

Fondul Proprietatea SA

(This is a translation from the official Romanian version)



Contents

Company Information	2
Overview	5
Significant Events	7
Analysis of the Activity of the Fund	17
Financial Statements Analysis	31

Annexes

Annex 1	Condensed Interim Financial Statements for the six-month period ended 30 June 2016, prepared in accordance with IAS 34 Interim Financial Reporting, based on International Financial Reporting Standards ("IFRS").	36
Annex 2	Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 June 2016, prepared in accordance with CNVM Regulation 4/2010	64
Annex 3	Statement of the persons responsible	68
Annex 4	Constitutive Act in force updated as at 30 June 2016	69
Annex 5	Documents related to AIFMD implementation for Fondul Proprietatea.	87
Annex 6	Documents for appointment of two members of the Board of Nominees during the six-month period ended 30 June 2016	124

Company Information

The Company

- Fondul Proprietatea SA (“the Fund” or “Fondul Proprietatea” or “FP”) was incorporated on 28 December 2005 as a joint stock company operating as a closed-end investment company. The Fund is registered with the Bucharest Trade Register under the number J40/21901/2005 and has the sole registration code 18253260.
- The Fund’s Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities.
- Between 1 January and 31 March 2016 the Sole Administrator of the Fund was Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML”). The first mandate was effective since 29 September 2010 for a period of 4 years, and the mandate was renewed for 2 years with effect from 30 September 2014.
- Considering the legal requirements to implement the Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFM Directive”) the shareholders of the Fund approved, on 29 October 2015, the change of the management structure and the termination of the mandate of FTIML as Fund Manager and Sole Administrator, with the mutual consent of both parties, with effect from 1 April 2016. Subsequent to the termination, the Fund appointed Franklin Templeton International Services S à r l (“FTIS” or “Fund Manager”) as its Sole Director and Alternative Investment Fund Manager under the AIFM Directive and local implementation regulations, and executed a new Management Agreement in order to comply with the AIFM Directive (FTIS mandate commenced on 1 April 2016). FTIS delegates the role of investment manager as well as certain administrative functions to FTIML.
- Since 25 January 2011, the Fund’s shares have been listed on the Bucharest Stock Exchange (“BVB”). Since 29 April 2015, the Fund’s global depositary receipts (“GDRs”) have been listed on the Specialist Fund Market (“SFM”) of the London Stock Exchange (“LSE”).

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

NAV* and share price developments	Notes	H1 2016	H1 2015	YE 2015
Total Shareholders’ Equity (RON million)	a	11,766.0	12,614.9	12,053.1
Total NAV (RON million)	b, c	11,804.5	12,645.9	12,087.8
NAV per Share (RON)	b, c	1.1445	1.1851	1.1564
NAV per Share change in the period (%)	d	-1.0%	-2.3%	-4.6%
NAV per Share Total Return (%)	d, j	+3.5%	+1.9%	-0.6%
Share Price as at the end of the period (RON)		0.7260	0.7950	0.8100
Share Price Low (RON)	e	0.6780	0.7945	0.7250
Share Price High (RON)	e	0.8040	0.9270	0.9270
Share Price change in the period (%)	d	-10.4%	-11.3%	-9.6%
Share Price Total Return (%)	d, k	-4.2%	-5.8%	-4.1%
Share Price discount to NAV as at the end of the period (%)		36.6%	32.9%	30.0%
Average Discount for the period (%)		32.7%	27.2%	28.9%
Total Share Turnover (RON million)	f	749.7	1,047.1	2,029.6
Average Daily Share Turnover (RON million)	f	5.9	8.4	8.1
GDR Price as at the end of the period (USD)		9.2000	10.0000	9.9000
GDR Price Low (USD)	h	8.5000	9.8900	9.4500
GDR Price High (USD)	h	9.9000	11.5500	11.5500
GDR Price change in the period (%)	g	-7.1%	-12.7%	-13.5%
GDR Price Total Return (%)	g, l	-1.0%	-7.1%	-8.5%
GDR Price discount to NAV as at the end of the period (%)		34.7%	32.5%	29.0%
Average GDR Price discount for the period (%)		31.3%	28.5%	29.2%
Total GDR Turnover (USD million)	i	139.0	94.0	266.9
Average Daily GDR Turnover (USD million)	i	1.1	2.1	1.5

Source: FTIML

* Net Asset Value

Notes:

- a. Prepared on the basis of IFRS
- b. The difference in change (%) between total NAV and NAV per share is accounted for by the change in the number of treasury shares during the period (treasury shares acquired through buy-backs, both ordinary shares and GDRs, are excluded from the number of shares used in the computation of NAV per share)
- c. Prepared on the basis of local rules issued by the capital market regulator
- d. Compared to the end of the previous period
- e. Source: BVB - REGS market - Closing prices
- f. Source: BVB
- g. Compared to the end of the previous period (for YE 2015, compared to the date of GDR listing on LSE, i.e. 29 April 2015 – price: USD 11.45 per share)
- h. Source: LSE - Closing prices
- i. Source: LSE
- j. 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 Investment Policy Statement.
- k. 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 Investment Policy Statement.
- l. 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 Investment Policy Statement.

Share capital information	30 June 2016	30 June 2015	31 December 2015
Issued Share Capital (RON)	9,320,973,180.85	10,965,850,800.30	10,074,080,745.90
Paid Share Capital (RON)	9,011,732,683.35	10,638,419,685.30	9,746,649,630.90
Number of Shares in Issue	10,965,850,801	12,184,278,667	11,193,423,051
Number of Paid Shares	10,602,038,451	11,820,466,317	10,829,610,701
Nominal Value per Share (RON)	0.85	0.90	0.90

Note:

1. On 14 March 2016, the Trade Registry registered Resolution no. 8/ 29 October 2015 of the Fund's Extraordinary General Shareholders Meeting ("EGM") for approving the decrease of the subscribed share capital from RON 10,074,080,745.90 to RON 9,869,265,720.90, pursuant to the cancellation of 227,572,250 own shares acquired by the Fund during the fifth buy-back programme, endorsed by the Financial Supervisory Authority ("FSA") through the Endorsement no. 74/ 25 February 2016.

2. On 9 June 2016, the Trade Registry registered Resolution no. 1/ 27 January 2016 of the Fund's EGM for approving the subscribed share capital decrease from RON 9,869,265,720.90 to RON 9,320,973,180.85 through the reduction of the nominal value of the Fund's shares from RON 0.90 to RON 0.85. Therefore, with effect from 9 June 2016, the new value of the Fund's subscribed share capital is RON 9,320,973,180.85, being divided into 10,965,850,801 shares with a nominal value of RON 0.85 per share. The value of the paid in share capital is RON 9,011,732,683.35, being divided into 10,602,038,451 shares with a nominal value of RON 0.85 per share.

Share information

Primary Listing	Bucharest Stock Exchange
Since	25 January 2011
Secondary Listing	London Stock Exchange
Since	29 April 2015
Bucharest Stock Exchange Symbol	FP
London Stock Exchange Symbol	FP.
Bloomberg ticker on BVB	FP RO
Bloomberg ticker on LSE	FP/ LI
Reuters	FP.BX
ISIN	ROFPTAACNOR5
Financial Supervisory Authority Register No	PJR09SIIR/400006/18.08.2010
CIVM Registration No	AC-4386-1/ 28.06.2016

Shareholder Structure (as at 30 June 2016)

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights ¹
The Bank of New York Mellon (depository bank for global depository receipts) ²	33.33%	34.48%	35.43%
Foreign institutional shareholders	23.90%	24.72%	25.40%
Romanian private individuals	19.74%	20.42%	20.99%
Romanian institutional shareholders	13.46%	13.92%	14.31%
Foreign private individuals	3.59%	3.71%	3.82%
Ministry of Public Finance ³	0.04%	0.04%	0.05%
Treasury shares ⁴	2.62%	2.71%	-
Unpaid shares ⁵	3.32%	-	-

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

There were 7,892 shareholders as at 30 June 2016.

Largest Shareholders

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

Source: ownership disclosure submitted by shareholders

Contact Details

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

Web: www.fondulproprietatea.ro

E-mail: investor.relations@fondulproprietatea.ro

Telephone: +40 21 200 9600

Fax: +40 21 200 9631/32

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

² Out of which Fondul Proprietatea held 22,500 global depository receipts (1,125,000 shares equivalent)

³ The percentage represents the paid shares; the percentage of subscribed share capital of Ministry of Public Finance is 3.36%, including the unpaid shares

⁴ 287,245,107 treasury shares acquired by the Fund in the sixth buy-back programme (239,871,207 ordinary shares acquired and 47,373,900 shares corresponding to GDRs acquired, converted into shares)

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

Overview

Franklin Templeton International Services S à r l, as Sole Administrator and Alternative Investment Fund Manager of Fondul Proprietatea presents the results of the Fund in accordance with IFRS for the half year ended 30 June 2016, with an unaudited net profit of RON 540.7 million, as compared to the net loss of RON 89.6 million for the half year ended 30 June 2015. Total shareholders' equity was RON 11,766.0 million as at 30 June 2016, a decrease of 2.4% compared to the value of RON 12,053.1 million as at 31 December 2015.

The main contribution to the profits in the first six months of 2016 was the net gain on disposals of equity investments and this was partially offset by the unrealised negative change in fair value of the equity investments classified at fair value through profit or loss, principally OMV Petrom SA (the share price decreased 17.2% during the period).

The Fund reported a Net Asset Value of RON 11,804.5 million as at 30 June 2016 and a Net Asset Value per Share ("NAV per share") of RON 1.1445 (a positive NAV per Share total return of 3.5%, including the cash distribution, as compared to 31 December 2015).

In the half year ended 30 June 2016, the BVB had a negative performance, in line with other markets in Central Europe, except for Hungary, in both local currency and EUR terms, as shown below:

% change in the first six months of 2016	in local currency	in EUR
BUX (Hungary)	10.05%	9.42%
WIG20 (Poland)	-5.83%	-8.28%
BET-XT (Romania)	-8.44%	-8.30%
ATX (Austria)	-12.56%	-12.56%
PX (Czech Republic)	-14.58%	-14.70%

Source: Bloomberg

The discount of the Fund's share price to NAV was 36.6% as at 30 June 2016. In the first six months of 2016, the discount ranged between 27.4% and 39.5%.

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

NAV and share price developments	Note	H1 2016	H1 2015	YE 2015	H1 2016 vs. H1 2015	H1 2016 vs. YE 2015
Total Shareholders' Equity (RON million)	a	11,766.0	12,614.9	12,053.1	-6.7%	-2.4%
Total NAV (RON million)	b, d	11,804.5	12,645.9	12,087.8	-6.7%	-2.3%
NAV per Share (RON)	b, d	1.1445	1.1851	1.1564	-3.4%	-1.0%
NAV per Share Total Return (%)	c, e, g	+3.5%	+1.9%	-0.6%		
Share Price as at the end of the period (RON)		0.7260	0.7950	0.8100	-8.7%	-10.4%
Share Price Total Return (%)	c, e, h	-4.2%	-5.8%	-4.1%		
Share Price Discount to NAV as at the end of the period (%)		36.6%	32.9%	30.0%		
GDR Price as at the end of the period (USD)		9.2000	10.0000	9.9000	-8.0%	-7.1%
GDR Price Total Return (%)	c, f, i	-1.0%	-7.1%	-8.5%		
GDR Price Discount to NAV as at the end of the period (%)		34.7%	32.5%	29.0%		
Return of capital to shareholders (RON per share)		0.0500	0.0500	0.0500		

Source: FTIML

Notes:

- Prepared on the basis of IFRS
- Prepared on the basis of local rules issued by the capital market regulator
- Calculated with dividend/ capital return reinvested, where applicable
- The difference in change (%) between total NAV and NAV per share is accounted for by the change in the number of treasury shares during the period (treasury shares acquired through buy-backs, both ordinary shares and GDRs, are excluded from the number of shares used in NAV per share computation)
- Compared to the end of the previous period
- Compared to the end of the previous period (for YE 2015, compared to the date of GDR listing on LSE, i.e. 29 April 2015 – price: USD 11.45 per share)

- 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 Investment Policy Statement.
- 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 Investment Policy Statement.
- i. The GDR Price Total Return is calculated in USD is by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the Investment Policy Statement.

