)	80,910,369
Coverage of negative reserves according with GSM Resolution no. 2/ 4 April 2019	(80,910,369)
Closing balance of the negative equity reserve at 30 September 2019 (unaudited)	-

The table below shows additional details on the estimated negative reserves that would arise upon the cancellation of the treasury shares in balance as at 30 September 2019:

Negative reserve that will arise on cancelation of the treasury shares in balance as at 30 September 2019		Buy-back programme 9	Buy-back programme 10
Number of shares to be cancelled	(1)	1,487,992,569	355,448,485
Total costs as at 30 September 2019 (including transaction costs and other costs), representing the accounting value of the shares to be cancelled in the future (RON)	(2)	1,414,500,848	388,159,888
Correspondent nominal value (NV = RON 0.52 per share) as at 30 September 2019 (RON)	(3)=(1)*NV	773,756,136	184,833,212
Estimated negative reserve to be booked on cancelation (RON)	(4)=(3)-(2)	(640,744,712)	(203,326,676)

During the 4 April 2019 GSM the shareholders also approved the allocation to other reserves of RON 640,744,712 to be available for covering the negative reserves that would be recorded when the cancellation of the shares acquired during the ninth buy-back programme is effective, as follows:

- RON 233,482,390 representing the non-distributable amount from the 2018 audited profit
- RON 407,262,322 from the 2017 profit remained under unallocated retained earnings

The actual coverage of this negative reserve using the amount of RON 640,744,712 transferred to other reserves will be subject to shareholders' approval during the following annual shareholders' meeting subsequent to the completion of all cancellation steps.

Portfolio

During the first nine months of 2019, the Fund sold its entire holding of 2.4% in BRD – Groupe Societe Generale SA, for a total value of RON 200.9 million.

In June 2019, the valuations for 8 unlisted holdings were updated with the assistance of the independent valuer KPMG Advisory, in accordance with International Valuation Standards. The valuation date was 31 March 2019 and the reports also considered certain subsequent corporate actions (such as dividends approved). The overall impact was an increase of RON 426.4 million compared to 31 May 2019. For more details please see section *NAV methodology*.

Also, during the first nine months of 2019, the Fund recorded RON 723.4 million gross dividend income from portfolio companies. Same as in 2018, the Government requested the state-owned companies to have a dividend pay-out ratio of 90%.

From the total gross dividend income of RON 723.4 million, the Fund recorded interim and special dividends in amount of RON 39.8 million, mainly from Alro SA and CN Aeroporturi Bucuresti SA.

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 the 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 at reference prices if listed on an ATS. In case of shares listed on ATS the reference price is considered to be the average price.

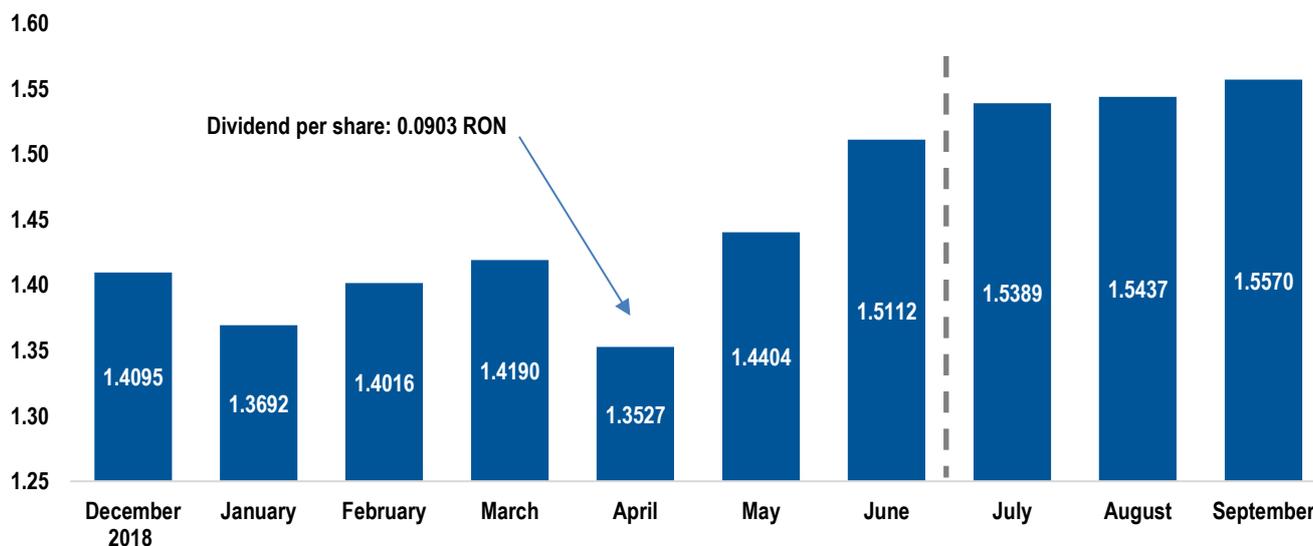
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards.

The shares in the companies under insolvency or reorganisation procedures are valued at zero. 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 NAV per share calculation, 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 NAV per share for the period 31 December 2018 to 30 September 2019:



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 2019**, the NAV per share had an overall increase of 0.7% compared to 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 328.5 million or RON 0.0453 per share) and due to the tenth buy-back programme carried out by the Fund during this period.

During the **second quarter of 2019** the NAV per share had an overall increase of 6.5% compared to the end of the previous quarter, mainly due to the recording of 2018 dividend receivables from portfolio companies, the valuation update for the unlisted holdings in the Fund's portfolio, the positive share price evolution of OMV

Petrom SA and to the tenth buy-back programme carried out by the Fund during this period, netted off by the dividends payable approved by shareholders during the 2019 Annual GSM.

In June 2019, the Fund performed valuation updates for 8 unlisted holdings representing 94.4% from the Fund's total unlisted portfolio at 31 May 2019. The valuation was performed with the assistance of KPMG Advisory, in accordance with International Valuation Standards. The valuation date was 31 March 2019 and the reports also considered any relevant corporate actions (e.g. dividend distributions). The total impact of the valuation update was an increase of RON 426.4 million, compared to 31 May 2019 NAV, as detailed in the table below:

No.	Portfolio company	Value in 28 June 2019 NAV (RON million)	Value in 31 May 2019 NAV (RON million)	Impact on Total NAV (RON million)	% 28 June 2019 NAV vs. 31 May 2019 NAV	Impact on NAV per share ¹ (RON)
1	Hidroelectrica SA	4,144.0	3,955.0	189.0	+4.8%	0.0266
2	CN Aeroporturi Bucuresti SA	912.0	861.0	51.0	+5.9%	0.0072
3	E-Distributie Banat SA	515.4	472.0	43.4	+9.2%	0.0061
4	Engie Romania SA	489.0	445.0	44.0	+9.9%	0.0062
5	E-Distributie Muntenia SA	424.9	389.0	35.9	+9.2%	0.0050
6	E-Distributie Dobrogea SA	326.3	288.0	38.3	+13.3%	0.0054
7	Societatea Nationala a Sarii SA	272.8	250.0	22.8	+9.1%	0.0032
8	Zirom SA	29.1	27.1	2.0	+7.4%	0.0003
TOTAL		7,113.5	6,687.1	426.4	+6.4%	0.0599

Source: Fondul Proprietatea, based on NAV reports submitted to FSA

During the **third quarter of 2019**, the NAV per share had an upward trend compared to 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 155.7 million or RON 0.0219 per share) and due to the tenth buy-back programme tender offer carried by the Fund during this period.

Valuation of Hidroelectrica SA

On 28 December 2018 the Government approved a fiscal package through EGO no. 114/2018 targeting, among others, the electricity and gas sectors. EGO no. 114/2018 was approved on very short notice, without public consultation and significant regulatory clarifications were still pending from ANRE at the date of 31 December 2018 NAV publication (on 11 January 2019). Consequently, its impact on the Fund's holdings could not be reliably assessed and reflected for the 31 December 2018 NAV purposes.

On 18 January 2019, ANRE issued for public consultation the methodology for the calculation of the regulated electricity prices and quantities to be sold based on regulated contracts by producers to the suppliers of last resort, which was subsequently approved in February 2019 by ANRE Order no. 10/1 February 2019. On 6 February 2019 ANRE also issued Order no. 11 which sets the methodology for calculating the regulated electricity prices to final consumers by the suppliers of last resort. The publication of ANRE's additional methodology represents a subsequent adjusting event for IFRS financial statements for the year ended 31 December 2018 and was reflected accordingly.

The Sole Director performed a scenario analysis regarding the potential impact of the new regulatory requirements on the value of the Fund's holdings and following this the fair value of Hidroelectrica SA was adjusted downwards by RON 391.0 million in the 31 December 2018 IFRS financial statements compared to the value of the company included in 31 December 2018 NAV report. The total value of the Fund's holding in Hidroelectrica SA included in the IFRS financial statements as at 31 December 2018 is RON 3,885.0 million and this value was also reflected in 31 January 2019 NAV report of the Fund. The 31 January 2019 NAV and the IFRS financial statements for the year ended 31 December 2018 were published on 15 February 2019.

Further to the above, as part of the implementation process of the EGO no. 114/2018, on 25 February 2019 ANRE issued Decision no. 324 on the approval of electricity regulated tariffs and amount of electricity to be delivered under regulated contracts by Hidroelectrica during the period 1 March 2019 – 31 December 2019 and the valuation of Hidroelectrica SA was updated in 28 February 2019 NAV to RON 3,955 million (total impact was an increase of RON 70 million).

Following the valuation update for the unlisted holdings in the Fund's portfolio in June 2019, the value of the holding in Hidroelectrica SA was increased to RON 4,144 million on the back of the company's strong

¹ Computed based on the number of shares used in NAV per share computation as at 31 May 2019

performance in the first half of 2019. The report also considers the dividend of RON 1,798.7 million approved by the company’s shareholders during the 29 May 2019 GSM.

The table below summarises the changes in the valuation of the Fund’s holding in Hidroelectrica SA between 30 June 2018 and 30 September 2019:

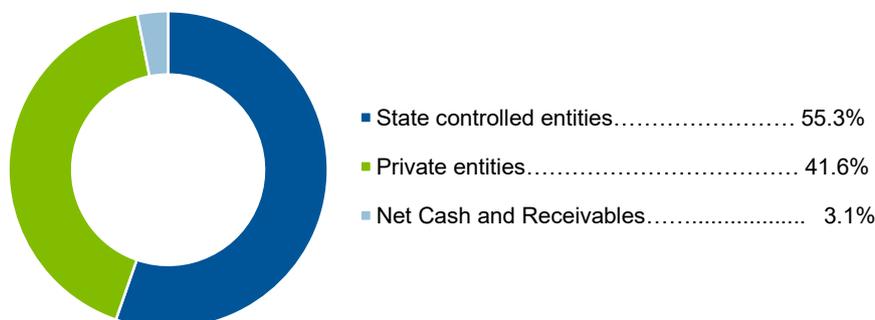
Date	Value of FP holding in Hidroelectrica SA (RON million)	Change vs. previous valuation (RON million)	Change vs. previous valuation (%)
30 June 2018	3,531.0		
31 December 2018	4,276.0	745.0	+21%
31 January 2019	3,885.0	(391.0)	-9%
28 February 2019	3,955.0	70.0	+2%
30 June 2019	4,144.0	189.0	+5%
30 September 2019	4,144.0	-	-

Source: Fondul Proprietatea, based on NAV reports submitted to FSA

Investment Strategy and Portfolio Analysis

The Fund’s investment objective is the maximisation of returns to shareholders and the increase of the net asset value per share via investments mainly in Romanian equities and equity-linked securities. The equity exposure amounted to 96.9% of the Fund’s NAV as at 30 September 2019. As at that date, the portfolio was composed of holdings in 34 companies (7 listed and 27 unlisted), a combination of privately held and state-controlled entities.