As at 30 June 2016, the NAV (calculated according to local rules issued by the capital market regulator) is very similar with the shareholders' equity (calculated according to IFRS) due to similar valuation methodologies applied to financial assets, as illustrated in the following table:

	Local Capital Market Regulations*	IFRS
Listed securities	Valued at closing market prices (regulated markets) Valued at reference prices (Alternative Trading Systems)**	Valued at fair value
Unlisted or illiquid listed securities	Valued as per latest issued annual financial statements (proportionally with the stake held) or using fair valuation methodologies	Valued at fair value

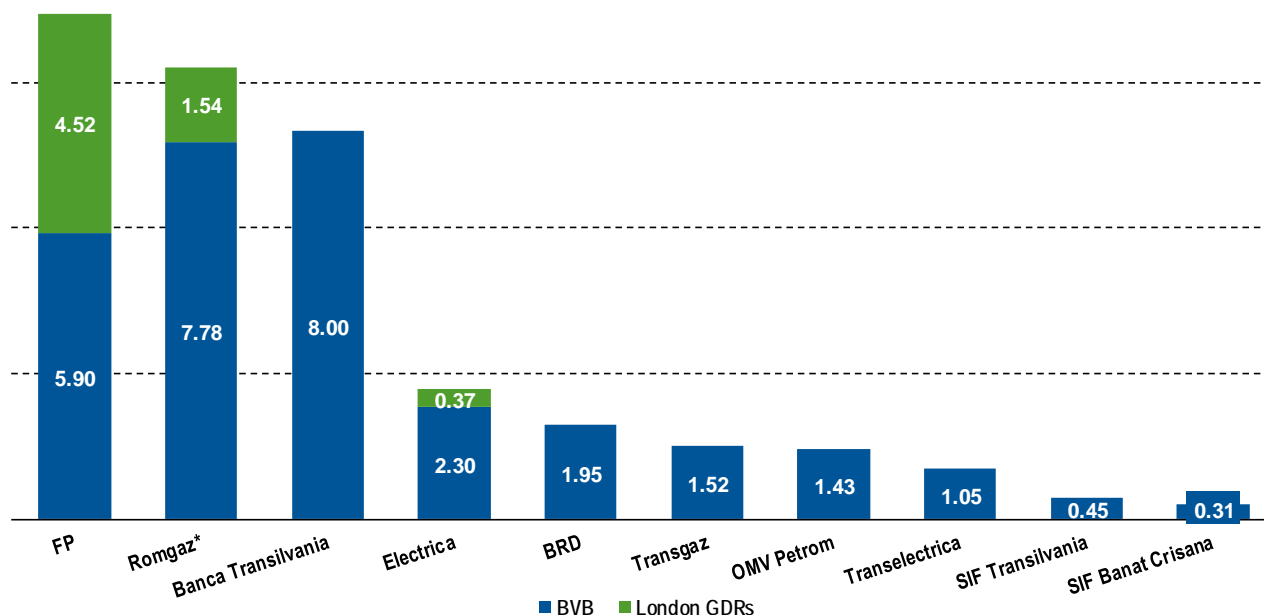
* Details on the valuation methods used for the holding in each company are presented in the Annex 2 to this report; the shares of companies under insolvency or reorganisation procedure are valued either at zero or at a value assessed by an independent authorised valuer, using valuation methods in accordance with International Valuation Standards (fair value principles). The shares of companies under judicial liquidation procedure or any other liquidation procedure, as well as of companies under temporary or final suspension of operations, must be valued at zero until the respective procedures are completed.

** Reference price is considered to be the average price for the securities listed on an Alternative Trading System.

Significant Events

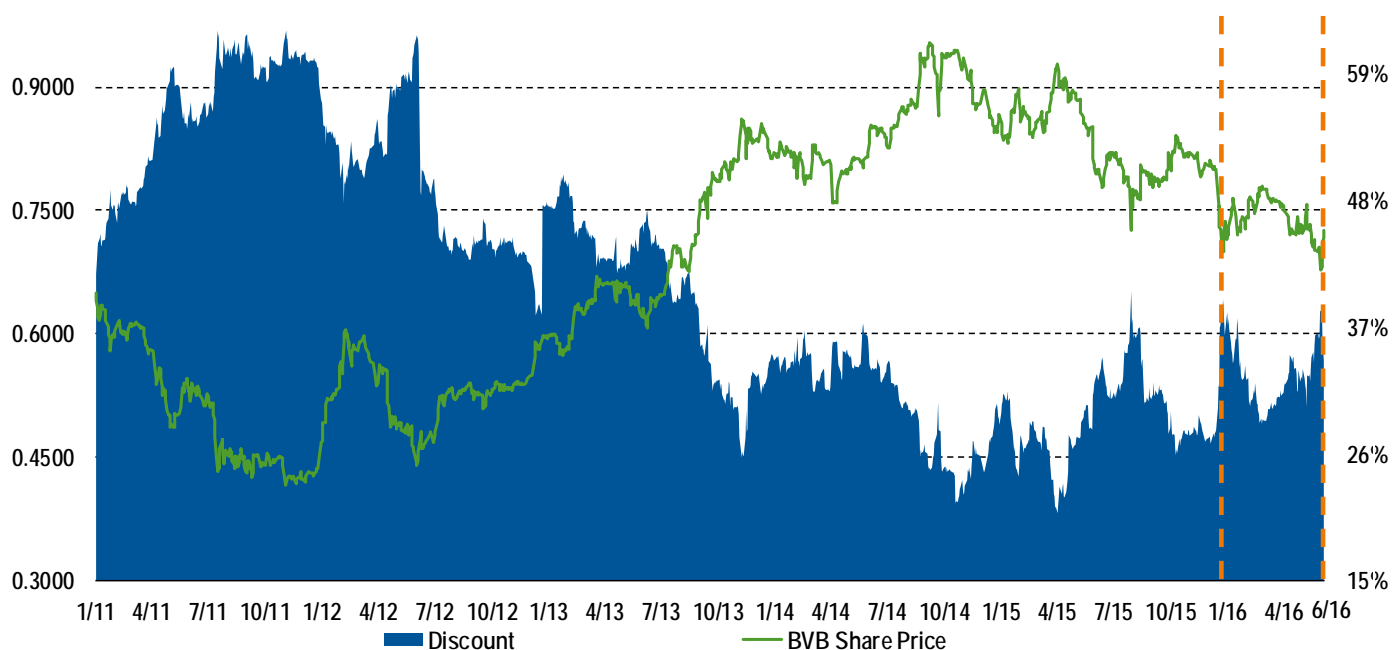
Regulated Stock Market Trading

Average Daily Turnover in the six-month period ended 30 June 2016 (RON million)

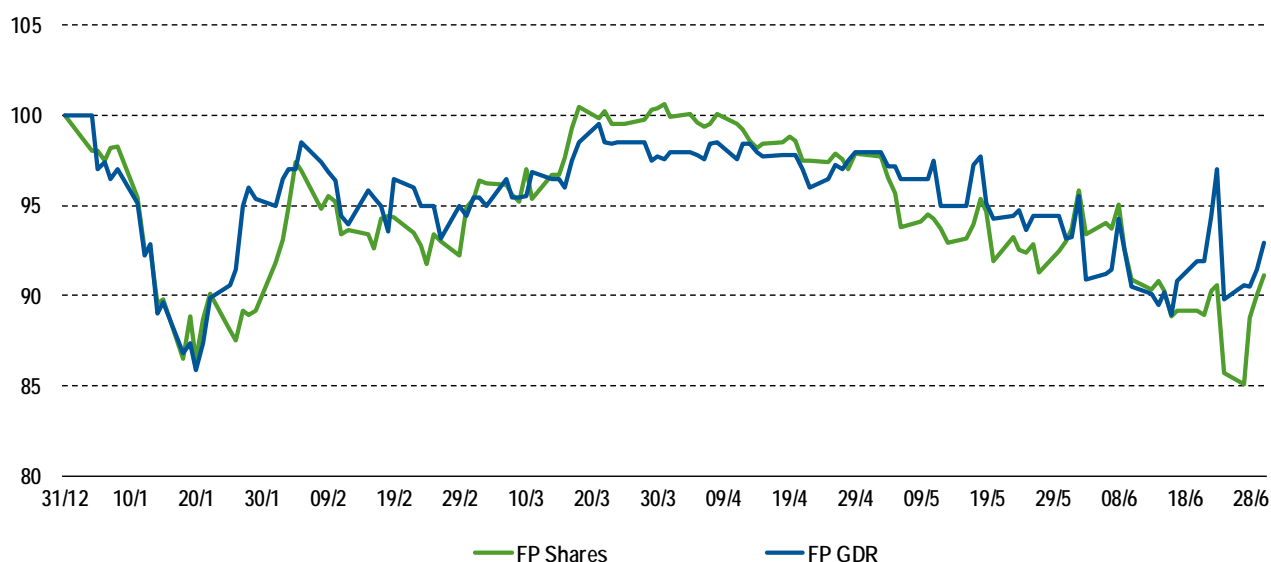


* the Romgaz turnover includes the Fund's accelerated bookbuilding offering in April 2016
Source: BVB, Bloomberg

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



Source: BVB



Note: As at 30 June 2016, FP GDRs were trading at a 2.96% premium to the FP share price
Source: BVB, LSE

Performance Objectives

For the reporting period between 1 July 2015 and 30 June 2016, according to the Fund's Investment Policy Statement, there are two performance objectives that the Fund Manager is aiming to achieve. The NAV objective refers to a higher adjusted NAV⁶ per share as at 30 June 2016, compared to the NAV per share as at 30 June 2015, i.e. higher than RON 1.1851 per share. The discount objective implies the discount between the closing price of the Fund's shares and the latest reported NAV per share to be equal to or lower than 15%, in at least 2/3 of the trading days in the period from 1 July 2015 to 30 June 2016.

NAV Objective

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

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

Source: FTIML

⁶ The adjusted NAV for a given date is calculated as the sum of: (1) the reported NAV as at the end of the reporting period, (2) any returns to shareholders, following reductions of the share capital (return of nominal value) implemented after 30 June 2015, and (3) any distribution fee and any transaction costs relating to non-dividend distributions including buy-backs of shares and/ or GDRs executed after 30 June 2015. The adjusted NAV per share is equal to the adjusted NAV divided by: the total number of the Fund's paid shares, less treasury shares (FP ordinary shares bought back) and less equivalent in FP ordinary shares of FP GDRs acquired and not yet converted into FP ordinary shares, on the last day of the reporting period.

Discount Objective

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

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

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

FTIML and FTIS will continue the efforts to reduce the discount to NAV as we firmly believe that the Fund's shares should be trading at a significantly lower discount than the current levels, given the quality of the underlying portfolio assets, our track record in working with the portfolio companies to improve efficiency and profitability, the attractive cash distribution yield of more than 6%, the ongoing buy-back programmes and our transparency, disclosure, and proactive investor relations efforts.

Discount Evolution⁷

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

Source: FTIML

Investor Relations Update

In the first half of 2016, in our efforts to increase the visibility and the profile of the Fund, as well as the local capital market, and Romania, to a broader international institutional investor base, the Fund's management team participated in 12 regional emerging and frontier market conferences in Vienna, London, New York, Singapore, Warsaw, Paris, Budapest, Zurs, and Zagreb, and met with over 130 investment professionals interested in finding out more details about the Fund and its equity story, and to receive updates on the Fund, its corporate actions, and its main portfolio holdings.

FTIML also organised 11 road-shows in the most important financial centres in Europe (London, Copenhagen, Stockholm, and Tallinn), the United States (New York), Asia (Singapore), and South Africa (Cape Town). During the road-shows, FTIML participated in individual and group meetings with representatives of more than 50 international institutional investment firms, both current shareholders and potential investors.

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

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

⁷ The daily discount is calculated in accordance with the Investment Policy Statement, i.e. the discount between the FP shares closing price on the BVB for each trading day and the latest reported NAV per share.

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

On 15 February, FTIML held a conference call to discuss the Fund's 2015 Preliminary Annual Results, and on 13 May organised the First Quarter 2016 results conference call. Around 50 analysts and investors participated in the conference calls in order to find out more details about the Fund and the latest developments.

Furthermore, during the first half of this year, we organised 46 individual meetings with analysts, brokers, current and prospective investors, as well as 30 conference calls with institutional investors interested in the latest developments regarding the Fund's corporate actions, and its portfolio companies. Finally, we have also been invited to speak at 4 other events, where we presented to over 225 participating investors and journalists, the Fund, its equity story and the main actions we took during our tenure in order to protect and increase the value of the portfolio companies.

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

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

GDR Facility Update

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations, or 74,622,820 GDRs between 12 August 2015 and 14 March 2016 and 73,105,672 GDRs after this date, each GDR representing 50 shares. As at 30 June 2016, 33.3% of the Fund's issued shares were converted into GDRs.

On 22 January 2016 The Bank of New York Mellon, the depositary bank of the GDRs, has notified that total GDR holdings have reached the limit for GDR issuance, of one third of the Fund's issued share capital, as provided by the regulations in force. As a result, until further notice from The Bank of New York Mellon with respect to the GDR facility, no new GDRs can be issued.

Credit Facility Agreement

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

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

The Fund did not use the credit facility during the six-month period ending 30 June 2016.

The credit facility mentioned above was replaced with another one in July 2016 and further updates regarding the new financing arrangement concluded can be found in *Subsequent Events*.

Buy-back Programmes

Overview of share buy-backs during the six-month period ended 30 June 2016

During the first six months of 2016 the Fund has finalised the cancellation process for the shares acquired during the fifth buy-back programme and continued the implementation of the sixth buy-back programme. The seventh buy-back programme was approved by shareholders during the October 2015 General Shareholders Meeting ("GSM") and the Fund Manager can start its implementation after the cancellation of the shares acquired during fifth buy-back programme is effective, i.e. 14 March 2016.