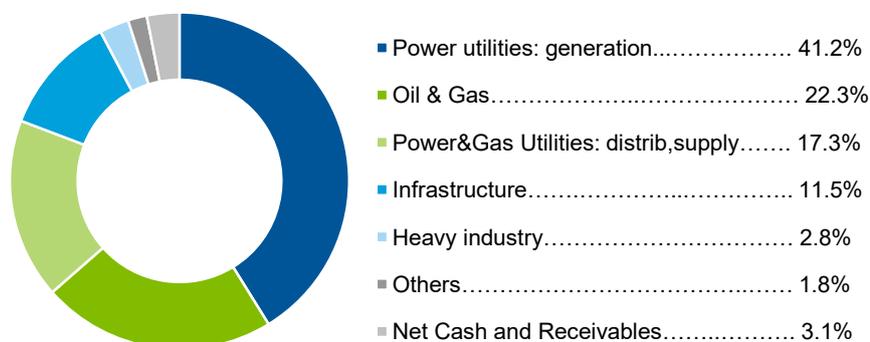
Portfolio Structure – by Controlling Ownership



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

Source: Fondul Proprietatea, data as at 30 September 2019, % in total NAV

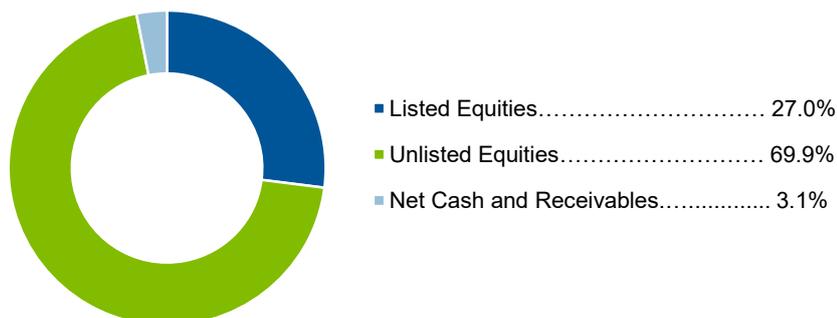
Portfolio Structure – by Sector



- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 80.8% of the NAV), through several listed and unlisted Romanian companies

Source: Fondul Proprietatea, data as at 30 September 2019, % in total NAV

Portfolio Structure – by Asset Type¹



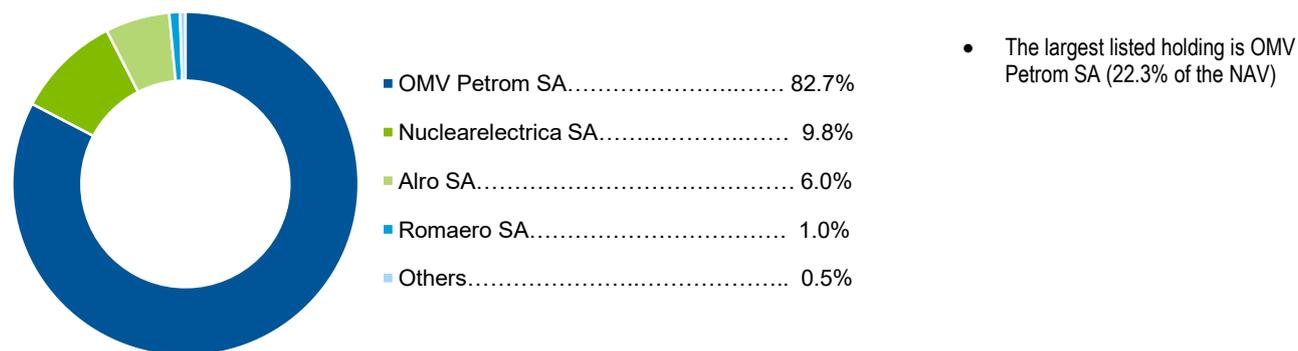
Source: Fondul Proprietatea, data as at 30 September 2019, % in total NAV

Portfolio Structure – Unlisted holdings



Source: Fondul Proprietatea, data as at 30 September 2019; 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 30 September 2019; 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 26.8% as at 30 September 2019

Top 10 equity investments

No	Name	Fund's stake (%)	Value as at 30 September 2019 ¹ (RON million)	% of NAV as at 30 September 2019 ¹
1	Hidroelectrica SA	19.94%	4,144.0	38.6%
2	OMV Petrom SA	9.99%	2,392.8	22.3%
3	CN Aeroporturi Bucuresti SA	20.00%	912.0	8.5%
4	E-Distributie Banat SA	24.13%	515.4	4.8%
5	Engie Romania SA	12.00%	489.0	4.6%
6	E-Distributie Muntenia SA	12.00%	424.9	4.0%
7	E-Distributie Dobrogea SA	24.09%	326.3	3.0%
8	Nuclearelectrica SA	7.05%	283.3	2.6%
9	Societatea Nationala a Sarii SA	49.00%	272.8	2.5%
10	CN Administratia Porturilor Maritime SA	20.00%	244.0	2.3%
Top 10 equity holdings			10,004.5	93.2%
Total equity holdings			10,405.9	96.9%
Net cash and receivables			329.6	3.1%
Total NAV			10,735.5	100.0%

Source: Fondul Proprietatea, based on NAV reports submitted to FSA

¹ Rounded to one decimal

Key portfolio developments during the period**Dividends**

During the first nine months of 2019 13 companies in the Fund's portfolio declared dividends for the 2018 financial year. In addition, 5 companies declared special and interim dividends. The total amount of gross dividend income recorded by the Fund in the nine-month period ended 30 September 2019 is RON 723.4 million, and the most significant amounts relate to Hidroelectrica SA and OMV Petrom SA. For more details regarding dividend income, please refer to section *Financial Statements Analysis*.

Participation in share capital increases

In January 2019 the Fund subscribed to the share capital increase of CN Aeroporturi Bucuresti SA with a cash contribution of RON 67,292,520. This amount has been considered in the fair valuation of the Fund's holding in this company during the valuation updates performed in December 2018 and June 2019. In September 2019, the company's shareholders decided to reperform the land valuation report, thus cancelling the share capital increase. Following the decision, the Fund's cash contribution was paid back by the company.

In March 2019 the Fund subscribed to the share capital increase of E-Distributie Banat SA with a cash contribution of RON 30,030, which will become effective at the registration with the Romanian Trade Register, after all legal steps are concluded – as at the date of this report this is ongoing.

In September 2019 the Fund subscribed to the share capital increase of Zirom SA with a cash contribution of RON 1,500,000, which was effective on 23 September 2019, at the date of registration with the Romanian Trade Register.

Disposals

During the first nine months of 2019 the Fund sold its entire holding of 2.4% in BRD – Groupe Societe Generale SA, for a total value of RON 200.9 million.

Energy sector updates**Regulatory framework for the electricity distribution companies**

On 18 September 2018 ANRE published Order no. 169/2018 regarding the methodology for energy distribution tariff calculation, which sets the new regulatory framework for the distribution companies operating in the electricity sector. On 29 March 2019 the Government issued the EGO no. 19/2019 which sets the new regulated rate of return both for electricity and gas distribution companies at 6.9% for the 4th regulatory period (2019-2023).

	2014 – 2018 (3 rd Regulatory Period)	2019 – 2023 (4 th Regulatory Period)
Regulated rate of return	7.70%	6.9% ¹
Regulated Asset Base	Initial RAB at the privatisation + Follow on investments after privatisation + Scheduled estimated in the new regulatory period	Initial RAB at the privatisation – Undepreciated value of the existing assets at the privatisation which were sold/ idled + Follow on investments after privatisation + Scheduled estimated in the new regulatory period
Regulated revenues and controllable costs	Reference controllable costs at the beginning of the regulated 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 recognised ² : <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 recognised) • financial costs Reference controllable costs at the beginning of the regulated period are based on a comparative analysis between the costs of 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 no. 72/ 2 October 2013, ANRE Order no. 168/ 17 September 2018, ANRE Order no. 169/ 18 September 2018, ANRE press release dated 17 September 2018, EGO no. 19/2019

New Offshore Law

Law no. 256/2018 (new Offshore Law) entered into force on 17 November 2018; the main provisions of the law are:

1. Maximum limit of deducted investments in the upstream segment cannot exceed 30% of the total tax from additional offshore revenues
2. Minimum 50% of the gas must be sold on the domestic gas market
3. Minimum 25% of the total annual average number of employees used in the offshore projects must be Romanian citizens with fiscal residency in Romania
4. Value of windfall taxes as detailed in the table below:

Interval	Windfall tax
≤ RON 85 per MWh	30%
> RON 85 per MWh and ≤ RON 100 per MWh	15%
> RON 100 per MWh and ≤ RON 115 per MWh	30%
> RON 115 per MWh and ≤ RON 130 per MWh	35%

¹ Based on EGO no. 19/2019 the regulated rate of return is one percent higher for new investments

² The list is not exhaustive

Interval	Windfall tax
> RON 130 per MWh and ≤ RON 145 per MWh	40%
> RON 145 per MWh and ≤ RON 160 per MWh	50%
> RON 160 per MWh and ≤ RON 175 per MWh	55%
> RON 175 per MWh and ≤ RON 190 per MWh	60%
> RON 190 per MWh	70%

Source: Law 256/2018

In September 2019 the Ministry of Energy issued a draft law with positive amendments to the new Offshore Law. The main changes are as follows:

- Provisions of EGO no. 114/2018 and EGO no. 19/2019 will not apply to local offshore gas producers
- Windfall tax will be applied to gas volumes sold above the price of RON 100 per MWh with the same range of quotas as per the initial law being maintained
- Reference price for the royalty calculation is changed to the realized weighted average price (from the Austrian benchmark previously used)
- Deductibility threshold of investment for the computation of the windfall tax to be increased from 30% to 60%
- Minimum amount of offshore gas to be traded on the local market reduced from 50% to 20% until end of 2021; no requirement beginning 2022
- More assurance given to the stability of the existent fiscal system applied for the entire duration of the offshore exploitation.

Gas tariff changes

At the level of the producers the gas prices for industrial consumers have been fully liberalised since 1 January 2015, while for household consumers have been fully liberalised on 1 April 2017. However, gas prices were capped in December 2018 through EGO no. 114/2018 – please see next section for more details.

New regulatory requirements in the energy sector

On 28 December 2018 the Government approved a fiscal package through EGO no. 114/2018, targeting the electricity, gas, telecom, banking and private pension fund sectors. Subsequently, some of its provisions relevant for the companies in the Fund's portfolio have been materially amended through EGO no. 19/2019.

The main provisions of the current form of the EGO with an impact on the Fund's portfolio are presented below:

- 2% tax on turnover for companies in the electricity and gas sectors; according to EGO no. 19/2019, for coal-based power producers as well as cogeneration units the level of the tax is 0.1%
- capping gas prices for households and thermal energy producers that supply heating to the centralised systems at RON 68/MWh for the period from 1 May 2019 until 28 February 2022. EGO no. 19/2019 excluded industrial consumers from the beneficiaries of the price cap
- capping electricity prices at the level of the producers for households at a price set by ANRE
- changes to the Pillar II pension funds:
 - option to transfer from Pillar II to Pillar I (public pension system) after at least 5 years of contributions to Pillar II
 - the reduction of the administration fee from 2.5% to 1%
 - higher capital requirements for the Pillar II Pension fund managers which are due on 31 December 2019

For the implementation of the new legislation concerning the supply of electricity to household consumers, ANRE issued in February 2019 the following regulations:

- Order no. 10/ 1 February 2019 regarding the methodology for the calculation of the regulated electricity prices and quantities to be sold based on regulated contracts by producers to the suppliers of last resort. The methodology would be applied for the period 1 March 2019 – 28 February 2022
- Order no. 11/ 6 February 2019 regarding the methodology for the calculation of regulated electricity prices by suppliers of last resort to final consumers

According to the new regulatory provisions, the electricity producers operating nuclear or hydro production units would be required to sell up to 65% of their expected output on the regulated market, at prices approved by ANRE based on a cost plus 5% methodology. Also, according to the methodology, the obligation to sell firm quantities of

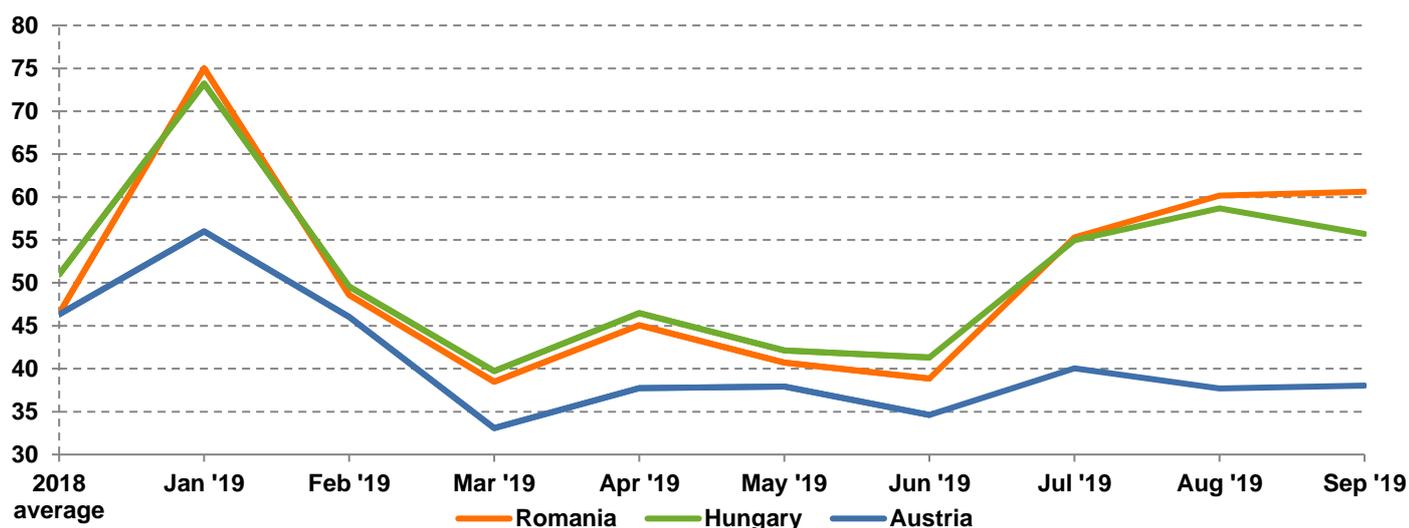
electricity based on regulated contracts would be determined by ANRE in the ascending order of the prices established according to the methodology. For March - December 2019 period, the 65% limit would not be applied.