All the buy-back programmes carried out by the Fund are aimed at share capital decrease, in accordance with the shareholders' approval. During the first six months of 2016 the Fund bought back a total number of 138,720,483 own shares within the sixth buy-back programme (out of which 128,796,283 ordinary shares and 9,924,200

ordinary shares corresponding to GDRs), representing 1.3% of the total issued shares as at 30 June 2016, for a total acquisition value, including transaction costs, of RON 103,639,573.

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

During the first six months of 2016 the Fund converted into ordinary shares a total number of 947,478 GDRs acquired within the sixth buy-back programme (equivalent of 47,373,900 ordinary shares).

The total number of own shares bought back and held by the Fund as at 30 June 2016 is 288,370,107 (including the equivalent number of ordinary shares corresponding to the 22,500 GDRs held), having a total nominal value of RON 245,114,590.95 (RON 0.85 per share).

The sixth buy-back programme

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

The execution of the buy-back programme started on 9 September 2015 and until 30 June 2016, the total number of shares repurchased was 288,370,107 (239,871,207 ordinary shares and 48,498,900 equivalent shares of the GDRs repurchased, where 1 GDR represents 50 ordinary shares), at a total acquisition value, including transaction costs, of RON 225,137,064.

On 14 January 2016 the Fund filed with the FSA an application for a buy-back tender offer, to accelerate the sixth buy-back programme, by acquiring 430 million shares or the equivalent number of GDRs corresponding to the shares of the Fund, from the Fund's shareholders. However this was withdrawn on 25 January 2016 due to material market volatility, which significantly impacted stock market prices and the value of portfolio holdings. The Fund Manager considered that in the market environment at that time it was important to stay prudent in cash management and limit the leverage of the Fund. In order to ensure that the tender offer is priced appropriately relative to the market price, to maximise value for the Fund's shareholders, the Fund Manager has closely monitored the market developments in order to restart the process when market conditions are more supportive.

The acceleration of the sixth buy-back programme through a tender offer was resumed in July 2016 and further details can be found in the *Subsequent Events* section.

The seventh buy-back programme

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

Changes affecting the capital of the Fund during the six-month period ended 30 June 2016

Share cancellation after the fifth buy-back programme

During the 29 October 2015 GSM the shareholders approved the cancellation of 227,572,250 shares repurchased by the Fund during the fifth buy-back programme. The shareholders resolution was published in the Official Gazette of Romania on 12 November 2015.

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

The share capital decrease through the return of capital to shareholders

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

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

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

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

By 30 June 2016, shareholders had collected over 93% of the total distribution of RON 516.9 million.

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

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

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

Partial share cancellation within the sixth buy-back programme

At the 26 April 2016 GSM the shareholders of the Fund approved the decrease of the subscribed share capital of the Fund by cancelling a number of 179,598,899 own shares acquired within sixth buy-back programme (140,274,199 shares and 786,494 GDRs acquired and settled between 9 September 2015 and 24 February 2016).

After the share cancellation the issued share capital of the Fund will be RON 9,168,314,116.70, being divided into 10,786,251,902 shares, with a nominal value of RON 0.85 per share. The paid-in share capital of the Fund will be RON 8,859,073,619.20, being divided into 10,422,439,552 shares, with a nominal value of RON 0.85 per share.

The shareholders resolution was published in Official Gazette on 24 May 2016 and will be effective after it is endorsed by the FSA and it is registered by the Trade Register, which is expected in September 2016.

Official Accounting Regulations

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

Changes of the Investment Management Agreement – Addendum 4 and 6

The FSA issued Endorsement no. 1/ 7 January 2016 whereby it endorsed with comments the Addendum no. 4/ 2 November 2015 to the Investment Management Agreement concluded between the Fund and the Fund Manager on 29 April 2014, proposing a different wording related to the calculation of the distribution fee between 1 November 2015 and 31 March 2016, which was approved by shareholders during 26 April 2016 GSM, as Addendum 6.

In consequence, the distribution fee rate applicable is 100 basis points for the period between 1 November 2015 and 6 January 2016 and 200 basis points for the period between 7 January 2016 and 31 March 2016.

The Implementation of AIFM Directive

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

On 29 October 2015 the GSM approved the AIFM Directive implementation plan for the Fund as follows:

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

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

- The amendments to the Constitutive Act of the Fund, effective as of 1 April 2016, approved by the EGM Resolution no. 13/ 29 October 2015, endorsed by the FSA’s Endorsement no. 25/ 2016 with minor rewording proposals, which were approved by the shareholders during the 26 April 2016 GSM.
- Addendum no. 5/ 2 November 2015 to the Investment Management Agreement concluded between the Fund and the Fund Manager on 29 April 2014, effective as of 1 April 2016, as approved by the Ordinary General Shareholders Meeting (“OGM”) Resolution no. 8/ 29 October 2015 and endorsed by FSA’s Endorsement no. 26/ 2016.

According to the FSA Board Resolution from 27 January 2016, the new Management Agreement signed between Fondul Proprietatea and FTIS, as its AIFM and Sole Director, as approved by OGM Resolution no. 8/ 29 October 2015 with effect as of 1 April 2016, does not require the FSA’s endorsement prior to entering into force. Furthermore, the FSA considers that Commission de Surveillance du Sector Financier of Luxemburg, as the competent authority of the AIFM home state member, has oversight obligations in respect of the management performed by FTIS, based on the notification sent regarding the new Management Agreement.

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

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

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

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

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

- manage the relationship with the Central Depositary regarding its shareholders register functions;
- keep all the books, records, agreements, forms, papers, files and other corporate documents required by Romanian law;
- calculate and publish the Fund’s net asset value and the net asset value per share;
- monitor the compliance with the regulations in force, except for the services of regulatory compliance monitoring of the delegated activities;
- receive notices, correspondence, telegrams, telex messages, telephonic advice or other representations and communications for account of the Fund;
- keep with due diligence the Fund documents and information entrusted to it;
- co-ordinate the preparation and dispatch of statements, reports, notices, announcements, proxies, minutes and other documents to shareholders, investors and to the Board of Nominees;
- co-operate at drafting of the entire documentation for calling the GSM of the Fund;
- draft the annual budget;
- co-operate at drafting the IPS;
- propose the conclusion of the financial audit agreement;
- propose the change of the location of the Fund’s registered office;

- co-operate at the organisation of the GSM and of the meeting of the Board of Nominees;
- provide for any legal filings and publications and file any tax returns;
- maintain contact with all supervisory, regulatory, tax or other state authorities or Fund-related professional organisations in Romania, complying with any information request from these authorities (including the current reports);
- co-operate at the preparation of the annual reports, accounts, financial reports, financial statements and of any other documents for investors or for the relevant authorities in accordance with applicable laws, regulations or the Constitutive Act;
- manage investor queries and send responses and other relevant documents to the investors;
- perform public relations activities;
- perform marketing activities (such as investor road-shows, group and one-on-one meetings with institutional investors, participate in various global and regional emerging and frontier market conferences, organise Analyst and Investor Days events).

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

General Shareholders Meeting Decisions in the First Six Months of 2016

The main decisions of the shareholders during 27 January 2016 GSM were the following:

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

The main decisions of the shareholders during 26 April 2016 GSM were the following:

- the approval of certain changes of the Constitutive Act, as recommended by the FSA in January 2016 and as recommended by a shareholder of the Fund;
- the approval of the decrease of the subscribed share capital of the Fund by cancelling a part of the shares acquired within the sixth buy-back programme;
- the ratification of the Addendum no. 6/ 2 March 2016 to the previous Investment Management Agreement, giving full force and effect for the payment by the Fund to FTIML of the distribution fee for the period between 7 January 2016 and 31 March 2016;
- the appointment of two members in the Board of Nominees of the Fund, following the expiration of two mandates on 30 September 2016;
- the approval of the Annual Activity Report of the Sole Administrator of Fondul Proprietatea for the financial year 2015, including the IFRS financial statements for the year ended 31 December 2015. As the mandate of FTIML expired on 31 March 2016, the shareholders have also decided to discharge the latter of any liability for its administration of Fondul Proprietatea during the period 1 January 2016 to 31 March 2016;
- the approval of covering of the accounting loss, in accordance with the supporting materials;
- the approval of the Addendum no. 1 to the audit contract executed with the financial auditor, Deloitte Audit;
- the ratification and approval of all GSM resolutions and of all legal acts concluded, adopted or issued on behalf of the Fund through its Sole Administrator and/ or its Alternative Investment Fund Manager as well as of any management/ administration measures adopted and/ or implemented by its Sole Administrator and/ or its Alternative Investment Fund Manager, between 6 September 2010 and 25 April 2016.

Subsequent Events

Credit Facility Agreement

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

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

Resuming the Public Tender Offer Process

The Fund Manager took the decision to resume the public tender offer process suspended in January 2016 due to the market conditions. As such, on 5 July the Fund has submitted for approval to the FSA an application for a tender offer for acquisition of own shares in relation to the sixth buy-back programme. Under this tender offer, the Fund intends to repurchase up to 575,000,000 shares (both in the form of shares and GDRs) from its shareholders and GDR holders.

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

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

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

Analysis of the Activity of the Fund

Analysis of the Portfolio of the Fund

Net Asset Valuation

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

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

NAV methodology

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

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

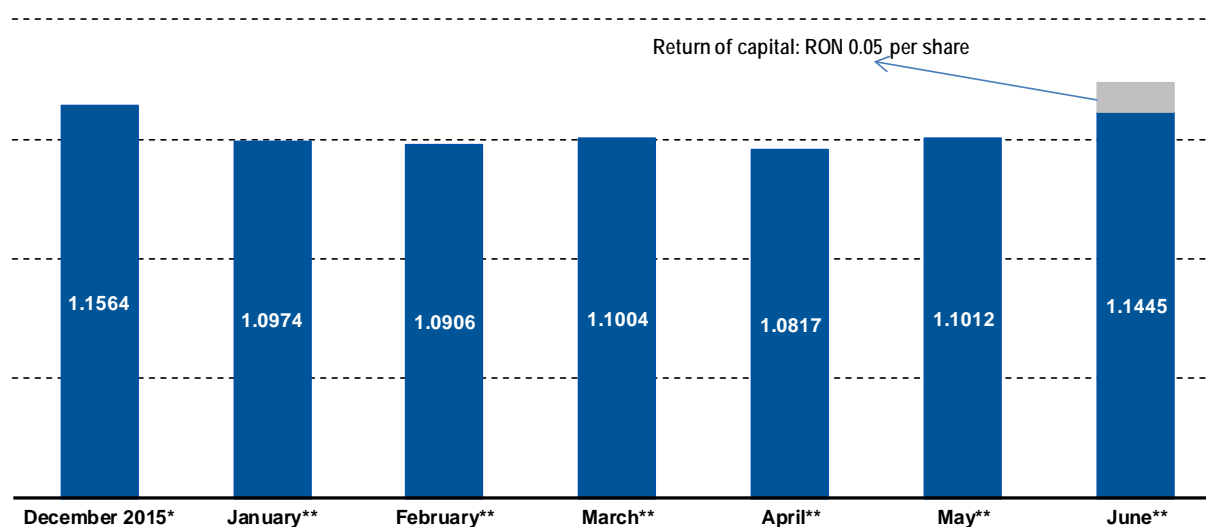
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or according to International Valuation Standards which permit fair valuation.

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

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

The following chart shows information on the monthly published NAVs per share for the period 31 December 2015 to 30 June 2016:

NAV per share (RON per share)



Source: FTIML, based on NAV reports submitted to FSA

*Based on Romanian Accounting Regulation for non-portfolio items

** Based on IFRS for non-portfolio items

The grey section within June 2016, represents the impact of 2016 return of capital per share, approved by shareholders in January 2016, and recorded in June 2016, following the FSA endorsement of the share capital decrease (Endorsement no. 141/25 May 2016), and following the registration at Trade Register on 9 June 2016, which resulted in a corresponding reduction of NAV per share.

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

During the second quarter of 2016 the NAV per share increased by 4.0% mainly due to the update of the independent valuation for three unlisted portfolio holdings (Hidroelectrica SA, CN Aeroporturi Bucuresti SA, CN Administratia Porturilor Maritime SA) and due to the sixth buy-back programme carried out by the Fund during this period.

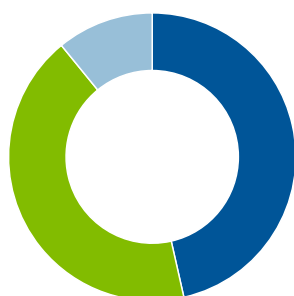
In June, three unlisted holdings, representing 55.8% of the total unlisted portfolio, were independently valued. The valuations were performed by KPMG Advisory, in accordance with International Valuation Standards. The overall impact was an increase of RON 785.7 million or RON 0.0762 per share, as compared to the 31 December 2015 NAV.

	Portfolio company name	Value in 30 June 2016 NAV (RON Million)	Value in 31 Dec 2015 NAV (RON Million)	Impact on Total NAV (RON Million)	Impact on NAV per share ⁸ (RON)
1	Hidroelectrica SA	3,269.0	2,654.1	614.9	0.0596
2	CN Aeroporturi Bucuresti SA	632.5	497.8	134.6	0.0131
3	CN Administratia Porturilor Maritime SA	211.3	175.1	36.2	0.0035
	TOTAL	4,112.8	3,327.0	785.7	0.0762

Investment Strategy and Portfolio Analysis

The Fund's Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. The equity exposure amounted to 89.1% of the Fund's NAV as at 30 June 2016. As at that date, the portfolio was composed of holdings in 45 companies (13 listed and 32 unlisted), containing a combination of privately held and state-controlled entities.

Portfolio Structure – by Controlling Ownership

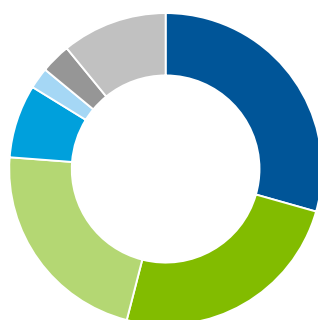


- State controlled entities..... 46.5%
- Private entities..... 42.6%
- Net Cash and Receivables..... 10.9%

- Net cash and receivables includes bank deposits, current bank accounts, short-term treasury bills and bonds, guarantee deposit for tender offer, dividend receivables, as well as other assets, net of all liabilities (including liabilities to shareholders related to the returns of capital from previous years) and provisions.

Source: FTIML, data as at 30 June 2016

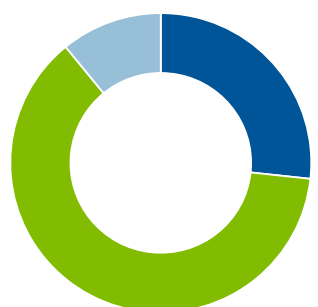
⁸ Computed based on the number of shares used in NAV per share computation as at 30 June 2016

Portfolio Structure - by Sector

Power utilities: generation.....	29.4%
Power & Gas Utilities: transport, distribution, supply	24.6%
Oil & Gas.....	22.2%
Infrastructure.....	7.6%
Banks.....	2.2%
Others.....	3.1%
Net Cash and Receivables.....	10.9%

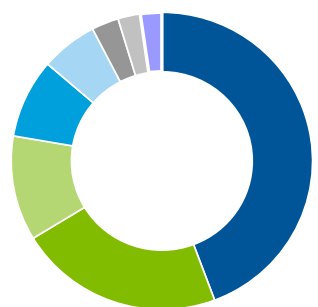
- The portfolio remained heavily weighted in power, oil and gas sectors (approx. 76.2% of the NAV), through a number of listed and unlisted Romanian companies

Source: FTIML, data as at 30 June 2016

Portfolio Structure – by Asset Type

Listed Equities.....	26.7%
Unlisted Equities.....	62.4%
Net Cash and Receivables.....	10.9%

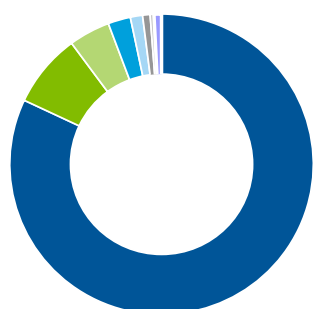
Source: FTIML, data as at 30 June 2016

Portfolio Structure – Unlisted holdings

Hidroelectrica SA.....	44.3%
Enel Group companies.....	22.0%
Electrica Group companies.....	11.4%
CN Aeroporturi Bucuresti SA.....	8.6%
Engie Romania SA.....	6.1%
CN Administratia Porturilor Maritime SA	2.9%
Societatea Nationala a Sarii SA.....	2.4%
Others.....	2.3%

- The largest unlisted holding is Hidroelectrica SA (44.3% of the total value of unlisted holdings in the portfolio)

Source: FTIML, data as at 30 June 2016

Portfolio Structure – Listed holdings

OMV Petrom SA.....	82.0%
BRD Groupe Societe Generale SA.....	7.9%
Nuclearelectrica SA.....	4.4%
Alro SA.....	2.4%
Conpet SA.....	1.3%
Romaero SA.....	0.8%
Primcom SA.....	0.4%
Others.....	0.8%

- The largest listed holding is OMV Petrom SA (82.0% of the total value of listed holdings in the portfolio)

Source: FTIML, data as at 30 June 2016

Top 20 equity investments

No	Name	Fund's stake (%)	Value as at 30 June 2016 (RON million)	% of NAV as at 30 June 2016
1	Hidroelectrica SA	19.94%	3,269.0	27.7%
2	OMV Petrom SA	18.99%	2,582.1	21.9%
3	CN Aeroporturi Bucuresti SA	20.00%	632.5	5.4%
4	Enel Distributie Banat SA	24.13%	624.0	5.3%
5	Enel Distributie Muntenia SA	12.00%	455.4	3.9%
6	Engie Romania SA	12.00%	446.1	3.8%
7	Enel Distributie Dobrogea SA	24.09%	401.2	3.4%
8	Electrica Distributie Muntenia Nord SA	22.00%	253.9	2.2%
9	BRD Groupe Societe Generale SA	3.63%	248.6	2.1%
10	Electrica Distributie Transilvania Sud SA	22.00%	222.3	1.9%
11	Electrica Distributie Transilvania Nord SA	22.00%	215.6	1.8%
12	CN Administratia Porturilor Maritime SA	20.00%	211.3	1.8%
13	Societatea Nationala a Sarii SA	49.00%	177.4	1.5%
14	Electrica Furnizare SA	22.00%	149.6	1.3%
15	Nuclearelectrica SA	9.09%	137.6	1.2%
16	Enel Energie SA	12.00%	76.6	0.7%
17	Alro SA	10.21%	75.4	0.6%
18	Enel Energie Muntenia SA	12.00%	64.0	0.5%
19	Complexul Energetic Oltenia SA	21.55%	62.8	0.5%
20	Posta Romana SA	25.00%	58.7	0.5%
Top 20 equity holdings			10,364.1	87.8%
Total equity holdings			10,520.5	89.1%
Net cash and receivables			1,284.0	10.9%
Total NAV			11,804.5	100.0%

Source: FTIML, data as at 30 June 2016, based on NAV reports submitted to FSA

Key Portfolio Developments in the Period**Acquisitions and disposals*****Participations in share capital increases and bonus shares***

In April 2016 the Fund contributed in cash to the share capital increase of Zirom SA and of Administratia Porturilor Maritime Constanta SA.

In May 2016, the Fund received 8,622,073 bonus shares in Banca Transilvania SA, as a result of the share capital increase of this company through incorporation of reserves. The value of the shares received from Banca Transilvania SA is reflected in other current assets category in the NAV of the Fund until their registration with the Central Depository is completed.

Disposals

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

In June the Fund sold the entire participations in E.ON Distributie Romania SA (56,749,014 shares, representing 18.3% of the company share capital) and E.ON Energie Romania SA (9,903,524 shares, representing 13.4% of the company share capital).

During the first six months of 2016, the Fund has also sold part of its holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA.

Negotiations with Electrica SA

On 28 March 2016 the Fund Manager publicly announced that no agreement has been reached in the recent negotiations with Electrica SA (“Electrica”) regarding a potential transaction between the Fund and Electrica in relation to the Fund’s holdings in the four companies in which Electrica is the majority shareholder, respectively Electrica Distributie Transilvania Sud SA, Electrica Distributie Transilvania Nord SA, Electrica Distributie Muntenia Nord SA and Electrica Furnizare SA.

After several rounds of negotiations, the final asking price of the Fund for Electrica would have been RON 769 million. The effective price offered by Electrica for the Fund’s holdings in the four subsidiaries was RON 684 million, which is more than an 18% discount to the valuation of those holdings in the Fund’s monthly NAV of RON 841 million, as at 29 February 2016.

Despite the resilient efforts and willingness to find a realistic middle ground, it was not possible to reach a satisfactory agreement on price and conclude a deal in the negotiations with Electrica. The Fund Manager remains committed and willing to resume negotiations at a future point if there is a similar commitment from Electrica.

Energy sector updates

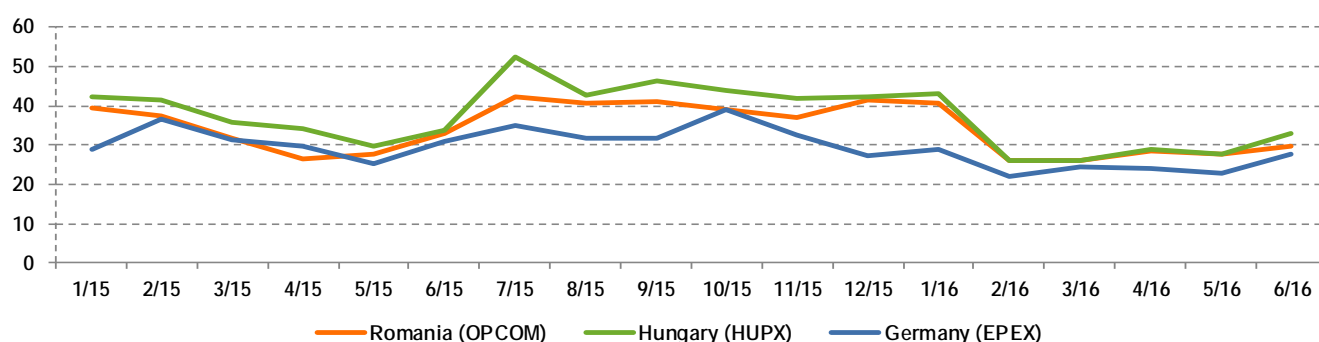
Energy tariff changes

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

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

Source: ANRE webpage

Electricity prices (EUR/ MWh)



Source: Bloomberg, Hidroelectrica SA

Note: Day Ahead Market – monthly average for base load

Energy resources (thousand tons barrels of oil equivalent)

	January – May 2016			January – May 2015			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Coal	1,848.3	1,647.2	201.1	2,092.4	1,867.0	225.4	(11.7)	(11.8)	(10.8)
Oil	4,656.8	1,509.7	3,147.1	4,306.1	1,573.5	2,732.6	8.1	(4.1)	15.2
Natural gas	3,480.5	3,289.4	191.1	3,694.3	3,627.7	66.6	(5.8)	(9.3)	186.9
Hidro, Nuclear, and Import energy	2,394.1	2,217.2	176.9	2,292.8	2,162.2	130.6	4.4	2.5	35.5
Import oil products	940.6	-	940.6	904.0	-	904.0	4.0	-	4.0
Others	213.9	-	213.9	210.2	-	210.2	1.8	-	1.8
Total resources	13,534.2	8,663.5	4,870.7	13,499.8	9,230.4	4,269.4	0.3	(6.1)	14.1

Source: National Institute of Statistics webpage

Gas tariff changes

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

Starting date	Household prices (RON/ MWh)
01.07.2015	60.00
01.07.2016	66.00
01.04.2017	72.00
01.04.2018	78.00
01.04.2019	84.00
01.04.2020	90.00

Source: Government Decision no. 488/2015

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

RON million	2014	2015	Q1** 2015	Q1** 2016	Budget 2015*	Budget 2016*
Turnover	2,108.4	2,422.8	598.2	564.1	2,665.6	2,191.9
Operating profit	51.0	185.9	96.1	22.5	318.1	133.7
Net profit/ (loss)	(63.6)	(0.02)	5.7	27.3	255.5	55.9
Dividends	-	-	n.a.	n.a.	-	-

Source: Consolidated IFRS financial statements

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

** Individual IFRS financial statements

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

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

BRD – Groupe Societe Generale SA

RON million	2014	2015	H1 2015*	H1 2016	Budget 2015**	Budget 2016**
Net banking income	2,623.0	2,507.2	1,269.6	1,433.9	Around 3% increase	Around 5% increase
Net operating profit	1,295.3	1,209.9	548.9	728.4		Around 5% increase
Net cost of risk	1,215.4	658.2	268.9	282.4	Significant decrease	Further normalisation trajectory
Net profit	63.1	465.8	231.3	378.0	Significant improvement	n.a.
Dividends	-	223.0	-	-	-	-

Source: Consolidated IFRS financial statements

*Restated values

** Budgeted figures based on individual IFRS financial statements

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

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

The Board of Directors of BRD appointed Mr Francois Bloch to succeed to Philippe Lhotte as CEO with effective date 1 November 2016. Currently Mr Bloch is holding the position of First Deputy Chairman of Rosbank, Societe Generale's subsidiary in Russia. Mr. Bloch's appointment is subject to the approval of the Central Bank of Romania.

CN Administratia Porturilor Maritime SA

RON million	2014	2015	Budget 2015	Budget 2016
Total revenue	305.8	325.6	306.1	322.9
Operating profit	83.8	114.0	55.1	61.3
Net profit	70.3	97.4	39.8	48.9
Dividends	32.3	70.4	17.6	24.5

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

February: Total traffic for the first 2 months of 2016 reached 8.4 million tons, which represents a decrease of 7.6% compared to the same period of 2015. The decline was mostly due to a 36.9% decrease of activity for cereals, while most of other goods recorded slight increases.