For the period 1 March 2019 – 31 December 2019 nine electricity producers were obliged by ANRE to sell part of their electricity production through regulated contracts to suppliers of last instance, totalling a volume of 4.3 TWh. Details regarding the regulated quantities and prices for the companies in the Fund's portfolio for the period 1 March 2019 – 31 December 2019 are included in the table below:

Company	Volume	Price
Hidroelectrica SA	1.64 TWh	RON 111.61 per MWh
OMV Petrom SA	1.14 TWh	RON 259.58 per MWh
Nuclearelectrica SA	1.38 TWh	RON 188.33 per MWh
CE Oltenia SA	22.8 GWh	RON 218.15 per MWh

Source: ANRE Decisions 324, 325, 326 and 331 from 25 February 2019

Electricity prices (EUR/ MWh)



Source: LinkedIn EnergyLive charts

Energy resources (thousand tonnes barrels of oil equivalent)

	January – September 2019			January – September 2018			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	3,316.9	2,804.8	512.1	3,387.9	2,958.5	429.4	-2.1%	-5.2%	+19.3%
Crude oil	8,862.3	2,494.9	6,367.4	8,664.2	2,526.3	6,137.9	+2.3%	-1.2%	+3.7%
Usable natural gas	7,484.2	6,053.2	1,431.0	6,975.1	6,196.4	778.7	+7.3%	-2.3%	+83.8%
Hidro. nuclear. and import energy	3,960.5	3,672.4	288.1	3,999.5	3,842.1	157.4	-1.0%	-4.4%	+83.0%
Import oil products	2,145.5	-	2,145.5	2,106.3	-	2,106.3	+1.9%	-	+1.9%
Others	379.4	-	379.4	337.5	-	337.5	+12.4%	-	+12.4%
Total resources	26,148.8	15,025.3	11,123.5	25,470.5	15,523.3	9,947.2	+2.7%	-3.2%	+11.8%

Source: National Institute of Statistics webpage

Update on the largest 10 portfolio holdings

Hidroelectrica SA

RON million	2017*	2018	9M 2018	9M 2019
Turnover	3,259.3	4,273.8	3,206.7	3,275.8
Operating profit	1,529.2	2,212.3	1,923.1	1,875.2
Net profit	1,314.9	1,939.3	1,675.8	1,315.1
Dividends**	1,134.4	1,798.7	-	-

Source: Individual IFRS financial statements

*restated

**do not include the special dividends declared by the company for 2018 and 2017

November: According to management, during 9M 2019, the total turnover of the company increased by 2.2% y.o.y. to RON 3,275.8 million, EBITDA decreased by 0.6% y.o.y to RON 2,395.1 million and profit before tax

decreased by 1.3% y.o.y. to RON 1,954.3 million, while overall net profit decreased by 21.5% y.o.y. to RON 1,315.1 million. The much higher effective tax rate over the first nine months of 2019 was mainly generated by the additional profit tax obligation the company incurred due to the fact that it utilised RON 1,574.2 million of previously untaxed realised revaluation reserves to cover the value adjustments of the historical complex investments. During the first nine months of the year the total energy sold out of own production was 11.99 TWh, down compared to 13.81 TWh during 9M 2018, while total energy sold reached 12.91 TWh, down from 14.33 TWh during 9M 2018.

Over the period, the realised average price of electricity sold was around RON 225/ Mwh, up 13.1% y.o.y, while the 13.2% y.o.y. decrease in electricity sold out of own production was mainly driven by a relatively low level of hydraulicity over the third quarter compared to the same period of the previous year. As such, according to the company, over the July-September period the average level of hydraulicity level on the Danube river was approx. 70% compared to the same period of the previous year, while on the Olt river it was only 58% compared to the same period of the previous year. At the end of September 2019, the company's net cash position stood at RON 2.52 billion.

OMV Petrom SA

RON million	2017	2018	9M 2018	9M 2019	Budget 2018	Budget 2019
Sales	19,435.1	22,523.2	16,110.6	18,189.1	13,680.0	16,762.0
Operating profit	3,270.4	5,212.9	3,462.1	3,196.2	2,936.0	3,966.0
Net profit	2,489.3	4,077.8	2,667.4	2,759.8	2,582.0	3,202.0
Dividends*	1,132.9	1,529.4	-	-	-	-

Source: Consolidated IFRS financial statements/ Budgeted figures based on company's budgets as approved by shareholders

*Based on separate IFRS financial statements

July: The company released Q2 2019 results; consolidated sales increased by 19% compared to Q2 2018 on the back of higher volumes and prices for petroleum products and higher prices for natural gas. This has more than compensated the lower volumes of natural gas and electricity. Operating results increased by 26.7% in H1 2019 compared to H1 2018, while net income attributable to shareholders increased by 53.3% y.o.y. Capex was lower by 30% y.o.y. In May, the methodology for the reference price for crude oil royalties was changed and it is now linked to Brent quotations. In the same month the company started supplying gas on the regulated market; 2.94 TWh were delivered in Q2 2019 to households and district heating for household suppliers. Company expects the recent legislative changes (EGO no. 114/2018 and EGO no. 19/2019) to have an impact of approx. EUR 40 million on operating results in 2019.

August: The company announced the appointment of Johann Pleininger as temporary member of the Supervisory Board following Christopher Veit's waiver of his mandate as member of the Supervisory Board. Johann Pleininger studied mechanical and economic engineering and began his career at OMV in 1977.

October: The company announced a new gas discovery near Totea in Oltenia region after drilling a well at 4,300 meters. Total investment amounts to EUR 50 million. The drilling campaign started in 2018 and was successfully tested in April 2019 for a gas volume of up to 500,000 cubic meters per day.

The company issued Q3 2019 results; consolidated sales increased by 10% in the quarter compared to Q3 2018 as a result of higher sales volumes for petroleum products, higher volumes and prices for natural gas and higher electricity prices. The lower selling prices for petroleum products partially offset the aforementioned increases. The reported operating result of third quarter was 44% lower compared to Q3 2018 due to unfavourable oil prices and the costs estimated for future soil remediation in relation to Arpechim refinery. Operating results for the first 9 months in 2019 are 8% lower compared to the same period of 2018.

CN Aeroporturi Bucuresti SA

RON million	2017	2018	H1 2018	H1 2019	Budget 2018	Budget 2019
Operating revenue	890.4	992.6	458.3	509.3	1,189.2	1,067.1
Operating profit	337.6	445.9	225.4	226.2	428.3	399.5
Net profit	290.7	371.8	192.4	193.6	368.3	318.5
Dividends*	305.9	340.1	-	-	187.6	162.7

Source: Individual IFRS financial statements/ Budgeted figures based on company's budgets as approved by shareholders

*do not include the special dividends declared by the company for 2018 and 2017

September: Shareholders' approved a new valuation report to be performed for the land included in the share capital increase (that was originally approved in 2018). Following the decision, the Fund's cash contribution of RON 67.3 million was paid back by the company.

The company released H1 2019 operating and financial results: 6.88 million passengers (+8.5% y.o.y.), operating revenues of RON 509.3 million (+11.1% y.o.y.), EBITDA of RON 305.7 million (+9.9% y.o.y.), EBIT of RON 226.2 million (+0.3% y.o.y.) and net profit of RON 193.6 million (+0.6% y.o.y.). Based on management estimations, the traffic growth will continue in H2 2019 and the expectation is to reach 15 million passengers by the end of the year.

During 24 September 2019 GSM, shareholders approved the distribution of a special dividend of RON 25.1 million out of the company's retained earnings.

E-Distributie Banat SA

RON million	2017	2018	Budget 2018	Budget 2019
Operating revenue	550.5	533.7	535.2	516.7
Operating profit (EBIT)	87.4	(213.2)	74.4	(31.2)
Net profit	82.8	(211.9)	66.4	(16.5)
Dividends	31.9	-	-	-

Source: Financial statements in accordance with applicable Romanian accounting regulations/ Budgeted figures based on company's budgets as approved by shareholders

July: Georgios Stassis, country manager of Enel in Romania, is announced to become the new general manager of the Greek energy company Public Power Corp. If the move is confirmed, he will remain in his current position until middle of September and his replacement will be announced soon.

August: Carlo Pignoloni was appointed country manager of Enel in Romania. This is not his first experience in Romania, as he managed the local operations of Enel Green Power during 2008-2011.

Engie Romania SA

RON million	2017	2018	Budget 2018	Budget 2019
Turnover	4,841.2	5,791.3	4,718.3	6,664.3
Operating profit	422.4	485.7	273.9	360.9
Net profit	342.6	428.7	227.5	313.2
Dividends*	168.6	136.8	-	-

Source: Consolidated IFRS financial statements (2017 figures are restated)/ Budgeted figures based on company's budgets as approved by shareholders, on a consolidated basis

*Dividends are based on the separate financial statements

September: Shareholders approved the dissolution of Wirom Gas SA, one of the company's subsidiary. The assets of Wirom Gas SA will be transferred to Distrigaz Sud Retele SRL (the distribution business), and to Engie Romania SA (the supply business).

E-Distributie Muntenia SA

RON million	2017	2018	Budget 2018	Budget 2019
Operating revenue	856.6	909.6	886.0	866.4
Operating profit (EBIT)	77.3	(137.8)	97.7	30.5
Net profit	85.9	(114.9)	96.6	35.2
Dividends	-	-	-	-

Source: Financial statements in accordance with applicable Romanian accounting regulations/ Budgeted figures based on company's budgets as approved by shareholders

July: Georgios Stassis, country manager of Enel in Romania, is announced to become the new general manager of the Greek energy company Public Power Corp. If the move is confirmed, he will remain in current position until middle of September and his replacement will be announced soon.

August: Carlo Pignoloni was appointed country manager of Enel in Romania. This is not his first experience in Romania, as he managed the local operations of Enel Green Power during 2008-2011.

E-Distributie Dobrogea SA

RON million	2017	2018	Budget 2018	Budget 2019
Operating revenue	475.3	483.7	465.3	459.0
Operating profit (EBIT)	56.6	(143.2)	52.5	(47.4)
Net profit	49.5	(143.3)	44.5	(32.6)
Dividends	17.7	-	-	-

Source: Financial statements in accordance with applicable Romanian accounting regulations/ Budgeted figures based on company's budgets as approved by shareholders

July: Georgios Stassis, country manager of Enel in Romania, is announced to become the new general manager of the Greek energy company Public Power Corp. If the move is confirmed, he will remain in current position until middle of September and his replacement will be announced soon.

August: Carlo Pignoloni was appointed country manager of Enel in Romania. This is not his first experience in Romania, as he managed the local operations of Enel Green Power during 2008-2011.

Nuclearelectrica SA

RON million	2017	2018	H1 2018	H1 2019	Budget 2018	Budget 2019
Operating revenue	1,897.3	2,128.7	973.8	1,187.5	2,072.4	2,383.5
Operating profit	378.0	536.5	215.3	364.2	362.7	445.5
Net profit	306.5	410.6	182.3	290.7	295.3	350.0
Dividends*	271.4	378.9	-	-	146.5	311.7

Source: Individual IFRS financial statements/ Budgeted figures based on company's budgets as approved by shareholders

*do not include the special dividends declared by the company for 2018 and 2017

August: The company reported strong financial results for the first half of 2019, as it registered 21.8% y.o.y increase in sales of electricity, to 1,187.5 million, mainly due to 18% higher y.o.y average price realised on bilateral contracts of 233.6 RON/MWh. The operating result stood at RON 364.2 million, up by 69.2% y.o.y and net profit increased by 59.5%, reaching RON 290.7 million compared to first half of 2018.