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

CN Aeroporturi Bucuresti SA

RON million	2014	2015	Budget 2015	Budget 2016
Total revenue	689.7	783.4	725.8	842.9
Operating profit	124.4	213.5	40.6	127.4
Net profit	98.8	178.8	44.3	104.8
Dividends	51.2	137.1	24.4	55.4

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

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

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

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

Complexul Energetic Oltenia SA

RON million	2014	2015	Budget 2015	Budget 2016
Total operating revenue	4,105.7	4,295.2	4,228.7	Not approved
Operating profit	(638.7)	(790.5)	98.4	
Net profit	(693.6)	(960.9)	0.7	

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

May: The management team presented a restructuring plan having as the most important measure the labor cost reduction: 5,000 employees will be dismissed within the next 5 years (2,000 in 2016, 2,000 in 2017 and 1,000 afterwards). In the restructuring plan approved by the Supervisory Board, a number of other measures are mentioned, which started to be implemented since January 2016. These measures led to a return to profitability in Q1 2016 when the company recorded an operating profit of RON 149 million compared to a loss of RON 20 million in Q1 2015.

The Directorate, which is made of five members, still has three interim members who have to be selected according with GEO 109/2011 and the selection should be finalised in the next months. In the same time the Ministry of Energy has to finalise the selection of the Supervisory Board according with GEO 109/2011.

Electrica Distributie Muntenia Nord SA (“EDMN”)

RON million	2014	2015	Q1 2016	Budget 2015	Budget 2016
Total revenue	805.4	798.6	189.0	778.3	741.8
Operating profit	159.7	182.9	-	165.5	147.6
Net profit	140.3	153.2	16.0	139.0	123.9
Dividends	112.1	122.3	-	111.1	-

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

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

Electrica Distributie Transilvania Nord SA (“EDTN”)

RON million	2014	2015	Q1 2016	Budget 2015	Budget 2016
Total revenue	674.8	720.2	200.0	685.1	707.1
Operating profit	119.7	186.6	-	146.0	173.6
Net profit	95.3	158.8	5.0	120.3	145.6
Dividends	75.9	127.1	-	96.1	-

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

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

Electrica Distributie Transilvania Sud SA (“EDTS”)

RON million	2014	2015	Q1 2016	Budget 2015	Budget 2016
Total revenue	739.3	775.3	186.0	779.3	775.9
Operating profit	121.5	178.1	-	142.2	154.1
Net profit	100.1	152.6	32.0	110.4	127.3
Dividends	79.9	119.7	-	87.8	-

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

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

Electrica Furnizare SA

RON million	2014	2015	Q1 2016	Budget 2015	Budget 2016
Total revenue	4,055.4	4,205.7	1,192.0	4,097.5	4,196.7
Operating profit	223.7	143.1	-	108.4	126.5
Net profit	204.7	131.1	44.0	95.1	113.4
Dividends	174.0	111.5	-	-	-

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

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

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

Enel Distributie Banat SA (“EDB”)

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

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

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

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

Enel Distributie Dobrogea SA (“EDD”)

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

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

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

Enel Distributie Muntenia SA (“EDM”)

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

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

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

Enel Energie SA

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

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

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

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

Enel Energie Muntenia SA

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

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

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

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

Engie Romania SA

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

Source: Consolidated IFRS financial statements

*Budgeted figures based on separate IFRS financial statements

**Dividends are based on the separate IFRS financial statements

*** Restated values

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

April: The Romanian State revoked Gelu Diaconu and Ghimpau Aurelian as board members, while Engie revoked Pierre Chatain, Bart Boesmans and Valerie Limpens. The new board members are Vlad Vasiliu and Catalin Deaconescu recommended by the Romanian State and Etienne Jacolin, Olivier Bloeyaert and Marleene Delvaux recommended by Engie.

According to ANRE Order no. 20/2016, with effect from 1 May 2016 the regulated supply tariffs for households were increased by approximately 11%.

Hidroelectrica SA

RON million	2014	2015	H1 2015	H1 2016	Budget 2015
Turnover	3,406.0	3,183.2	1,851.6	1,615.8	2,851.3*
Operating profit	1,207.9	1,127.4	733.9	748.3	489.7
Net profit	941.5	899.4	596.8	567.9	371.9
Dividends	646.4	675.1	-	-	174.5

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

*Operating revenue

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

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

Nuclearelectrica SA

RON million	2014	2015	Q1** 2015	Q1** 2016	Budget 2015**	Budget 2016**
Sales	1,794.6	1,748.7	440.3	446.4	1,884.0	1,700.3
Operating profit/ (loss)	173.8	159.1	44.2	76.0	57.7	59.7
Net profit	131.4	147.4	35.4	66.9	30.8	41.1
Dividends*	90.4	99.5	n.a.	n.a.	15.7	20.9

Source: Consolidated IFRS financial statements

*Dividends are based on the individual IFRS financial statements

**Based on individual IFRS financial statements

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

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

OMV Petrom SA

RON million	2014	2015	H1 2015	H1 2016	Budget 2015**	Budget 2016**
Sales	21,541.3	18,145.0	8,811.0	7,192.0	12,571.0	10,764.0
Operating profit/(loss)	3,338.3	(529.8)	1,280.0	561.0	1,121.0	62.0
Net profit/ (loss)	2,099.7	(689.7)	1,036.0	405.0	1,102.0	199.0
Dividends*	634.4	-	n.a.	n.a.	-	-

Source: Consolidated IFRS financial statements

*Based on separate IFRS financial statements

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

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

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

The Supervisory Board approved the recommendation of the Executive Board to pay no dividends in 2016. This proposal was approved by shareholders at the Annual GSM held on 26 April 2016.

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

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

Posta Romana SA

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

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

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

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

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

Societatea Nationala a Sariei SA (Salrom)

RON million	2014	2015	Budget 2015	Budget 2016
Operating revenue	297.6	319.1	324.6	329.7
Operating profit	31.8	27.5	47.0	69.5
Net profit	24.5	15.8	40.2	57.3
Dividends	20.9	-	37.0	45.4

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

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

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

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

Key Financial Highlights of the Fund

Summary % net cash & cash equivalents in NAV

RON million	31 Dec 2015	31 Mar 2016	30 Jun 2016
Current accounts	0.6	0.5	34.8
Bank deposits	197.8	89.6	572.7
Treasury bills and short-term government bonds	79.0	125	80.9
Total liabilities*	(43.1)	(40.9)	(80.0)
Net cash & cash equivalents	234.3	174.2	608.4
Net Assets Value	12,087.8	11,440.1	11,804.5
% net cash & cash equivalents in NAV	1.9%	1.5%	5.2%

*Total liabilities exclude provisions

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

The increase of **current accounts**, **bank deposits** and **treasury bills and short-term government bonds** during the six-month period ended 30 June 2016 was mainly due to the cash inflows from the disposal of portfolio companies (entire holdings in Romgaz SA, E.ON Distributie Romania SA and E.ON Energie Romania SA and partial disposal of the holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA) and the dividends collected from portfolio companies, net off by the cash outflows for funding the 2016 return of capital (payment started on 27 June) and the sixth buy-back programme.

The increase of **total liabilities** was mainly due to the outstanding liability as at 30 June 2016 regarding the 2016 return of capital of RON 34.6 million following the payments performed with effect from 27 June 2016 (total payments in June 2016: RON 482.3 million, from the total 2016 return of capital of RON 516.9 million).

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

Total Expense Ratio

The annualised total expense ratio of the Fund as at 30 June 2016 was 0.89% and excluding transaction related expenses this would be 0.78% (2015: 1.03%, and excluding transaction related expenses this would be 0.95%). This figure represents the expenses of the Fund (annualised) divided by the period end NAV. For the purpose of this calculation, expenses do not include foreign exchange losses, cost of equity investments disposed of, impairment adjustments, interest expenses, fair value adjustments, expenses with amortisation and provisions or corporate income tax expenses.

The decrease of the total expense ratio was mainly due to the one-off secondary listing related expenses of RON 16.6 million incurred in 2015 (excluding the secondary listing expenses, the total expense ratio in 2015 would have been 0.89%).

Please see section *Financial Statements Analysis* for more details on the Fund's expenses.

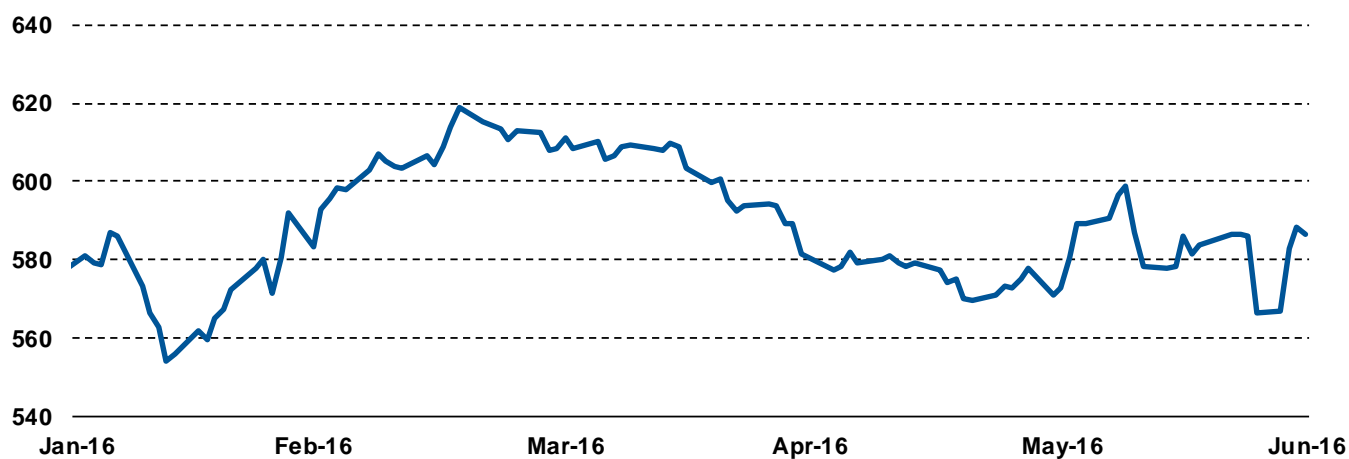
Income from operating activity

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

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

As at 30 June 2016, the Fund's exposure to Romanian equities accounted for 89.1% of the NAV, the positive difference of 10.9% being represented by the net cash and receivables.

The BET-XT index, which reflects the performance of the top 25 most liquid stocks listed on the Tier 1 of the BVB, decreased by 8.4% during the first half of 2016 and by 11.3% compared with 30 June 2015.

BET-XT Index evolution

Source: BVB

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

Capital Expenditure

Capital expenditure comprises the costs for the acquisition or upgrade of the intangible assets of the Fund.

The intangible assets of the Fund 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.

Financial Statements Analysis

The unaudited Financial Statements for the six-month period ended 30 June 2016 prepared in compliance with IAS 34 Interim Financial Reporting, based on IFRS are included in full in Annex 1 to this Report.

With effect from the annual financial statements for the year ended 31 December 2015, according to the FSA Norm 39/2015, IFRS are the official accounting regulations for the Fund.

This section provides a commentary on the principal elements of the Fund's financial position and results for the six-month period ended 30 June 2016.

Statement of Financial Position

RON million

	30 June 2016	31 December 2015
	Unaudited	Audited
Cash and current accounts	34.8	0.6
Deposits with banks	572.7	197.8
Treasury bills	59.9	20.0
Government bonds	20.9	59.0
Dividends receivable	312.9	-
Equity investments	10,499.9	11,800.7
Other assets	356.6	29.6
Total assets	11,857.7	12,107.7
Total liabilities	91.7	54.6
Total equity	11,766.0	12,053.1
Total liabilities and equity	11,857.7	12,107.7

As at 30 June 2016, **deposits with banks** included bank deposits denominated in RON with maturities of up to one month, held with banks in Romania.

As at 30 June 2016, **treasury bills** caption included treasury bills with discount, while **government bonds** comprised short-term government bonds with coupon, both denominated in RON, with residual maturities up to three months, issued by the Ministry of Public Finance of Romania.

The overall increase in liquid assets in the first six months of 2016 of RON 410.9 million was mainly due to the cash inflows from the disposal of portfolio companies (entire holdings in Romgaz SA, E.ON Distributie Romania SA, E.ON Energie Romania SA and partial disposal of the holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA) and the dividends collected from portfolio companies during the period (RON 1,191.4 million in total), net off by the cash outflows for funding the 2016 return of capital, payment of the guarantee for the buy-back tender offer and funding of the daily acquisitions within the sixth buy-back programme (RON 732.2 million in total).

Equity investments

Classification and measurement of equity investments

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

The equity investments at fair value through profit or loss are initially recognised at fair value and the transaction costs are recorded in profit or loss. Subsequent measurement is at fair value and all changes in fair value are accounted for through profit or loss. Equity investments at fair value through profit or loss are not subject to impairment review.

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

was recognised in other comprehensive income to profit or loss. If, in a subsequent period, the fair value of an impaired equity investment classified as available for sale increases, this is recognised in other comprehensive income (equity).

Valuation

As at 30 June 2016, all the equity investments of the Fund were carried at fair value.

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

In case of *unlisted shares* and *listed shares that are not traded in an active market*, where sufficient information was available, the fair values of equity investments were determined by independent valuers, using valuation techniques, in accordance with International Valuation Standards (99.7% of the total unlisted portfolio).

Investments in equity securities that do not have a quoted price in an active market, and whose fair values determined by independent valuers were not available, are measured at values considered to be equivalent to fair values, being the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM and reported on monthly basis (only an insignificant part of the portfolio).

The decrease of **equity investments** by RON 1,300.8 million in the first six months of 2016 was mainly due to the disposal of certain portfolio companies (entire holdings in Romgaz SA, E.ON Distributie Romania SA and E.ON Energie Romania SA and partial disposal of the holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA, total impact RON 1,427.2 million) and due to a 17.2% decrease in value of the OMV Petrom SA share price (negative impact of RON 537.9 million), which were partially offset by the increase in the value of unlisted equity investments following the update of the independent valuations for three companies (total positive impact of RON 785.7 million).

Statement of Comprehensive Income

RON million	30 June 2016 Unaudited	30 June 2015 Unaudited
Gross dividend income	346.9	434.5
Net loss from equity investments at fair value through profit or loss	(541.3)	(326.6)
Impairment losses on equity investments available for sale	(40.7)	(20.1)
Interest income	3.0	1.5
Gain/ (Loss) on disposal of equity investments available for sale, net	913.1	-
Other items of income/ (expense), net*	20.3	19.4
Net operating income	701.3	108.7
Operating expenses	(56.3)	(68.7)
Finance costs	(0.3)	(0.2)
Profit before income tax	644.7	39.8
Income tax expense	(104.0)	(129.4)
Profit/ (Loss) for the period	540.7	(89.6)
Other comprehensive income	(189.0)	122.0
Total comprehensive income for the period	351.7	32.4

* Other items of income/ (expense), net included the net foreign exchange gains/ (losses), the (reversal of) impairment losses on receivables and other income.

Gross dividend income for the six-month period ended 30 June 2016 represents the dividend income earned from the Fund's portfolio companies, mainly from Hidroelectrica SA (RON 134.6 million), Electrica Distributie Transilvania Nord SA (RON 28.0 million), CN Aeroporturi Bucuresti SA (RON 27.4 million), Electrica Distributie Muntenia Nord SA (RON 26.9 million), Electrica Distributie Transilvania Sud SA (RON 26.3 million) and Electrica Furnizare SA (RON 24.5 million). The decrease compared to the first six months of 2015 was mainly generated by the decision of OMV Petrom SA not to distribute dividends in 2016, which was partially offset by the higher dividends received from other portfolio companies.

The **net loss from equity investments at fair value through profit or loss** for the first six months of 2016 and 2015 represent the unrealised loss from the negative net change in fair value related to equity investments classified at fair value through profit or loss, principally OMV Petrom SA, due to the negative evolution of the share price of

this company (RON 537.9 million in the first six months of 2016 and RON 334.6 million in the first six months of 2015).

In performing the impairment test for the equity investments available for sale, the Fund considers all relevant factors, such as: significant or prolonged decline in fair value below cost, market and industry conditions, to the extent that they influence the recoverable amount of the equity investment, financial conditions and near-term prospects of the issuer, any specific adverse events that may influence the issuer's operations, recent losses of the issuer. The most significant **impairment losses on equity investments available for sale** in the six-month period ended 30 June 2016 were related to the holding in Nuclearelectrica SA (RON 38.4 million). In the six-month period ended 30 June 2015 the most significant impairment losses recorded were related to the holdings in Nuclearelectrica SA (RON 12.1 million) and in Alro SA (RON 8.0 million).

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

The **gain/ (loss) on disposal of equity investments available for sale** represents the difference between the proceeds from disposals and the carrying values of the equity investments as at disposal date, plus the net unrealised gain related to these investments disposed of, transferred from equity (other comprehensive income) to profit or loss upon their derecognition.

The main disposals in the first six months of 2016 were: the entire holdings in Romgaz SA, E.ON Distributie Romania SA and E.ON Energie Romania SA and partial disposal of the holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA.

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

The **income tax expenses** for the first six months of 2016 represents the partial reversal of the deferred tax asset for the unused tax losses carried forward recognised as at 31 December 2015, which is recognised, at each reporting date, only to the level of the deferred tax liability arising from the taxable temporary differences.

Operating expenses

RON million	30 June 2016 Unaudited	30 June 2015 Unaudited
Investment management and administration fees	35.5	40.4
FSA monthly fees	5.4	5.9
Intermediaries fees related to disposal of portfolio holdings	5.1	-
Depository fees	0.4	0.7
Other operating expenses	9.9	21.7
Operating expenses	56.3	68.7

Investment management and administration fees payable to the Fund Manager represent the main **operating expenses** component, which decreased compared to the previous period in line with the decrease of the Fund's share price, upon which these fees are based. The total investment management and administration fees in the first six months of 2016 included the base fee of RON 23.1 million (first six months of 2015: RON 27.8 million) and the distribution fee of RON 12.4 million (first six months of 2015: RON 12.6 million).

The **FSA monthly fees** reduction results mainly from the decrease of the Fund's total NAV basis on which these fees are calculated.

Other operating expenses in the first six months of 2016 included mainly litigation assistance, Board of Nominees related expenses, investors' relations expenses and expenses with external audit.

Analysis of Statement of Comprehensive Income by Quarters

Although this report covers the six-month period ended 30 June 2016, given that the Fund reports on a quarterly basis, the following split has been prepared to show also the actual results for the period 1 April to 30 June.

RON million	Quarter ended		Half-year ended
	31 March 2016	30 June 2016	30 June 2016
	Unaudited	Unaudited	Unaudited
Gross dividend income	-	346.9	346.9
Net loss from equity investments at fair value through profit or loss	(535.9)	(5.4)	(541.3)
Impairment losses on equity investments available for sale	(29.8)	(10.9)	(40.7)
Interest income	1.2	1.8	3.0
Gain on disposal of equity investments available for sale, net	-	913.1	913.1
Other items of income/ (expense), net*	1.9	18.4	20.3
Net operating income/ (loss)	(562.6)	1,263.9	701.3
Operating expenses	(18.9)	(37.4)	(56.3)
Finance costs	(0.2)	(0.1)	(0.3)
Profit/ (loss) before income tax	(581.7)	1,226.4	644.7
Income tax expense	(3.9)	(100.1)	(104.0)
Profit/ (Loss) for the period	(585.6)	1,126.3	540.7
Other comprehensive income	(30.9)	(158.1)	(189.0)
Total comprehensive income for the period	(616.5)	968.2	351.7

* Other items of income/ (expense), net included the net foreign exchange gains/ (losses), the (reversal of) impairment losses on receivables and other income.

Statement of Cash Flows

RON million	30 June 2016 Unaudited	30 June 2015 Unaudited
Cash flows from operating activities		
Proceeds from sale of equity investments	1,158.9	0.6
Disposals/ maturity of treasury bills and bonds	314.6	227.0
Dividends received (net of withholding tax)	32.5	158.2
Interest received	3.3	3.5
Maturity of bank deposits with original maturities of more than three months	-	25.0
Acquisitions of treasury bills and bonds	(320.0)	(40.4)
Suppliers and other taxes and fees paid	(45.4)	(58.8)
Subscriptions to share capital increase of portfolio companies	(3.1)	(0.1)
Remunerations and related taxes paid	(0.7)	(0.5)
Realised foreign exchange loss on cash and cash equivalents	(0.1)	-
Other receipts	1.4	0.2
Net cash flows from operating activities	1,141.4	314.7
Cash flows from financing activities		
Payments to shareholders related to the return of capital	(482.5)	(488.2)
Guarantee paid for the buy-back tender offer	(145.2)	-
Acquisition of treasury shares	(104.5)	(211.5)
Payment of fees related to the short term bank loans	(0.2)	-
Dividends paid (including related taxes)	-	(3.2)
Short term bank loans	-	450.0
Payments to Central Depository in relation with 2015 return of capital to shareholders	-	(51.4)
Net cash flows used in financing activities	(732.4)	(304.3)

RON million

	30 June 2016 Unaudited	30 June 2015 Unaudited
Net increase in cash and cash equivalents	409.0	10.4
Cash and cash equivalents at the beginning of the period	198.5	91.1
Cash and cash equivalents at the end of the period	607.5	101.5
Cash	34.8	0.5
Bank deposits with original maturities of less than three months	572.7	101.0
	607.5	101.5

In the first six months of 2016 **the proceeds from sale of equity investments** were related to the disposal of the entire holdings in in Romgaz SA, E.ON Distributie Romania SA, E.ON Energie Romania SA and partial disposal of the holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA.

Payments to **suppliers and other taxes and fees paid** were lower in the first six months of 2016 compared with the first six months of 2015 mainly as a result of the expenses related to the secondary listing project incurred in 2015.

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

The **guarantee paid for the buy-back tender offer** represents the amount paid by the Fund in June 2016 as guarantee for the envisaged tender offer for acquisition of own shares in relation to the sixth buy-back programme.

Acquisition of treasury shares represent the acquisition cost, including brokerage fees and other costs directly related to the acquisition of the own shares bought back by the Fund in the buy-back programmes carried out during each period, both through buying ordinary shares on the BVB and GDRs on the LSE.

The proceeds from **short-term bank loans** are the amounts drawn in the six-month period ended 30 June 2015 from the credit facility from Citibank Europe Plc, Dublin – Romania Branch, for funding the 2015 distribution to shareholders.

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

Signatures:

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

Oana Truta

Permanent Representative

Prepared by

Catalin Cadaru

Financial Reporting Manager

11 August 2016

Annex 1

FONDUL PROPRIETATEA SA
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2016

Prepared in accordance with IAS 34 Interim Financial Reporting

(This is a translation from the official Romanian version)

Contents

Condensed Statement of Comprehensive Income	38
Condensed Statement of Financial Position	39
Condensed Statement of Changes in Shareholders' Equity.	40
Condensed Statement of Cash Flows.	42
Notes to the Condensed Interim Financial Statements	43

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	6 months ended 30 June 2016	6 months ended 30 June 2015
Gross dividend income	5	346,915,547	434,527,163
Net loss from equity investments at fair value through profit or loss	6	(541,343,829)	(326,618,114)
Gain/(Loss) on disposal of equity investments available for sale, net	7	913,067,221	(93)
Impairment losses on equity investments available for sale	12	(40,716,135)	(20,077,006)
Interest income		2,984,714	1,530,507
Reversal of impairment losses on receivables, net		17,917,700	18,212,824
Net foreign exchange gain/(loss)		294,380	(54,851)
Other income, net		2,222,640	1,173,231
Net operating income		701,342,238	108,693,661
Operating expenses	8	(56,360,126)	(68,645,313)
Finance costs	9	(312,500)	(236,208)
Profit before income tax		644,669,612	39,812,140
Income tax expense	10	(103,923,098)	(129,450,457)
Profit / (Loss) for the period		540,746,514	(89,638,317)
Other comprehensive income			
Net change in fair value of available for sale equity investments		677,823,165	152,560,895
Deferred tax on other comprehensive income		102,217,728	(29,822,766)
Decrease in fair value reserve following the disposal of available for sale equity investments		(969,131,503)	(702,288)
Total other comprehensive income		(189,090,610)	122,035,841
Total comprehensive income for the period		351,655,904	32,397,524
Basic and diluted earnings per share		0.0489	(0.0073)

The financial statements were authorised for issue on 11 August 2016 by:

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

Oana Truta
Permanent Representative

Catalin Cadaru
Financial Reporting Manager

The notes on pages 43 to 63 are an integral part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	30 June 2016	31 December 2015
Assets			
Cash and current accounts		34,834,299	648,858
Deposits with banks		572,669,338	197,825,552
Treasury bills		59,943,698	19,957,311
Government bonds		20,923,458	59,004,410
Dividends receivable	11	312,882,390	-
Equity investments	12	10,499,942,398	11,800,704,619
Other assets	14	356,500,447	29,577,289
Total assets		11,857,696,028	12,107,718,039
Liabilities			
Other liabilities	15	91,664,444	54,625,824
Total liabilities		91,664,444	54,625,824
Equity			
Share capital	16	9,320,973,181	10,074,080,746
Fair value reserve on available for sale financial assets	16	4,043,719,790	4,232,810,400
Other reserves		545,671,056	527,397,886
Treasury shares	16	(211,921,485)	(308,039,345)
Retained earnings		(1,932,410,958)	(2,473,157,472)
Total equity		11,766,031,584	12,053,092,215
Total liabilities and equity		11,857,696,028	12,107,718,039