Societatea Nationala a Sarii SA (Salrom)

RON million	2017*	2018	H1 2018	H1 2019	Budget 2018	Budget 2019
Operating revenue	389.1	437.5	195.9	209.0	373.5	411.9
Operating profit	102.8	93.3	57.1	57.7	53.2	63.7
Net profit	81.1	76.4	47.7	48.8	42.3	62.2
Dividends	86.4	76.4	-	-	42.3	62.2

Source: Financial statements in accordance with applicable Romanian accounting regulations/ Budgeted figures based on company's budgets as approved by shareholders

*Restated

September: The company released H1 2019 financial results: operating revenues of RON 209 million (+6.7% y.o.y.), EBITDA of RON 68 million (+0.9% y.o.y.), EBIT of RON 57.7 million (+1.1% y.o.y.) and net profit of RON 48.8 million (+2.3% y.o.y.).

CN Administratia Porturilor Maritime SA

RON million	2017	2018	H1 2018	H1 2019	Budget 2018	Budget 2019
Operating revenue	330.5	345.2	160.9	177.0	325.9	352.3
Operating profit	93.8	95.8	85.2	75.5	75.1	75.5
Net profit	79.7	75.7	74.9	72.6	61.9	64.7
Dividends	20.3	18.4	-	-	16.5	17.2

Source: Financial statements in accordance with applicable Romanian accounting regulations/ Budgeted figures based on company's budgets as approved by shareholders

August: For the first half of 2019, the company reported operating revenues of RON 177.0 million, up 10.0% y.o.y., an operating profit of RON 75.5 million, down 11.4% y.o.y. due to higher maintenance costs and a net profit of RON 72.6 million, down 3.1% y.o.y. The total volume of goods operated in the port reached 30.7 million tonnes, up 13.9% y.o.y. The increase in volumes was driven mainly by a 24.4% y.o.y. increase in the volume of dry-bulk and 3.4% y.o.y. increase in the volume of liquid bulk.

Financial Statements Analysis

The unaudited IFRS financial statements for the nine months ended 30 September 2019, prepared in accordance with IAS 34 Interim Financial Reporting and applying the FSA Norm no. 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 months ended 30 September 2019.

Statement of Financial Position

RON million	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018	30 Sep 2019 vs. 31 Dec 2018 (%)	30 Sep 2019 vs. 30 Jun 2019 (%)
	Unaudited	Unaudited	Unaudited	Audited	Unaudited		
Cash and current accounts	34.5	631.2	18.6	19.6	23.3		
Deposits with banks	206.9	207.8	376.4	187.1	213.3		
Treasury bills	49.7	49.4	-	49.6	-		
Government bonds	101.0	-	66.4	131.6	147.3		
Dividend receivables	-	227.6	-	137.0	12.0		
Equity investments	10,405.9	10,178.1	9,674.9	9,337.4	9,533.5		
Other assets	0.9	117.8	68.8	1.5	4.5		
Total assets	10,798.9	11,411.9	10,205.1	9,863.8	9,933.9	9.5%	-5.4%
Payables	26.6	19.7	14.9	14.8	13.4		
Other liabilities	36.7	657.8	19.4	20.6	25.0		
Total liabilities	63.3	677.5	34.3	35.4	38.4	78.8%	-90.7%
Total equity	10,735.6	10,734.4	10,170.8	9,828.4	9,895.5		
Total liabilities and equity	10,798.9	11,411.9	10,205.1	9,863.8	9,933.9	9.5%	-5.4%

Overview

The cash and cash equivalents of the Fund during the first nine months of 2019 included term **deposits with banks, government bonds** and **treasury bills** issued by the Ministry of Public Finance of Romania. All instruments are denominated in RON and have maturities of up to one year.

The increase in liquid assets at 30 June 2019 compared to 31 December 2018 was mainly due to the cash inflows from the dividends collected from portfolio companies (RON 580.4 million) and the proceeds from disposal of entire holding in BRD – Groupe Societe Generale SA (RON 200.9 million). This was offset until 30 September 2019 by the payment of more than 90% from the dividend distribution of RON 642.3 million with payment date 1 July 2019.

The net increase in **equity investments** of RON 1,068.5 million during the first nine months of 2019 is mainly due to the increase in the fair value of OMV Petrom SA (RON 699.4 million) and Hidroelectrica SA (RON 259.0 million), partially netted off by the disposal of BRD – Groupe Societe Generale SA shares (RON 200.9 million).

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 as equity instruments 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 annual IFRS Financial Statements for the year ended 31 December 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 2019 substantially all the equity investments of the Fund were carried at fair value.

Listed shares are measured at fair value using quoted prices for that instrument at the reporting date. The fair value of *unlisted shares* is determined and approved by the Fund's Sole Director using valuation techniques in accordance with the International Valuation Standards, based on independently appraised valuation reports.

The holdings in companies in liquidation, dissolution, bankruptcy or with negative shareholders' equity, companies in insolvency or reorganisation are valued at nil.

Capital Expenditure

Capital expenditure comprises the costs for the acquisition and upgrade of the intangible assets of the Fund, which include the value of the licences, the implementation costs and the updates of the Fund's accounting and reporting software, net of the accumulated amortisation. During the first nine months of 2019 the Fund did not incur any capital expenditure costs (during the first nine months of 2018: RON 84,661).

Statement of Comprehensive Income

RON million	Q1 2019 Unaudited	Q2 2019 Unaudited	Q3 2019 Unaudited	Q3 2018 Unaudited	9M 2019 Unaudited	9M 2018 Unaudited
Net gain from equity investments at fair value through profit or loss	392.4	649.2	226.3	132.0	1,267.9	425.9
Gross dividend income	34.7	646.1	42.6	42.4	723.4	575.0
Interest income	2.2	3.4	2.4	2.3	8.0	6.8
Other income/ (expenses), net*	-	3.6	(0.4)	(0.8)	3.2	6.3
Net operating income	429.3	1,302.3	270.9	175.9	2,002.5	1,014.0
Administration fees recognised in profit and loss	(9.3)	(16.9)	(11.8)	(9.9)	(38.0)	(36.5)
Other operating expenses	(5.4)	(6.6)	(6.0)	(5.5)	(18.0)	(18.7)
Operating expenses	(14.7)	(23.5)	(17.8)	(15.4)	(56.0)	(55.2)
Finance costs	(0.2)	(0.1)	(0.1)	(0.2)	(0.4)	(0.2)
Profit before income tax	414.4	1,278.7	253.0	160.3	1,946.1	958.6
Income tax	-	(9.9)	(0.1)	0.1	(10.0)	(8.4)
Profit for the period	414.4	1,268.8	252.9	160.4	1,936.1	950.2
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	414.4	1,268.8	252.9	160.4	1,936.1	950.2

* Other income/ (expenses), net included mainly the net gain/ (loss) from fair value changes related to government securities, net foreign exchange gain/ (loss), net impairment losses on receivables and other operating income/ (expenses).

The **net gain from equity investments at fair value through profit or loss** of RON 1,267.9 million in the first nine months of 2019 was mainly generated by OMV Petrom SA, as a result of the positive share price evolution for this company (RON 699.4 million, share price increase by 41.3%) and Hidroelectrica SA as a result of the valuation update of the Fund's holding in this company (total impact RON 259.0 million).

Gross dividend income for the nine-month period ended 30 September 2019 included the dividend income earned from the Fund's portfolio companies, mainly Hidroelectrica SA (RON 358.7 million), OMV Petrom SA (RON 152.9 million), CN Aeroporturi Bucuresti SA (RON 73.0 million), Societatea Nationala a Sarii SA (RON 37.4 million), Alro SA (RON 33.3 million), Nuclearelectrica SA (RON 26.7 million), BRD Groupe Societe Generale SA (RON 18.3 million) and Engie Romania SA (RON 16.4 million).

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

Details regarding the **administration fees** for the nine-month period ended 30 September 2019 are presented in the table below:

RON million	Q1 2019 Unaudited	Q2 2019 Unaudited	Q3 2019 Unaudited	9M 2019 Unaudited	9M 2018 Unaudited
Recognised in profit or loss	9.3	16.9	11.8	38.0	36.5
Base fee	9.3	10.5	11.8	31.6	31.5
Distribution fee for dividend distribution	-	6.4	-	6.4	5.0
Recognised in other comprehensive income	0.7	0.6	2.5	3.8	13.2
Distribution fee for buy-back programmes	0.7	0.6	2.5	3.8	13.2
Total administration fees	10.0	17.5	14.3	41.8	49.7

Other Operating Expenses

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

RON million	Q1 2019 Unaudited	Q2 2019 Unaudited	Q3 2019 Unaudited	9M 2019 Unaudited	9M 2018 Unaudited
FSA monthly fees	2.4	2.3	2.6	7.3	6.9
Transactions costs	0.2	0.5	-	0.7	1.2
Depositary fees	0.2	0.1	0.2	0.5	0.5
Other expenses	2.6	3.7	3.2	9.5	10.1
Total other operating expenses	5.4	6.6	6.0	18.0	18.7

In the first nine months of 2019, **other expenses** caption comprised mainly legal and litigation assistance expenses, Board of Nominees remuneration and related expenses, PR expenses, portfolio valuation expenses, investor relations expenses and expenses with external audit.

Financial Ratios

Description	30 September 2019			
1. Current liquidity ratio				
<u>Current Assets</u>		=		6.20
<u>Current Liabilities</u>				
2. Debt-to-equity ratio (%)				
<u>Borrowings</u>	x 100	=		-
<u>Shareholders' Equity</u>				
<i>The Fund had no borrowings as at 30 September 2019 therefore this ratio is nil</i>				
3. Receivables turnover ratio - customers (number of days)				
<u>Average balance of receivables</u>	x 90	=		n.a.
<u>Turnover</u>				
<i>This ratio is not applicable to an investment fund and cannot be calculated.</i>				
4. Turnover of non-current assets				
<u>Turnover</u>		=		0.19
<u>Non-current assets</u>				
<i>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 2019, while "Non-current assets" included equity investments and other assets classified as non-current as at 30 September 2019.</i>				
<i>This ratio has no significance for an investment fund.</i>				

Subsequent Events

Corporate Changes at the Level of the Fund

With effect from 9 October 2019, the legal representation of the Fund will be as follows:

- At the level of the AIFM, i.e. Franklin Templeton International Services S.à r.l.: Mr. Eric Bedell, Mr. Craig Blair, Mr. John Hosie, Mr. Rafal Kwasny, Mr. Calin Metes, Mr. Johan Meyer, Mr. Daniel Naftali, Mr. Luis Perez, Mr. Boris Petrovic 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. Calin Metes, and Mr. Daniel Naftali as legal representatives.

Share Capital Decrease Process

On 15 October 2019, the Trade Registry registered Resolution no. 2/4 April 2019 of the Fund's Extraordinary GSM for approving the decrease of the subscribed share capital from RON 4,733,020,898.32 to RON 3,959,264,762.44 pursuant to the cancellation of 1,487,992,569 own shares acquired during the ninth buy-back programme, endorsed by the FSA through Endorsement no. 285/9 October 2019.

Consequently, as of 15 October 2019, the new value of the Fund's subscribed share capital is RON 3,959,264,762.44 (divided into 7,613,970,697 shares with a nominal value of RON 0.52 per share), while the value of the paid-up share capital is RON 3,770,082,340.44 (divided into 7,250,158,347 shares with the same par value as mentioned above).

Signatures:

14 November 2019

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 2019

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

(This is a translation from the official Romanian version)

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	9 months ended 30 September 2019	9 months ended 30 September 2018
Net gain from equity investments at fair value through profit or loss	5	1,267,874,569	425,858,073
Gross dividend income	6	723,381,319	574,973,642
Interest income		7,967,139	6,816,715
Other income, net		3,905,181	4,789,237
Net foreign exchange loss		(431,106)	(553,258)
Net (loss)/gain from other financial instruments at fair value through profit or loss		(254,308)	2,110,376
Net operating income		2,002,442,794	1,013,994,785
Operating expenses	7	(56,003,611)	(55,208,183)
Finance costs	8	(419,267)	(167,111)
Profit before income tax		1,946,019,916	958,619,491
Income tax	9	(9,897,515)	(8,451,863)
Profit for the period		1,936,122,401	950,167,628
Other comprehensive income		-	-
Total comprehensive income for the period		1,936,122,401	950,167,628
Basic and diluted earnings per share	<i>10</i>	0.2719	0.1240

These condensed interim financial statements were authorised for issue on 14 November 2019 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 36 to 56 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	30 September 2019	31 December 2018
Assets			
Cash and current accounts	<i>11</i>	79,426	77,346
Distributions bank accounts	<i>11</i>	34,447,427	19,570,055
Deposits with banks	<i>11</i>	206,856,756	187,116,149
Treasury bills		49,723,418	49,636,197
Government bonds		100,970,671	131,613,207
Dividends receivable	<i>12</i>	-	137,018,231
Equity investments	<i>14</i>	10,405,916,464	9,337,440,399
Other assets		885,790	1,324,379
Total assets		10,798,879,952	9,863,795,963
Liabilities			
Payable to shareholders	<i>15 (a)</i>	35,833,751	19,657,190
Other liabilities and provisions	<i>15 (b)</i>	27,494,021	15,692,915
Total liabilities		63,327,772	35,350,105
Equity			
Paid share capital	<i>16 (a)</i>	4,543,838,477	4,543,838,477
Reserves related to the unpaid share capital	<i>16 (b)</i>	189,182,422	189,182,422
Other reserves	<i>16 (c)</i>	1,020,796,391	297,678,692
Treasury shares	<i>16 (d)</i>	(1,802,660,736)	(1,414,500,848)
Retained earnings		6,784,395,626	6,212,247,115
Total equity		10,735,552,180	9,828,445,858
Total liabilities and equity		10,798,879,952	9,863,795,963

The notes on pages 36 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 2019

(all amounts are in RON unless otherwise stated)

	Share capital	Reserves related to the unpaid share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2019	4,543,838,477	189,182,422	297,678,692	(1,414,500,848)	6,212,247,115	9,828,445,858
Profit for the period	-	-	-	-	1,936,122,401	1,936,122,401
Coverage of losses from cancellation of treasury shares	-	-	80,910,369	-	(80,910,369)	-
Profit appropriation to other reserves	-	-	640,744,712	-	(640,744,712)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	721,655,081	-	1,214,467,320	1,936,122,401
Transactions with owners, recorded directly in equity						
Dividends declared	-	-	-	-	(642,318,809)	(642,318,809)
Acquisition of treasury shares	-	-	-	(388,159,888)	-	(388,159,888)
Distributions for which the statute of limitation occurred	-	-	1,462,618	-	-	1,462,618
Total transactions with owners recorded directly in equity	-	-	1,462,618	(388,159,888)	(642,318,809)	(1,029,016,079)
Balance as at 30 September 2019	4,543,838,477	189,182,422	1,020,796,391	(1,802,660,736)	6,784,395,626	10,735,552,180

The notes on pages 36 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 2019

(all amounts are in RON unless otherwise stated)

	Share capital	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	-	-	(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)	-
Other comprehensive income	-	-	-	-	-	-	-
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 36 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 2019**

(all amounts are in RON unless otherwise stated)

	9 months ended 30 September 2019	9 months ended 30 September 2018
Cash flows from operating activities		
Dividends received (net of withholding tax)	850,395,102	554,326,314
Proceeds from disposal of equity investments	200,906,333	173,047,862
Proceeds from transactions with treasury bills and bonds	138,804,956	94,752,208
Interest received	7,516,859	7,700,361
Amounts collected from the depository Bank of the Fund's GDRs	3,903,730	4,518,246
Acquisition of treasury bills and bonds	(174,521,938)	(36,480,654)
Suppliers and other taxes and fees paid	(75,640,429)	(97,411,571)
Subscriptions to share capital increase of portfolio companies	(1,530,030)	(2,498,120)
Other payments, net	(940,610)	(622,313)
Net cash flows from operating activities	948,893,973	697,332,333
Cash flows from financing activities		
Dividends paid (net of withholding tax)	(597,144,373)	(467,205,695)
Acquisition cost of treasury shares	(379,878,355)	(1,318,051,847)
Payments to shareholders related to the return of capital	(3,117,695)	(6,093,964)
Payment of fees related to the short term bank loans	(468,378)	(113,778)
Net cash flows used in financing activities	(980,608,801)	(1,791,465,284)
Net decrease in cash and cash equivalents	(31,714,828)	(1,094,132,951)
Cash and cash equivalents at the beginning of the period	273,069,799	1,441,188,216
Cash and cash equivalents at the end of the period as per the Statement of Cash Flows	241,354,971	347,055,265
Reconciliation of Statement of Cash Flows with the equivalent items reported in the Statement of Financial Position		
	30 September 2019	30 September 2018
Cash and current accounts (see Note 11)	79,426	133,580
Distributions bank accounts (see Note 11)	34,447,427	23,171,263
Bank deposits with original maturities of less than three months (see Note 11)	206,828,118	213,198,218
Treasury bills and government bonds with original maturities of less than three months	-	110,552,204
	241,354,971	347,055,265
Interest accrued on bank deposits (see Note 11)	28,638	61,802
Treasury bills and government bonds with original maturities of more than three months and less than one year	150,694,089	36,784,173
Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position	392,077,698	383,901,240

The notes on pages 36 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 2019

(all amounts are in RON unless otherwise stated)

1. General information

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

Starting 1 April 2016, Fondul Proprietatea is an alternative investment fund as defined by Alternative Investment Fund Managers Directive and 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.

During the 28 June 2019 shareholders meeting, the Fund’s shareholders approved a new mandate of FTIS as AIFM and Sole Director of the Fund for the period 1 April 2020 – 31 March 2022.

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 2019 are not audited.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(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 2019 have been prepared in accordance with IAS 34 Interim financial reporting and applying the FSA Norm 39/2015. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, prepared in accordance with IFRS. These condensed interim financial statements are available starting with 15 November 2019, on the Fund's official webpage, www.fondulproprietatea.ro, and at the Fund's registered office.

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 2019 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 13 – Deferred tax;
- Note 14 – Equity investments;
- Note 17 – Contingencies.

3. Significant accounting policies

The significant 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 2018 and have been applied consistently to all periods presented in these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(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 2019					
Cash and current accounts	79,426	-	-	79,426	79,426
Distributions bank accounts	34,447,427	-	-	34,447,427	34,447,427
Deposits with banks	206,856,756	-	-	206,856,756	206,856,756
Treasury bills	-	49,723,418	-	49,723,418	49,723,418
Government bonds	-	100,970,671	-	100,970,671	100,970,671
Equity investments	-	10,405,916,464	-	10,405,916,464	10,405,916,464
Other financial assets	71,090	-	-	71,090	71,090
Other financial liabilities	-	-	(61,327,534)	(61,327,534)	(61,327,534)
	241,454,699	10,556,610,553	(61,327,534)	10,736,737,718	10,736,737,718
	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
31 December 2018					
Cash and current accounts	77,346	-	-	77,346	77,346
Distributions bank accounts	19,570,055	-	-	19,570,055	19,570,055
Deposits with banks	187,116,149	-	-	187,116,149	187,116,149
Treasury bills	-	49,636,197	-	49,636,197	49,636,197
Government bonds	-	131,613,207	-	131,613,207	131,613,207
Dividends receivable	137,018,231	-	-	137,018,231	137,018,231
Equity investments	-	9,337,440,399	-	9,337,440,399	9,337,440,399
Other financial liabilities	-	-	(33,182,020)	(33,182,020)	(33,182,020)
	343,781,781	9,518,689,803	(33,182,020)	9,829,289,564	9,829,289,564

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

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

	9 months ended 30 September 2019	9 months ended 30 September 2018
Unrealised net gain from equity investments at fair value through profit or loss	1,257,941,980	421,413,354
Realised net gain from disposal of equity investments at fair value through profit or loss	9,932,589	4,444,719
Total	<u>1,267,874,569</u>	<u>425,858,073</u>

The unrealised net gain from equity investments at fair value through profit or loss for the nine-month period ended 30 September 2019 was mainly generated by the change in fair value for the holding in OMV Petrom SA (net unrealised gain of RON 699,448,188) and Hidroelectrica SA (net unrealised gain of RON 259,000,000), as a result of the strong performance of these companies.

The unrealised net gain from equity investments at fair value through profit or loss for the nine-month period ended 30 September 2018 was mainly generated by the change in fair value for the holding in OMV Petrom SA (net unrealised gain of RON 433,261,428) and Hidroelectrica SA (net unrealised loss of RON 35,148,120).

The realised gain from disposal of equity investments at fair value through profit or loss was calculated as the difference between the proceeds from the disposal and the fair value of the equity investments disposed of at the last annual financial statements date.

The realised gain from disposal of equity investments at fair value through profit or loss for the nine-month period ended 30 September 2019 was generated by the disposal of the holding in BRD Groupe Societe Generale SA (nine-month period ended 30 September 2018: by the disposal of the entire holdings in Conpet SA and Palace SA and part of the holdings in Nuclearelectrica SA and BRD Groupe Societe Generale SA).

6. Gross dividend income

	9 months ended 30 September 2019	9 months ended 30 September 2018
Hidroelectrica SA	358,726,907	226,245,815
OMV Petrom SA	152,915,798	113,270,962
CN Aeroporturi Bucuresti SA	73,039,412	61,193,113
Societatea Nationala a Sarii SA	37,428,152	42,337,557
Alro SA	33,349,130	39,010,085
Nuclearelectrica SA	26,728,073	19,451,565
BRD Groupe Societe Generale SA	18,306,434	36,314,743
Engie Romania SA	16,411,668	20,232,568
CN Administratia Porturilor Maritime SA	3,676,101	4,054,315
Alcom SA	1,602,858	-
E-Distributie Banat SA	-	7,694,517
E-Distributie Dobrogea SA	-	4,269,700
Others	1,196,786	898,702
	<u>723,381,319</u>	<u>574,973,642</u>

The dividend income was subject to 5% Romanian withholding tax in 2019 and 2018. 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

6. Gross dividend income (continued)

According to the updated Annual Cash Distribution Policy of the Fund, the special cash distributions received from portfolio companies are not subject to Fund's dividend distribution to shareholders. The Fund Manager may propose the distribution to shareholders of such amounts after considering the on-going measures imposed by the Discount Control Mechanism and the available cash. For the purpose of the Annual Cash Distribution Policy of the Fund, the special cash distributions are considered the amounts distributed by the portfolio companies from other sources than the annual net profit included in the latest annual financial statements. From the total gross dividend income for the nine-month period ended 30 September 2019 a total amount of RON 39,827,657 represented special cash distributions (nine-month period ended 30 September 2018: nil).

7. Operating expenses

	9 months ended 30 September 2019	9 months ended 30 September 2018
Administration fees	37,996,054	36,506,478
Third party services	7,321,085	7,780,786
FSA monthly fees	7,283,140	6,927,388
BON remunerations and related taxes	1,045,330	1,085,535
Intermediaries and other fees related to disposal of portfolio holdings	700,017	1,196,023
Depository bank fee	493,327	471,986
Other operating expenses	1,164,658	1,239,987
	<u>56,003,611</u>	<u>55,208,183</u>

The total administration fees for the nine-month period ended 30 September 2019 included the base fee of RON 31,572,866 (nine-month period ended 30 September 2018: RON 31,512,829) and the distribution fee of RON 10,221,672 out of which RON 3,798,484 was related to the buybacks and thus recognised directly in equity as buybacks acquisition cost (nine-month period ended 30 September 2018: RON 18,219,389 out of which RON 13,225,740 represented distribution fee related to the buybacks). The administration fees are invoiced and paid on a quarterly basis.

Third party services for the nine-month period ended 30 September 2019 mainly include legal consultancy and litigation assistance of RON 3,673,673 (nine-month period ended 30 September 2018: RON 3,417,759), valuation services in relation to the Fund's portfolio of RON 635,624 (nine-month period ended 30 September 2018: RON 728,680), investor's relations expenses of RON 556,256 (nine-month period ended 30 September 2018: RON 1,002,341), expenses related to the Board of Nominees such as accommodation, transport and insurance costs of RON 487,444 (nine-month period ended 30 September 2018: RON 526,698) and the financial auditor's fees of RON 452,827 (nine-month period ended 30 September 2018: RON 585,929).

During the nine-month period ended 30 September 2019 and the nine-month period ended 30 September 2018, the FSA fee was 0.0078% per month applied on the total net asset value.

Remunerations and related taxes included the remunerations paid to the members of the Board of Nominees as well as the related taxes and contributions payable to the Romanian State budget (see Note 18 (a) for further details).