The notes on pages 43 to 63 are an integral part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets	Other reserves	Treasury shares	Retained earnings / (Accumulated losses)	Total attributable to the equity holders of the Fund
Balance as at 1 January 2016	10,074,080,746	4,232,810,400	527,397,886	(308,039,345)	(2,473,157,472)	12,053,092,215
Comprehensive income for the period						
Profit for the period	-	-	-	-	540,746,514	540,746,514
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	677,823,165	-	-	-	677,823,165
Decrease in fair value following the disposal of available for sale equity investments	-	(969,131,503)	-	-	-	(969,131,503)
Deferred tax on other comprehensive income	-	102,217,728	-	-	-	102,217,728
Total other comprehensive income	-	(189,090,610)	-	-	-	(189,090,610)
Total comprehensive income for the period	-	(189,090,610)	-	-	540,746,514	351,655,904
Transactions with owners, recorded directly in equity						
Decrease of the nominal value of the shares	(548,292,540)	-	-	13,215,578	-	(535,076,962)
Acquisition of treasury shares	-	-	-	(103,639,573)	-	(103,639,573)
Cancellation of treasury shares	(204,815,025)	-	18,273,170	186,541,855	-	-
Total transactions with owners recorded directly in equity	(753,107,565)	-	18,273,170	96,117,860	-	(638,716,535)
Balance as at 30 June 2016	9,320,973,181	4,043,719,790	545,671,056	(211,921,485)	(1,932,410,958)	11,766,031,584

The notes on pages 43 to 63 are an integral part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets	Other reserves	Treasury shares	Retained earnings / (Accumulated losses)	Total attributable to the equity holders of the Fund
Balance as at 1 January 2015	11,815,279,887	4,020,355,472	610,197,299	(1,189,918,464)	(1,908,041,171)	13,347,873,023
Comprehensive income for the period						
Loss for the period	-	-	-	-	(89,638,317)	(89,638,317)
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	152,560,895	-	-	-	152,560,895
Decrease in fair value following the disposal of available for sale equity investments	-	(702,288)	-	-	-	(702,288)
Deferred tax on other comprehensive income	-	(29,822,766)	-	-	-	(29,822,766)
Total other comprehensive income	-	122,035,841	-	-	-	122,035,841
Total comprehensive income for the period	-	122,035,841	-	-	(89,638,317)	32,397,524
Transactions with owners, recorded directly in equity						
Decrease of the nominal value of the shares	(609,213,934)	-	-	56,700,448	-	(552,513,486)
Acquisition of treasury shares	-	-	-	(212,823,098)	-	(212,823,098)
Cancellation of treasury shares	(240,215,153)	-	36,762,174	203,452,979	-	-
Total transactions with owners recorded directly in equity	(849,429,087)	-	36,762,174	47,330,329	-	(765,336,584)
Balance as at 30 June 2015	10,965,850,800	4,142,391,313	646,959,473	(1,142,588,135)	(1,997,679,488)	12,614,933,963

The notes on pages 43 to 63 are an integral part of these financial statements.

CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

	6 months ended 30 June 2016	6 months ended 30 June 2015
Cash flows from operating activities		
Proceeds from sale of equity investments	1,158,921,458	617,240
Disposals/ maturity of treasury bills and bonds	314,641,448	227,019,112
Dividends received (net of withholding tax)	32,501,038	158,197,313
Interest received	3,269,266	3,497,617
Maturity of bank deposits with original maturities of more than three months	-	25,000,000
Acquisitions of treasury bills and bonds	(320,034,050)	(40,421,126)
Suppliers and other taxes and fees paid	(45,392,734)	(58,778,656)
Subscriptions to share capital increase of portfolio companies	(3,070,150)	(88,350)
Remunerations and related taxes paid	(713,739)	(549,722)
Realised foreign exchange gain / (loss) on cash and cash equivalents	(107,132)	8,516
Other receipts	1,430,023	192,183
Net cash flows from operating activities	1,141,445,428	314,694,127
Cash flows from financing activities		
Payments to shareholders related to the return of capital	(482,482,318)	(488,203,595)
Guarantee paid for the buy-back tender offer	(145,245,000)	-
Acquisition of treasury shares	(104,469,267)	(211,490,326)
Payment of fees related to the short term bank loans	(175,000)	-
Dividends paid (including related taxes)	(47,297)	(3,180,079)
Short term bank loans	-	450,000,000
Payments to Central Depositary in relation with 2015 return of capital to shareholders	-	(51,435,273)
Net cash flows used in financing activities	(732,418,882)	(304,309,273)
Net increase in cash and cash equivalents	409,026,546	10,384,854
Cash and cash equivalents at the beginning of the period	198,467,448	91,158,127
Cash and cash equivalents at the end of the period	607,493,994	101,542,981
	30 June 2016	30 June 2015
Cash	34,834,299	495,840
Bank deposits with original maturities of less than three months	572,659,695	101,047,141
	607,493,994	101,542,981

The notes on pages 43 to 63 are an integral part of these financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

1. General information

Fondul Proprietatea SA (referred to as “Fondul Proprietatea” or “the Fund”) was incorporated as a joint stock company and is operating as an undertaking for collective investment, in the form of a closed end investment company, established in accordance with Law 247/2005 regarding the reform in property and justice, as well as certain 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, Buzesti Street, 7th Floor, District 1, Bucharest. Fondul Proprietatea is an alternative investment fund starting 1 April 2016.

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

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

The Fund was established to allow the payment in shares equivalent of compensations in respect of abusive expropriations undertaken by the Romanian State during the communist period, when properties were not returned in kind.

The Sole Administrator of the Fund was Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML”) until and including 31 March 2016. The first mandate was effective since 29 September 2010 for a period of 4 years, and the mandate was renewed for 2 years with effect from 30 September 2014.

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

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

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

These condensed interim financial statements for the six-month period ended 30 June 2016 are not audited.

2. Basis of preparation

(a) Statement of compliance

According to the provisions of FSA Norm no. 39/ 28 December 2015, regarding the approval of the accounting regulations in accordance with International Financial Reporting Standards as adopted by European Union (“IFRS”), applicable to the entities authorised, regulated and supervised by FSA – Financial Investments and Instruments Sector (“Norm 39/2015”), IFRS became the official accounting regulations for the regulated entities, including Fondul Proprietatea, first effective for the annual financial statements for the year ended 31 December 2015.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

These condensed interim financial statements for the six-month period ended 30 June 2016 have been prepared in accordance with *IAS 34 Interim financial reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, prepared in accordance with IFRS.

Due to the application of the *Amendments to IFRS 10, IFRS 12 and IAS 27 (Investment Entities)*, with effect from 1 January 2014 the Fund is an investment entity and no longer consolidates its subsidiaries. In consequence, the Fund no longer prepares 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 six-month period ended 30 June 2016 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 short-term government bonds respectively), and on a historical cost or amortised cost basis for the rest of the items included in the condensed interim financial statements.

(c) Functional and presentation currency

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

(d) Use of estimates

The preparation of the 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 about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant impact on the amounts recognised in the condensed interim financial statements is included in the following notes:

- Note 8 – Operating expenses;
- Note 12 – Equity investments;
- Note 13 – Deferred tax;
- Note 15 – Other liabilities;
- Note 17 – Contingencies.

3. Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Fund's financial statements for the year ended 31 December 2015 and have been applied consistently to all periods presented in these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(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:

	Loans and receivables	Available for sale	At fair value through profit or loss	Other amortised cost	Total carrying amount	Fair value
30 June 2016						
Cash and current accounts	34,834,299	-	-	-	34,834,299	34,834,299
Deposits with banks	572,669,338	-	-	-	572,669,338	572,669,338
Treasury bills	-	59,943,698	-	-	59,943,698	59,943,698
Government bonds	-	-	20,923,458	-	20,923,458	20,923,458
Dividends receivable	312,882,390	-	-	-	312,882,390	312,882,390
Equity investments	-	7,689,261,570	2,810,680,828	-	10,499,942,398	10,499,942,398
Other financial assets	347,808,521	-	-	-	347,808,521	347,808,521
Other financial liabilities	-	-	-	(79,112,279)	(79,112,279)	(79,112,279)
	1,268,194,548	7,749,205,268	2,831,604,286	(79,112,279)	11,769,891,823	11,769,891,823
	Loans and receivables	Available for sale	At fair value through profit or loss	Other amortised cost	Total carrying amount	Fair value
31 December 2015						
Cash and current accounts	648,858	-	-	-	648,858	648,858
Deposits with banks	197,825,552	-	-	-	197,825,552	197,825,552
Treasury bills	-	19,957,311	-	-	19,957,311	19,957,311
Government bonds	-	59,004,410	-	-	59,004,410	59,004,410
Equity investments	-	8,451,679,962	3,349,024,657	-	11,800,704,619	11,800,704,619
Other financial assets	19,721,472	-	-	-	19,721,472	19,721,472
Other financial liabilities	-	-	-	(41,962,841)	(41,962,841)	(41,962,841)
	218,195,882	8,530,641,683	3,349,024,657	(41,962,841)	12,055,899,381	12,055,899,381

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

5. Gross dividend income

	6 months ended 30 June 2016	6 months ended 30 June 2015
Hydroelectrica SA	134,644,266	128,915,587
Electrica Distributie Transilvania Nord SA	27,959,790	16,701,528
CN Aeroporturi Bucuresti SA	27,413,948	10,232,630
Electrica Distributie Muntenia Nord SA	26,895,798	24,653,094
Electrica Distributie Transilvania Sud SA	26,344,928	17,568,497
Electrica Furnizare SA	24,523,212	38,285,340
Enel Distributie Banat SA	16,815,211	20,673,959
Banca Transilvania SA	16,687,884	-
CN Administratia Porturilor Maritime SA	14,076,910	6,453,567
Enel Distributie Dobrogea SA	12,044,458	10,504,848
Nuclearelectrica SA	9,044,766	8,222,514
BRD Groupe Societe Generale SA	8,116,306	-
Enel Energie SA	2,089,651	7,420,314
OMV Petrom SA	-	120,496,860
Engie Romania SA (former GDF Suez Energy Romania SA)	-	24,000,000
Others	258,419	398,425
	346,915,547	434,527,163

The dividend income was subject to 5% withholding tax in 2016 and 16% withholding tax in 2015. In cases where the relevant shareholding of the Fund was larger than 10% of total issued shares of the company, for at least one year prior to the dividend distribution, no withholding tax was due.

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

	6 months ended 30 June 2016	6 months ended 30 June 2015
Unrealised net loss from equity investments	541,343,829	326,618,114
Total	541,343,829	326,618,114

The net loss from equity investments at fair value through profit or loss for the first six months of 2016 and 2015 was unrealised and was mainly generated by the negative net change in the fair value for the holding in OMV Petrom SA, due to the decrease of the this company's share price. No realised net gains or losses from equity investments at fair value through profit or loss were recorded in the six-month periods ended 30 June 2016 and 30 June 2015 as there were no disposals.

7. Gain/ (Loss) on disposal of equity investments available for sale

During the six-month period ended 30 June 2016, the Fund sold its entire holdings in Romgaz SA, E.ON Distributie Romania SA and E.ON Energie Romania SA and part of its holdings in Banca Transilvania SA and BRD Groupe Societe Generale SA. The net gain on disposal of these equity investments was RON 913,067,221 representing the difference between the proceeds from disposals and the carrying values of the equity investments as at disposal date plus the net unrealised gain related to the investments disposed, transferred from equity (other comprehensive income) to profit or loss upon their derecognition.

During the six-month period ended 30 June 2015 the Fund sold its entire holdings in Forsev SA, SIFI CJ Agro SA and Electroconstructia Elco Cluj SA. The net loss on disposal of these equity investments was RON 93.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

8. Operating expenses

	6 months ended 30 June 2016	6 months ended 30 June 2015
Investment management and administration fees	35,537,219	40,385,776
Third party services	7,886,561	18,583,939
Financial Supervisory Authority monthly fees	5,361,410	5,903,796
Intermediaries fees related to disposal of portfolio holdings	4,398,763	-
Remunerations and related taxes	715,433	550,536
Other fees related to disposal of portfolio holdings	698,681	-
Depository fee	414,616	694,251
Other operating expenses	1,347,443	2,527,015
	56,360,126	68,645,313

Investment management and administration fees decreased in the six-month period ended 30 June 2016 as compared to the six-month period ended 30 June 2015 in line with the decrease of the Fund's share price upon which these fees are based. The total investment management and administration fees in the six-month period ended 30 June 2016 included the base fee of RON 23.1 million (six-month period ended 30 June 2015: RON 27.8 million) and the distribution fee of RON 12.4 million (six-month period ended 30 June 2015: RON 12.6 million). The investment management and administration fees are invoiced and paid on a quarterly basis.

Third party services were significantly higher in the first six months of 2015 as compared to the first six months of 2016 mainly due to the secondary listing expenses incurred in that period.

The Financial Supervisory Authority's monthly fees decreased slightly due to the decrease of the Fund's total NAV on which these fees are calculated.