8. Finance cost

On 29 June 2018, the Fund extended the 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 had a maximum committed amount of RON 400,000,000.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

8. Finance cost (continued)

The Fund announced on 25 July 2019 that it decided to partially waive the existing credit facility with effective date 19 August 2019. The new maximum committed amount starting 19 August 2019 is RON 45,000,000. All other provisions of the credit facility agreement, including the provisions regarding the additional funding did not change. Thus, 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 245,000,000 at any given time.

The finance costs for the nine-month period ended 30 September 2019 of RON 419,267 (nine-month period ended 30 September 2018: RON 167,111) comprise the commitment fee on undrawn amounts from the credit facility.

There are no outstanding amounts from the credit facility as at 30 September 2019 and 31 December 2018.

9. Income tax

There was no current tax and no deferred tax recorded during the nine-month period ended 30 September 2019 and the nine-month period ended 30 September 2018.

	9 months ended 30 September 2019	9 months ended 30 September 2018
Reconciliation of effective tax rate		
Net profit for the period	1,936,122,401	950,167,628
Withholding tax on the dividend income	(9,897,515)	(8,451,863)
Profit excluding income tax	1,946,019,916	958,619,491
Income tax using the standard tax rate (16%)	(311,363,187)	(153,379,119)
<i>Impact on the income tax expense of:</i>		
Taxation applied on dividend income	105,843,496	83,543,920
Non-taxable income (other than dividend income)	108,384,538	74,471,295
Non-deductible expenses	(39,620,979)	(81,963,300)
Elements similar to revenues (taxable equity items)	(234,019)	(33,824,311)
Fiscal result impact in the current period	127,092,636	102,699,652
Income tax	(9,897,515)	(8,451,863)

As at 30 September 2019 and 31 December 2018 there is no tax on profit due or to be recovered from the State Budget by the Fund.

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

10. 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 2019 and 30 September 2018, 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 2019	9 months ended 30 September 2018
Profit for the period	1,936,122,401	950,167,628
Weighted average number of ordinary shares	7,120,340,014	7,663,166,187
Basic and diluted earnings per share	0.2719	0.1240

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

11. Cash and current accounts and deposits with banks

	30 September 2019	31 December 2018
Petty cash	127	198
Current accounts with banks	79,299	77,148
Distributions bank accounts	34,447,427	19,570,055
Cash and current accounts	34,526,853	19,647,401
	30 September 2019	31 December 2018
Bank deposits with original maturities of less than three months	206,828,118	187,106,218
Interest accrued on bank deposits	28,638	9,931
Deposits with banks	206,856,756	187,116,149

The cash held in 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, except for specific instances that are individually assessed.

12. Dividends receivable

The dividend receivable balance as at 30 September 2019 is nil.

The dividend receivable balance as at 31 December 2018 comprises the special dividend approved during December 2018 by the shareholders of Hidroelectrica SA in amount of RON 137,018,231, in addition to the annual dividend. The payment of this special dividend was performed by Hidroelectrica SA in January 2019.

13. Deferred tax

As at 30 September 2019 and 31 December 2018 there is no difference between the carrying amount and tax base of assets and liabilities that could result in amounts that are deductible when determining taxable profit or tax loss of future periods. In consequence, as at 30 September 2019 and 31 December 2018, the net deferred tax position is nil as the Fund did not recognise any deferred tax asset or deferred tax liability.

As at 30 September 2019 the unused fiscal loss carried forward amounts to RON 2,924,799,867 (31 December 2018: RON 3,719,128,842). As at 30 September 2019 and 31 December 2018 the Fund did not recognise any deferred tax asset for the unused tax losses carried forward as there is a high probability that there will be insufficient future taxable profit against which the loss carried forward can be utilised.

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

The movement in the deferred tax position during the nine-month period ended 30 September 2019 and the nine-month period ended 30 September 2018 is presented in the tables below:

Deferred tax asset/(liability) related to:	Balance at 1 January 2019	Reversed through profit or loss	Balance at 30 September 2019
Fiscal loss carried forward	-	-	-
Deferred tax asset/(liability) related to:	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)	-
	-	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments

In accordance with Law 247/2005, as amended by Government Emergency Ordinance no. 209/2005, the Fund received, at its establishment on 28 December 2005, shares in 117 companies as a contribution in kind from the Romanian State, as sole shareholder.

In June 2007, Government Emergency Ordinance no. 81/2007 for the acceleration of the procedure for granting compensations for the property abusively nationalised came into force, in accordance with which:

- 32 new shareholdings were added to the Fund's portfolio as a contribution in kind to its share capital (21 shareholdings in companies already in the portfolio and 11 shareholdings in companies not previously in the portfolio);
- 39 shareholdings were removed from the Fund's portfolio and transferred back to the Romanian State.

The valuation of the shares contributed by the Romanian State in December 2005 and June 2007 was performed in October 2007 by an independent valuer (Finevex SRL Constanta), who followed the valuation methodology set forth by Law 247/2005. The value of the shareholdings, as determined by the valuer, represented the cost (initial value) of the equity investments. The difference between the Fund's share capital amount and the value of the equity investments as determined by the valuer was considered unpaid share capital by Romanian State.

Initially, Law 247/2005 included a specific mechanism, whereby each time an in-kind share capital increase in a state-owned company occurred, Fondul Proprietatea was to receive shares in those companies as payment of the unpaid share capital of the Fund. Thus, an off-set mechanism was created to ensure the payment of the unpaid participations of the Romanian State in Fondul Proprietatea.

Beginning with 15 March 2013, the date when Government Emergency Ordinance no. 4/2012 entered into force, the compensation process was suspended, but the payment mechanism was maintained. In January 2015, Law 10/2015 entered into force, repealing the above payment mechanism. Law 10/2015 also repealed the provisions regarding the ability of the Romanian State to adjust the share capital of the Fund according to the unfolding of the compensation procedures.

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 Fund elected to not restate prior periods.

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

- At fair value, determined either by reference to published prices on the stock exchange where shares are traded (listed securities) or assessed using valuation techniques in accordance with International Valuation Standards (unlisted securities);
- Valued at nil, for holdings in companies in liquidation, dissolution, bankruptcy, insolvency or judicial reorganisation.

The movement in the carrying amounts of equity investments at fair value through profit or loss during the nine-month period ended 30 September 2019 and the nine-month period ended 30 September 2018 is presented below:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

	9 months ended 30 September 2019	9 months ended 30 September 2018
Opening balance	9,337,440,399	1,891,510,497
Reclassification of equity investments available for sale following the adoption of IFRS 9 (i)	-	7,386,690,848
Net gain from equity investments at fair value through profit or loss (see Note 5)	1,267,874,569	425,858,073
Disposals (ii)	(200,898,504)	(173,011,275)
Subscriptions to share capital increase of portfolio companies (see Note 18(b))	1,500,000	2,498,120
Closing balance	10,405,916,464	9,533,546,263

(i) Reclassification following the adoption of IFRS 9

As result of the adoption of IFRS 9, as at 1 January 2018 (the date of initial application), the existing balance of equity investments available for sale in amount of RON 7,386,690,848 was classified 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.

(ii) Disposals

During the nine-month period ended 30 September 2019, the Fund sold its entire holding in BRD Groupe Societe Generale SA.

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.

Portfolio

As at 30 September 2019 and 31 December 2018 the Fund's portfolio comprised the following holdings:

	30 September 2019	31 December 2018
Hydroelectrica SA	4,144,000,000	3,885,000,000
OMV Petrom SA	2,392,849,063	1,693,400,875
CN Aeroporturi Bucuresti SA	912,000,000	861,000,000
E-Distributie Banat SA	515,400,000	472,000,000
Engie Romania SA	489,000,000	445,000,000
E-Distributie Muntenia SA	424,900,000	389,000,000
E-Distributie Dobrogea SA	326,300,000	288,000,000
Nuclearelectrica SA	283,294,489	173,549,777
Societatea Nationala a Sarii SA	272,800,000	250,000,000
Administratia Porturilor Maritime SA	244,000,000	244,000,000
Alro SA	174,923,314	224,484,919
Enel Energie Muntenia SA	58,000,000	58,000,000
Enel Energie SA	44,000,000	44,000,000
Romaero SA	30,168,893	25,971,482
Zirom SA	29,154,000	27,129,000
Aeroportul International Traian Vuia Timisoara SA	20,000,000	20,000,000
BRD Groupe Societe Generale SA	-	190,965,914
Other	45,126,705	45,938,432
Total equity investments	10,405,916,464	9,337,440,399

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

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

Fair value hierarchy

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

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

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

30 September 2019	Level 1	Level 2	Level 3	Total
Equity investments	2,851,066,865	-	7,554,849,599	10,405,916,464
Treasury bills	49,723,418	-	-	49,723,418
Government bonds	100,970,671	-	-	100,970,671
	3,001,760,954	-	7,554,849,599	10,556,610,553

31 December 2018	Level 1	Level 2	Level 3	Total
Equity investments	2,282,401,486	-	7,055,038,913	9,337,440,399
Treasury bills	49,636,197	-	-	49,636,197
Government bonds	131,613,207	-	-	131,613,207
	2,463,650,890	-	7,055,038,913	9,518,689,803

The table below presents the movement in Level 3 equity investments during the nine-month period ended 30 September 2019 and the nine-month period ended 30 September 2018:

	9 months ended 30 September 2019	9 months ended 30 September 2018
Opening balance	7,055,038,913	6,884,984,802
Net unrealised gain recognised in profit or loss	498,310,686	(11,700,917)
Subscriptions to share capital increase of portfolio companies (see Note 18(b))	1,500,000	2,498,120
Disposals	-	(2,682,942)
Transfers in/(out) of Level 3	-	-
Closing balance	7,554,849,599	6,873,099,063

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

If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that financial instrument is classified on Level 3. Assessing the significance of an input to the fair value measurement in its entirety requires significant judgment, considering factors specific to the asset.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

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, the equity investments valuations were performed 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 2018, except for the valuation reports for the holding in Hidroelectrica SA, CN Aeroporturi Bucuresti SA, E-Distributie Banat SA, E-Distributie Muntenia SA, E-Distributie Dobrogea SA, Engie Romania SA, Societatea Nationala a Sarii SA and Zirom SA which were prepared as at 31 March 2019 (for 30 September 2018: 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), 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 other 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 consider 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 consequently, 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

The following table sets out information about the significant unobservable inputs used at 30 September 2019 and 31 December 2018 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

Financial assets	Fair value as at 30 September 2019	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	7,554,849,599			
Unlisted equity instruments	7,197,965,118	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.66 - 10.17 (8.68) Discount for lack of marketability: 14.7% or 15% or 20% (14.73%)	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	304,870,000	Income approach - discounted cash flow method	Weighted average cost of capital: 12.12% or 12.90% or 14.00% (13.00%) Discount for lack of marketability: 12% or 14.6% or 17% (14.80%) Discount for lack of control: 0% or 18% or 25% (22.54%) Long-term revenue growth rate: 2% (2%)	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	6,700,000	Market approach - comparable companies (based on Price/Earnings multiple)	Price/Earnings value: 13.43 (13.43) Discount for lack of marketability: 24.4% (24.4%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	1,467,000	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.3 (0.3) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	0	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.53 (0.53)	Irrespective of the evolution of the unobservable inputs, the value of this investment is zero due to the negative equity value of this company generated by a high level of net debts.
Listed illiquid equity instruments	43,847,481	Bucharest Stock Exchange reference 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.	

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

Financial assets	Fair value as at 31 December 2018	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	7,055,038,913			
Unlisted equity instruments	6,726,365,118	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.66 - 10.58 (8.31) Discount for lack of marketability: 15%-20% (15.02%)	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	280,045,000	Income approach - discounted cash flow method	Weighted average cost of capital: 12.12% or 13.58% or 13.96% (13.60%) Discount for lack of marketability: 12% or 15% or 17% (15.16%) Discount for lack of control: 0% or 18% or 25% (22.51%) Long-term revenue growth rate: 2% (2%)	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	6,700,000	Market approach - comparable companies (based on Price/Earnings multiple)	Price/Earnings value: 13.43 (13.43) Discount for lack of marketability: 24.4% (24.4%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	1,467,000	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.3 (0.3) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	0	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.53 (0.53)	Irrespective of the evolution of the unobservable inputs, the value of this investment is zero due to the negative equity value of this company generated by a high level of net debts.
Listed illiquid equity instruments	40,461,795	Bucharest Stock Exchange reference 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.	

As at 30 September 2019 and 31 December 2018, the Fund's investments in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity are valued at nil.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

Significant unobservable inputs are the following:

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

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

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"): 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).

15. Liabilities**(a) Payable to shareholders**

The payable to shareholders as at 30 September 2019 in amount of RON 35,833,751 (31 December 2018: RON 19,657,190) comprises the outstanding amounts due to shareholders related to the dividends in total amount of RON 30,084,481 (31 December 2018: RON 9,327,607) and to the returns of capital of RON 5,749,270 (31 December 2018: RON 10,329,583).

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(all amounts are in RON unless otherwise stated)

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

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

	9 months ended 30 September 2019	9 months ended 30 September 2018
Opening balance	19,657,190	20,705,311
Gross dividend distributions approved during the period	642,318,809	499,976,344
Payments related to the distributions performed from the dedicated bank accounts	(600,262,067)	(474,912,177)
Less the withholding tax payable to State Budget in relation to the dividend payments	(24,417,563)	(20,396,899)
Distributions for which the statute of limitation occurred	(1,462,618)	(1,304,950)
Closing balance	35,833,751	24,067,629

The closing balance is gross of the withholding tax payable to State Budget in relation with the dividend distribution approved during the period and not paid to shareholders until the end of the period.

(b) Other liabilities and provisions

	30 September 2019	31 December 2018
Administration fees	20,683,183	10,776,338
Payables related to treasury shares under settlement	3,263,905	1,027,752
Provision for litigations	856,247	856,247
Financial Supervisory Authority fees	835,787	778,414
Intermediaries and other transactions fees related to disposal of portfolio holdings	522,907	489,816
Tax on dividends due to State Budget	267,346	495,092
Other liabilities	1,064,646	1,269,256
	27,494,021	15,692,915

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

There was no change in the share capital of the Fund recorded during the nine-month period ended 30 September 2019.

During the nine-month period ended 30 September 2018, the paid in share capital of the Fund decreased by RON 82,424,588.48 following the cancellation on 29 June 2018 of 158,508,824 treasury shares acquired by the Fund, respectively 90,849,151 shares repurchased within the seventh buyback programme and 67,659,673 shares repurchased within the eighth buyback programme.

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

	30 September 2019	31 December 2018
Number of shares in issue	9,101,963,266	9,101,963,266
Number of paid shares	8,738,150,916	8,738,150,916
Number of unpaid shares	363,812,350	363,812,350
Nominal value per share (RON)	0.52	0.52

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

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

The shareholder structure as at 30 September 2019 was as follows:

Shareholder categories	% of subscribed share capital	% of paid share capital
The Bank of New York Mellon (depository bank for the Fund's GDRs)	24.05%	25.05%
Romanian institutional investors	21.28%	22.16%
Romanian private individuals	15.02%	15.65%
Foreign institutional investors	12.95%	13.49%
Foreign private individuals	2.41%	2.51%
Romanian State	0.07%	0.08%
Treasury shares	20.22%	21.06%
Unpaid shares (see Note 16(b))	4.00%	-
Total	100.00%	100.00%

Source: Depozitarul Central SA

(b) Reserves related to the unpaid share capital

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 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.

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.

(c) Other reserves

	30 September 2019	31 December 2018
Other reserves	640,744,712	-
Legal reserve	377,333,401	377,333,401
Distributions for which the statute of limitation occurred	2,718,278	1,255,660
Losses from cancellation of treasury shares	-	(80,910,369)
	1,020,796,391	297,678,692

The Fund's Sole Director proposed to shareholders and the shareholders approved at 4 April 2019 General Shareholders' Meeting the allocation to other reserves of a total amount of RON 640,744,712 as follows:

- RON 233,482,390 from 2018 profit
- RON 407,262,322 from 2017 profit remained under unallocated retained earnings

The amounts allocated to other reserves are to be used to cover the negative reserves that will arise from cancellation of shares acquired during the ninth buy-back programme.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

16. Shareholders' equity (continued)**(c) Other reserves (continued)**

As required by the Romanian Companies' Law, a minimum 5% of the profit for the year must be transferred to the legal reserve until the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders.

Losses from cancellation of treasury shares comprise the negative 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.

The Fund's Sole Director proposed to shareholders and the shareholders approved during 4 April 2019 General Shareholders' Meeting, the coverage of the negative reserves in amount of RON 80,910,369 from 2016 unallocated profit remained under unallocated retained earnings.

During the nine-month period ended 30 September 2019 the Fund did not recorded any negative reserve in the accounting.

During the nine-month period ended 30 September 2018 the Fund recorded negative reserves in total amount of RON 55,465,081 as result of the losses from partial cancellation of treasury shares acquired during seventh buyback programme and eighth buyback programme.

(d) Treasury shares

The Fund started the tenth buy-back programme on 2 January 2019. The table below summarises the details regarding the tenth buy-back programme, respectively the buy-back programme that will be carried during 2019:

	GSM date approving the buy-back programme	Starting date	Completion date	Acquisition price range as approved by GSM
Tenth buy-back programme	14-Nov-2018	1-Jan-2019	31-Dec-2019	RON 0.2 - 2 per share

The tenth buy-back programme refers to the acquisition by the Fund of a maximum number of 750,000,000 shares and/or equivalent global depository receipts corresponding to the Fund's shares.

The movement in the number of treasury shares (including the equivalent shares of GDRs bought-back) during the nine-month period ended 30 September 2019 and the nine-month period ended 30 September 2018 is presented in the table below:

	Opening balance 1 Jan 2019	Acquisitions during the period	Cancellations during the period	Closing balance 30 September 2019
Ninth buy-back	1,487,992,569	-	-	1,487,992,569
Tenth buy-back	-	355,448,485	-	355,448,485
	1,487,992,569	355,448,485	-	1,843,441,054

	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

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(all amounts are in RON unless otherwise stated)

16. Shareholders' equity (continued)**(d) Treasury shares (continued)**

The movement in the buy-back programmes carrying amounts during the nine-month period ended 30 September 2019 and the nine-month period ended 30 September 2018 is presented in the table below:

	Opening balance 1 Jan 2019	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 30 Sep 2019
Ninth buy-back	1,414,500,848	-	-	1,414,500,848
Tenth buy-back	-	388,159,888	-	388,159,888
	1,414,500,848	388,159,888	-	1,802,660,736

	Opening balance 1 Jan 2018	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 30 Sep 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

(e) Dividend distribution

During the 4 April 2019 GSM, the Fund's shareholders approved the distribution of a gross dividend of RON 0.0903 per share, in relation to 2018 statutory profit.

The shareholders registered in the shareholders' registry with the Central Depository on 10 June 2019 have the right to receive a gross dividend of RON 0.0903 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 1 July 2019 and by 30 September 2019, shareholders had collected over 96% of the total distribution.

17. Contingencies**Litigations**

At 30 September 2019, 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 World Trade Center Bucuresti SA receivables 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).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

17. Contingencies (continued)

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 21 January 2020 and the file is in the first stage.

18. Related parties**(a) Key management***(i) Board of Nominees ("BON")*

	9 months ended 30 September 2019	9 months ended 30 September 2018
Total Fund's cost with BON remuneration, <i>out of which:</i>	1,045,330	1,085,535
Net remuneration paid to BON members	740,703	635,040
Related taxes and contributions payable to State Budget	304,627	450,495

On 9 August 2019, one of the members of Fund's Board of Nominees, respectively Mr. Sorin Mîndruțescu, decided to step down with immediate effect from his positions held within the Fund's Board of Nominees and Consultative Committees. Starting 29 September 2019, Mr. Sorin Mîndruțescu was replaced by Mrs. Vivian Nicoli appointed by the Fund's shareholders during the meeting held on 4 September 2019. The mandate of Mrs. Vivian Nicoli is valid for a period of three years.

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 2019 nor in the first nine months of 2018.

There are no post-employment, long term or termination benefits related to the remuneration of the members of the Board of Nominees.

(ii) Sole Director and Investment Manager

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. During the 28 June 2019 shareholders meeting, the Fund's shareholders approved a new mandate of FTIS as AIFM and Sole Director of the Fund for the period 1 April 2020 – 31 March 2022. 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:

Transactions	9 months ended 30 September 2019	9 months ended 30 September 2018
Administration fees	41,794,538	49,732,218

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

18. Related parties (continued)**(a) Key management (continued)**

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

Transactions	9 months ended 30 September 2019	9 months ended 30 September 2018
Rent expense charged to the Fund	57,448	58,448
Operating cost charged to the Fund	20,897	19,676
	78,345	78,124

During the first nine months of 2019, the Fund also recorded RON 637,187 representing expenses incurred by FTIML on its behalf (first nine months of 2018: RON 1,024,314). 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 2019	31 December 2018
FTIS	20,683,183	10,776,338
FTIML	9,497	193,877
	20,692,680	10,970,215

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

(b) Subsidiaries

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

Ownership interest	30 September 2019	31 December 2018
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	70%	70%

During the first nine months of 2019, the Fund recorded and collected from Alcom SA dividends in total amount of RON 1,602,858 and participated in the cash share capital increase of Zirom SA, subscribing 150,000 new shares, at the nominal value of RON 10 per share (in total of RON 1,500,000).

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).

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 2019	31 December 2018
Zirom SA	29,154,000	27,129,000
Alcom SA	11,493,897	12,832,632
Comsig SA	-	-
	40,647,897	39,961,632

As at 30 September 2019, the Fund has no commitment to provide financial or other support to its subsidiaries, including commitments to assist the subsidiaries in obtaining financial support.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019

(all amounts are in RON unless otherwise stated)

18. Related parties (continued)**(c) Associates**

As at 30 September 2019 and 31 December 2018 the Fund had two associates, both incorporated in Romania:

	30 September 2019	31 December 2018
Ownership interest		
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

The transactions carried out between the Fund and its associates were the following:

	9 months ended 30 September 2019	9 months ended 30 September 2018
Gross dividend income		
Societatea Nationala a Sarii SA	37,428,152	42,337,557
Plafar SA	89,964	-
Dividends received		
Societatea Nationala a Sarii SA	37,428,152	41,960,579
Plafar SA	89,964	-

As at 30 September 2019, the balance due by Societatea Nationala a Sarii SA to the Fund amounted RON 6,699 (31 December 2018: RON 6,389) and comprised the outstanding dividend receivable of RON 6,378 (31 December 2018: RON 6,378) and the penalties for delay payment of dividends of RON 321 (31 December 2018: RON 11). The outstanding balance due by Societatea Nationala a Sarii SA to the Fund is fully impaired.

19. Subsequent events**Share capital decrease**

On 15 October 2019, the Trade Registry registered the resolution no. 2 of the Fund's Extraordinary General Shareholders Meeting held on 4 April 2019 for approving the decrease of the subscribed share capital from RON 4,733,020,898.32 to RON 3,959,264,762.44 pursuant to the cancellation of 1,487,992,569 own shares acquired during the ninth buy-back programme, endorsed by the FSA through Endorsement no. 285/9 October 2019. Consequently, as of 15 October 2019, the new value of the Fund's subscribed share capital is RON 3,959,264,762.44 (divided into 7,613,970,697 shares with a nominal value of RON 0.52 per share), while the value of the paid-up share capital is RON 3,770,082,340.44 (divided into 7,250,158,347 shares with a nominal value of RON 0.52 per share).

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 September 2019, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	31 December 2018				30 September 2019				Differences RON
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
I. Total assets	100.3458%	100.0000%		10,254,794,184.46	100.5901%	100.0000%		10,798,869,202.51	544,075,018.05
1 Securities and money market instruments, out of which:*	24.0176%	23.9350%		2,454,476,486.94	27.9062%	27.7426%		2,995,885,016.82	541,408,529.88
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	24.0176%	23.9350%	-	2,454,476,486.94	27.9062%	27.7426%	-	2,995,885,016.82	541,408,529.88
1.1.1 listed shares traded in the last 30 trading days	22.6042%	22.5265%	-	2,310,030,648.67	26.8479%	26.6906%	-	2,882,279,422.81	572,248,774.14
1.1.2 listed shares not traded in the last 30 trading days	0.1256%	0.1251%	-	12,832,631.77	0.1177%	0.1170%	-	12,634,922.77	(197,709.00)
1.1.3 Government bonds	1.2878%	1.2834%	-	131,613,206.50	0.9406%	0.9350%	-	100,970,671.24	(30,642,535.26)
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:	72.4656%	72.2156%	-	7,405,575,340.14	69.9640%	69.5536%	-	7,510,997,476.71	105,422,136.57
- shares not admitted at trading on a regulated market	72.4656%	72.2156%	-	7,405,575,340.14	69.9640%	69.5536%	-	7,510,997,476.71	105,422,136.57
4 Bank deposits, out of which:	1.8309%	1.8246%	-	187,116,148.99	1.9269%	1.9156%	-	206,856,756.33	19,740,607.34
4.1. bank deposits made with credit institutions from Romania	1.8309%	1.8246%	-	187,116,148.99	1.9269%	1.9156%	-	206,856,756.33	19,740,607.34
- in RON	1.8309%	1.8246%	-	187,116,148.99	1.9269%	1.9156%	-	206,856,756.33	19,740,607.34
- in euro	-	-	-	-	-	-	-	-	-
4.2. bank deposits made with credit institutions from an EU state	-	-	-	-	-	-	-	-	-
4.3. bank deposits made with credit institutions from a non-EU state	-	-	-	-	-	-	-	-	-
5 Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	-	-	-
6 Current accounts and petty cash out of which:	0.1923%	0.1916%	-	19,647,401.47	0.3216%	0.3197%	-	34,526,853.13	14,879,451.66
- in RON	0.1923%	0.1916%	-	19,643,299.83	0.3216%	0.3197%	-	34,521,461.35	14,878,161.52
- in euro	0.0000%	0.0000%	EUR 380.61	1,775.13	0.0000%	0.0000%	EUR 324.02	1,539.45	(235.68)
- in USD	0.0000%	0.0000%	USD 228.23	929.72	0.0000%	0.0000%	USD 377.38	1,641.15	711.43
- in GBP	0.0000%	0.0000%	GBP 268.97	1,396.79	0.0000%	0.0000%	GBP 412.95	2,211.18	814.39
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:	0.4857%	0.4840%	-	49,636,197.39	0.4632%	0.4605%	-	49,723,418.04	87,220.65
- Treasury bills with original maturities of less than 1 year	0.4857%	0.4840%	-	49,636,197.39	0.4632%	0.4605%	-	49,723,418.04	87,220.65
8 Participation titles of OCIU and/or of UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	1.3537%	1.3492%	-	138,342,609.53	0.0082%	0.0080%	-	879,681.48	(137,462,928.05)
- net dividend receivable from Romanian companies	1.3408%	1.3362%	-	137,018,230.51	0.0000%	0.0000%	-	-	(137,018,230.51)
- receivables related to the cash contributions to the share capital increases performed by portfolio companies	-	-	-	-	0.0003%	0.0003%	-	30,030.00	30,030.00
- tax on dividends to be recovered from the State Budget	0.0082%	0.0082%	-	838,000.00	0.0032%	0.0032%	-	348,524.00	(489,476.00)
- intangible assets	0.0033%	0.0033%	-	336,522.13	0.0019%	0.0019%	-	205,383.15	(131,138.98)
- other receivables out of which:	-	-	-	-	0.0008%	0.0008%	-	84,197.54	84,197.54
- in RON	-	-	-	-	0.0008%	0.0008%	-	84,197.54	84,197.54
- prepaid expenses	0.0015%	0.0015%	-	149,856.89	0.0020%	0.0020%	-	211,546.79	61,689.90
II. Total liabilities	0.3458%	0.3447%		35,350,104.78	0.5899%	0.5862%		63,321,665.05	27,971,560.27
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1054%	0.1051%	-	10,776,338.36	0.1927%	0.1915%	-	20,683,183.37	9,906,845.01
2 Liabilities related to the fees payable to the depositary bank	0.0005%	0.0005%	-	49,303.67	0.0005%	0.0005%	-	58,389.96	9,086.29
3 Liabilities related to the fees payable to intermediaries	0.0048%	0.0048%	-	489,816.18	0.0049%	0.0048%	-	522,906.67	33,090.49
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
5 Interest payable	-	-	-	-	-	-	-	-	-
6 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-
7 Liabilities in relation with the fees/commissions to FSA	0.0075%	0.0075%	-	778,414.45	0.0078%	0.0077%	-	835,787.17	57,372.72
8 Liabilities related to audit fees	0.0020%	0.0020%	-	203,055.52	0.0000%	0.0000%	-	767.12	(202,288.40)
9 Other Liabilities, out of which:	0.2256%	0.2248%	-	23,053,176.60	0.3840%	0.3817%	-	41,220,630.76	18,167,454.16
- liabilities to the Fund's shareholders related to the dividend distribution	0.0912%	0.0911%	-	9,327,606.80	0.2802%	0.2786%	-	30,084,480.75	20,756,873.95
- liabilities related to the return of capital	0.1011%	0.1007%	-	10,329,582.90	0.0536%	0.0532%	-	5,749,270.20	(4,580,312.70)
- provisions	0.0084%	0.0083%	-	856,247.22	0.0080%	0.0079%	-	856,247.22	-

FONDUL PROPRIETATEA SA

Item	31 December 2018				30 September 2019				Differences RON
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
- liabilities related to buybacks under settlement	0.0101%	0.0100%	-	1,027,752.33	0.0304%	0.0302%	-	3,263,905.35	2,236,153.02
- remunerations and related contributions	0.0005%	0.0005%	-	50,055.00	0.0002%	0.0002%	-	25,995.00	(24,060.00)
- VAT payable to State Budget	-	-	-	-	0.0001%	0.0001%	-	14,862.59	14,862.59
- tax on dividends payable to State Budget	0.0048%	0.0048%	-	495,092.04	0.0025%	0.0025%	-	267,346.00	(227,746.04)
- other liabilities out of which:	0.0095%	0.0094%	-	966,840.31	0.0090%	0.0090%	-	958,523.65	(8,316.66)
- in RON	0.0095%	0.0094%	-	966,840.31	0.0090%	0.0090%	-	958,523.65	(8,316.66)
III. Net Asset Value (I - II)	100.0000%	99.6553%		10,219,444,079.68	100.0000%	99.4136%		10,735,547,537.46	516,103,457.78

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

Unitary Net Asset Value

Item	30 September 2019	31 December 2018	Differences
Net Asset Value	10,735,547,537.46	10,219,444,079.68	516,103,457.78
Number of outstanding shares	6,894,709,862	7,250,158,347	(355,448,485)
Unitary net asset value	1.5570	1.4095	0.1475

DETAILED STATEMENT OF INVESTMENTS AS AT 30 SEPTEMBER 2019
Securities admitted or traded on a regulated market in Romania, out of which:
1.1 listed shares traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alro Slatina SA	ALR	30/Sep/2019	72,884,714	0.5	2.4000	174,923,313.60	10.21%	1.6198%	1.6294%	Closing price
IOR SA	IORB	6/Sep/2019	2,622,273	0.1	0.3980	1,043,664.65	1.18%	0.0097%	0.0097%	Reference price - Average price
OMV Petrom SA	SNP	30/Sep/2019	5,663,548,078	0.1	0.4225	2,392,849,062.96	9.99%	22.1583%	22.2890%	Closing price
Romaero SA	RORX	12/Sep/2019	1,311,691	2.5	23.0000	30,168,893.00	18.87%	0.2794%	0.2810%	Reference price - Average price
Nuclearelectrica SA	SNN	30/Sep/2019	21,268,355	10	13.3200	283,294,488.60	7.05%	2.6234%	2.6388%	Closing price
Total						2,882,279,422.81		26.6906%	26.8479%	

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	128.7846	11,493,896.77	71.89%	0.1064%	0.1071%	Fair value/share (Shareholders' equity as at 31 December 2018 adjusted with dividends per share)
Mecon SA	MECP	3/Jul/2019	60,054	11.6	19.0000	1,141,026.00	12.51%	0.0106%	0.0106%	Fair value/share (Last trading price)
Total						12,634,922.77		0.1170%	0.1177%	

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	63.3447	1,466,999.91	20.00%	0.0136%	0.0137%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	624.6876	19,999,998.20	20.00%	0.1852%	0.1863%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
BAT Service SA	194,022	19/Jul/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	71.8800	14,603,140.80	20.00%	0.1352%	0.1360%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	63.3599	1,745,818.68	20.00%	0.0162%	0.0163%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
CN Administratia Porturilor Dunarii Maritime SA	21,237	19/Jul/2005	1,351,671	189.1104	4,016,137.56	20.00%	0.0372%	0.0374%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	52,691,564	91.7939	243,999,935.82	19.99%	2.2595%	2.2728%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
CN Aeroporturi Bucuresti SA***	2,875,443	5/Feb/2010	131,168,263	317.1685	911,999,943.15	20.00%	8.4453%	8.4951%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	0.0000	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
Comsig SA	75,655	19/Jul/2005	132,633	0.0000	0.00	69.94%	0.0000%	0.0000%	Administrative liquidation	Priced at zero
E-Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	55.8963	515,399,883.22	24.12%	4.7727%	4.8009%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
E-Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	48.3183	326,299,616.32	24.09%	3.0216%	3.0394%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
E-Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	130.4816	424,899,760.31	12.00%	3.9347%	3.9579%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	130.6147	57,999,979.99	12.00%	0.5371%	0.5403%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	26.1904	43,999,872.00	12.00%	0.4074%	0.4099%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	204.5427	488,999,823.80	11.99%	4.5283%	4.5550%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
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	3,019,591,996	46.3553	4,143,997,172.70	19.94%	38.3744%	38.6007%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
Plafar SA	132,784	28/Jun/2007	3,160,329	21.9604	2,915,989.75	48.99%	0.0270%	0.0272%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	0.4505	6,699,812.12	6.48%	0.0620%	0.0624%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
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	135.9998	272,799,822.82	48.99%	2.5262%	2.5411%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
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
	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 last 6 financial years including the financial statements for the year-ended 31 December 2018; last available financial statements are those for the year-ended 31 December 2012)
World Trade Hotel SA	6,062,083	28/Jun/2007	60,408,072	4.8092	29,153,769.56	100.00%	0.2700%	0.2716%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
Zirom SA										
Total	173,051,738		4,598,644,345		7,510,997,476.71		69.5536%	69.9640%		

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 subsequent subscriptions to share capital increase of portfolio companies, if the case, (respectively the contribution in cash) less the disposals (if the case). Fondul Proprietatea did not perform any acquisition of unlisted shares from its incorporation date until now. The acquisition price does not include the bonus shares received by Fondul Proprietatea (following the share capital increase of portfolio companies) proportionally to its holding as these do not qualify as cost in accordance with the IFRS basis of accounting.

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

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

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

Series and number of the issue	No. of instruments	Date of acquisition	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Intermediary Bank	Evaluation method
ROUQZW7XZ8D3	10,000	2/Apr/2019	16/Dec/2019	49,068,355.50	3,639.24	655,062.54	49,723,418.04	0.4605%	0.4632%	CITI Bank	Acquisition price cumulated with the related interest since the acquisition date
Total							49,723,418.04	0.4605%	0.4632%		

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	RO1620DBN017	10,000	27/Aug/2019	26/Feb/2020	26/Feb/2020	50,000,000.00	3,082.19	668,835.62	-	99.6330%	50,485,335.62	0.4675%	0.4703%	Fair value (reference composite price published by Reuters, including the cumulated interest)
Ministry of Finance	RO1620DBN017	10,000	6/Sep/2019	26/Feb/2020	26/Feb/2020	50,000,000.00	3,082.19	668,835.62	-	99.6330%	50,485,335.62	0.4675%	0.4703%	
Total								1,337,671.24			100,970,671.24	0.9350%	0.9406%	

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
Raiffeisen Bank	27/Sep/2019	4/Oct/2019	44,500,000.00	2,843.05	11,372.22	44,511,372.22	0.4122%	0.4146%	Bank deposit value cumulated with the daily related interest for the period from starting date
ING BANK	27/Sep/2019	4/Oct/2019	44,400,000.00	2,651.67	10,606.67	44,410,606.67	0.4113%	0.4137%	
BRD Groupe Societe Generale	30/Sep/2019	1/Oct/2019	10,028,118.08	440.12	440.12	10,028,558.20	0.0929%	0.0934%	
Banca Comerciala Romana	30/Sep/2019	14/Oct/2019	53,950,000.00	3,371.88	3,371.88	53,953,371.88	0.4996%	0.5026%	
CITI Bank	30/Sep/2019	1/Oct/2019	53,950,000.00	2,847.36	2,847.36	53,952,847.36	0.4996%	0.5026%	
Total			206,828,118.08		28,638.25	206,856,756.33	1.9156%	1.9269%	

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

	29 December 2017	31 December 2018	30 September 2019
Net Asset	10,790,418,333.80	10,219,444,079.68	10,735,547,537.46
NAV/share	1.2375	1.4095	1.5570

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

BRD Groupe Societe Generale

 Johan Meyer
 Permanent representative

 Claudia Ionescu
 Director

 Victor Strâmbei
 Manager Depository 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
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