Remunerations and related taxes included the remunerations paid to the members of the Board of Nominees and to the special administrator appointed to Hidroelectrica SA (a portfolio company in insolvency until 21 June 2016) as required by the insolvency legislation in force as well as the related taxes and contributions payable to the Romanian state budget, as follows:

	6 months ended 30 June 2016	6 months ended 30 June 2015
Members of the Board of Nominees	600,000	450,000
Special administrator appointed in portfolio companies in insolvency	7,531	7,974
Contributions to social security fund	76,248	68,682
Contributions to health insurance fund	31,654	23,880
	715,433	550,536

9. Finance costs

In the six-month period ended 30 June 2016 the finance costs category comprised the commitment fee on undrawn amounts from the credit facility concluded by Fondul Proprietatea with Citibank Europe Plc, Dublin – Romania Branch. The purpose of the credit facility was for general corporate use, including share buy-backs (via ordinary shares or GDRs) and return of capital, but excluding investments.

In December 2015, the parties agreed to extend the revolving committed credit facility of RON 500 million, from 4 January 2016 until 31 August 2016, with the final reimbursement taking place on 30 September 2016, at the latest.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

9. Finance costs (continued)

On 7 March 2016, the Fund and Citibank Europe Plc, Dublin - Romania Branch agreed to split the credit facility into a committed facility of maximum RON 375 million and an uncommitted facility of maximum RON 125 million. In the first six months of 2016 the Fund did not draw any amount from the credit facility, the outstanding balance as at 30 June 2016 being nil. The outstanding balance as at 31 December 2015 was also nil. The credit facility was terminated on 8 July 2016 with the mutual consent of both parties. A new facility was agreed with BRD - Groupe Societe Generale SA in July 2016 - more details regarding this new financing arrangement are given in *Note 19 Subsequent Events*.

10. Income tax expense

	6 months ended 30 June 2016	6 months ended 30 June 2015
Current tax expense		
Current tax (16%)	-	(5,269,320)
Dividend withholding tax	(1,705,369)	(1,324,954)
	(1,705,369)	(6,594,274)
Deferred tax related to:		
Equity investments	-	(122,856,183)
Fiscal loss	(102,217,729)	-
	(102,217,729)	(122,856,183)
Income tax expense	(103,923,098)	(129,450,457)

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

	6 months ended 30 June 2016	6 months ended 30 June 2015
Reconciliation of effective tax rate		
Profit / (Loss) for the period	540,746,514	(89,638,317)
Income tax expense	(103,923,098)	(129,450,457)
Profit excluding income tax	644,669,612	39,812,140
Income tax using the standard tax rate (16%)	(103,147,138)	(6,369,942)
Effect of:		
Taxation applied on dividend income	(1,705,368)	67,086,430
Gain on cancellation of treasury shares (taxable equity item)	(1,778,480)	(5,508,875)
Decrease of the nominal value of the treasury shares (taxable equity item)	(2,114,493)	(9,072,072)
Non-taxable income	528,747,574	3,070,738
Non-deductible expenses	(496,148,581)	(868,030)
Impact of the utilisation of previous years fiscal loss	74,441,117	-
Impact of non-recognition of deferred tax on change in fair value of equity investments	-	(25,055,727)
Reversal through profit or loss of deferred tax previously recognised	(102,217,729)	(152,732,979)
Income tax expense	(103,923,098)	(129,450,457)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

10. Income tax expense (continued)

	6 months ended 30 June 2016	6 months ended 30 June 2015
Income tax recognised directly in equity:		
On equity investments carried at fair value	102,217,728	(29,822,766)

Please see note 13 for details regarding deferred tax computation and recognition.

11. Dividends receivable

	30 June 2016	31 December 2015
Dividends receivable		
Hidroelectrica SA	134,644,266	-
Electrica Distributie Transilvania Nord SA	27,959,790	-
CN Aeroporturi Bucuresti SA	27,746,457	332,509
Electrica Distributie Muntenia Nord SA	26,895,798	-
Electrica Distributie Transilvania Sud SA	26,344,928	-
Electrica Furnizare SA	24,523,212	-
Enel Distributie Banat SA	16,815,211	-
CN Administratia Porturilor Maritime SA	14,076,910	-
Enel Distributie Dobrogea SA	12,044,458	-
Enel Energie SA	2,089,651	-
Other dividends receivable	710,224	809,256
	313,850,905	1,141,765
Impairment loss allowance	(968,515)	(1,141,765)
	312,882,390	-

12. Equity investments

The equity investments of the Fund are classified as financial assets at fair value through profit or loss (respectively Fund's associates and subsidiaries) or as financial assets available for sale (all the other equity investments) and are valued as follows:

- Either at fair value, determined by reference to published bid price quotations on the stock exchange where shares are traded (listed and liquid securities), or assessed by independent valuers, using valuation techniques in accordance with International Valuation Standards (unlisted securities);
- Or at values considered to be equivalent to fair values, being the values used in the calculation of the net asset value of the Fund, determined in accordance to the regulations issued by the FSA/CNVM (listed but illiquid securities and unlisted securities for which fair values assessed by independent valuers were not available at that date), only for an insignificant part of Fund's portfolio.

The movement in the carrying amounts of equity investments for the six-month period ended 30 June 2016 and the six-month period ended 30 June 2015 is presented below:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2016	3,349,024,657	8,451,679,962	11,800,704,619
Subscriptions to share capital increase of portfolio companies	3,000,000	70,150	3,070,150
Disposals	-	(1,399,595,572)	(1,399,595,572)
Impairment losses	-	(40,716,135)	(40,716,135)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	677,823,165	677,823,165
Net loss from equity investments at fair value through profit or loss	(541,343,829)	-	(541,343,829)
30 June 2016	2,810,680,828	7,689,261,570	10,499,942,398
	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2015	4,591,866,101	8,335,790,680	12,927,656,781
Subscriptions to share capital increase of portfolio companies	-	88,350	88,350
Disposals	-	(2,349,214)	(2,349,214)
Impairment losses	-	(20,077,006)	(20,077,006)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	152,560,895	152,560,895
Net loss from equity investments at fair value through profit or loss	(326,618,114)	-	(326,618,114)
30 June 2015	4,265,247,987	8,466,013,705	12,731,261,692

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)
Impairment losses

During the six-month period ended 30 June 2016 the Fund recorded impairment adjustments of RON 40,716,135 (six-month period ended 30 June 2015: RON 20,077,006) for the equity investments available for sale presented below (only listed holdings), based on fair values assessed by reference to published prices quotations on the stock exchange. All impairment losses are recognised through profit or loss.

The equity investments for which the Fund recorded impairment losses were the following:

Company	6 months ended 30 June 2016	6 months ended 30 June 2015
Nuclearelectrica SA	38,371,733	12,059,688
Alro SA	1,822,118	8,017,318
Mecon SA	381,552	-
Oil Terminal SA	140,732	-
Total	40,716,135	20,077,006

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

	30 June 2016	31 December 2015
Equity investments at fair value through profit or loss		
OMV Petrom SA	2,582,075,565	3,120,007,974
Societatea Nationala a Sarii SA	177,419,000	177,419,000
Zirom SA	23,275,000	23,275,000
Primcom SA	13,897,849	14,280,358
Other	14,013,414	14,042,325
	2,810,680,828	3,349,024,657

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

Equity investments available for sale	30 June 2016	31 December 2015
Hidroelectrica SA	3,269,000,000	2,654,133,000
CN Aeroporturi Bucuresti SA	632,480,000	497,841,000
Enel Distributie Banat SA	624,000,000	624,000,000
Enel Distributie Muntenia SA	455,400,000	455,400,000
Engie Romania SA (former GDF Suez Energy Romania SA)	446,100,000	446,100,000
Enel Distributie Dobrogea SA	401,200,000	401,200,000
Electrica Distributie Muntenia Nord SA	253,900,000	253,900,000
BRD Groupe Societe Generale SA	248,561,869	307,188,218
Electrica Distributie Transilvania Sud SA	222,300,000	222,300,000
Electrica Distributie Transilvania Nord SA	215,600,000	215,600,000
Administratia Porturilor Maritime SA	211,300,000	175,109,000
Electrica Furnizare SA	149,600,000	149,600,000
Nuclearelectrica SA	137,590,073	175,961,806
Enel Energie SA	76,600,000	76,600,000
Alro SA	75,435,679	96,207,822
Enel Energie Muntenia SA	64,000,000	64,000,000
Complexul Energetic Oltenia SA	62,840,000	62,840,000
Posta Romana SA	58,698,000	58,698,000
Banca Transilvania SA	29,719,714	211,608,784
Romgaz SA	-	613,168,512
E.ON Distributie Romania SA	-	510,400,000
E.ON Energie Romania SA	-	126,500,000
Other	54,936,235	53,323,820
	7,689,261,570	8,451,679,962
Total equity investments	10,499,942,398	11,800,704,619

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

Fair value hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement, the different levels 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:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)
As at 30 June 2016:

	Level 1	Level 2	Level 3	Total
Equity investments	3,076,871,162	-	7,349,812,000	10,426,683,162
Treasury bills	59,943,698	-	-	59,943,698
Government bonds	20,923,458	-	-	20,923,458
	3,157,738,318	-	7,349,812,000	10,507,550,318

As at 31 December 2015:

	Level 1	Level 2	Level 3	Total
Equity investments	4,528,025,097	-	7,201,015,000	11,729,040,097
Treasury bills	19,957,311	-	-	19,957,311
Government bonds	59,004,410	-	-	59,004,410
	4,606,986,818	-	7,201,015,000	11,808,001,818

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

If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that financial instrument is classified in Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset. The assessment of what constitutes observable requires significant judgment by the Fund. The Fund considers observable data to be that 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 all Level 3, the equity investments valuation was performed by independent valuers, based on financial information provided by the Fund, using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, under the supervision and review of the Fund's management, who ensures that all underlying data used in the report is accurate, and appropriate inputs are used in the valuation.

The fair valuations as at 30 June 2016 are based on valuation reports prepared using financial information available for the companies under valuation as at 30 September 2015, with certain exceptions, as follows: as at 31 August 2015 in case of the holdings in Electrica Distributie Muntenia Nord SA, Electrica Distributie Transilvania Sud SA, Electrica Distributie Transilvania Nord SA and Electrica Furnizare SA, as at 31 December 2015 in case of the holdings in CN Aeroporturi Bucuresti SA and Administratia Porturilor Maritime SA and as at 31 March 2016 in case of the holding in Hidroelectrica SA. The Fund's management has analysed, based on the available information, the period between the date of the valuation reports and the reporting date and there was no information known or available to the Fund's management which may have significant impact on the fair values of the equity investments as at the reporting date, as they are presented in these condensed interim financial statements.

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

As a result of strong volatility in the capital market and 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, future development of the market and demand for goods and services they produce. The economic uncertainties are expected to continue in the foreseeable future and, as a consequence, there is a possibility that assets of the Fund are not recovered at their carrying amount in the ordinary course of business.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

A corresponding impact on the Fund's profitability cannot be estimated reliably as at the date of these condensed interim financial statements.

For the equity investments classified under Level 1, the Fund had sufficient available information with respect to active markets, with sufficient trading volume for accurate price discovery.

As at 30 June 2016, the equity investments included equity investments valued at values used in the calculation of the net asset value of the Fund as at that date, determined in accordance to the regulations issued by the FSA/CNVM, in amount of RON 73,259,236 (31 December 2015: RON 71,664,522).

As at 30 June 2016, unlisted equity investments with a carrying amount of RON 7,349,812,000 (31 December 2015: RON 7,201,015,000) were classified into Level 3 of the fair value hierarchy. Out of this, an amount of RON 3,983,066,314 represents total net change in fair value recognised in equity (other comprehensive income) as at 30 June 2016 (31 December 2015: RON 3,619,032,941). The fair values for these equity investments were assessed by independent valuers, using valuation methods in accordance with International Valuation Standards.

The following table sets out information about significant unobservable inputs used at 30 June 2016 and 31 December 2015 in measuring equity instruments categorised on Level 3 of the fair value hierarchy:

Financial assets	Fair value as at 30 June 2016	Valuation technique	Unobservable inputs range (weighted average)	Relationship between unobservable inputs and fair value
Total	7,349,812,000			
Unlisted equity instruments	7,024,094,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.19 to 10.36 (7.57) Discount for lack of marketability: 15% (15%)	The higher EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	202,606,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 10.81% to 14.31% (13.98%) Discount for lack of marketability ranging from 12% to 16.7% (14.9%) Discount for lack of control ranging from 0% to 22.96% (20%) Long-term revenue growth rate: 1.5% (1.5%)	The lower the weighted average cost of capital, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. The lower discount for lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	62,840,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.93 (0.93) Discount for lack of marketability: 20% (20%)	The higher Revenue multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	58,698,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price Earnings value: 10.29 (10.29) Discount for lack of marketability: 24% (24%)	The higher Price /Earnings multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	1,574,000	Market approach - comparable companies (based on Price/ Book value multiple)	Price/ Book value: 0.48 (0.48) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

12. Equity investments (continued)

Financial assets	Fair value as at 31 December 2015	Valuation technique	Unobservable inputs range (weighted average)	Relationship between unobservable inputs and fair value
Total	7,201,015,000			
Unlisted equity instruments	6,875,297,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.19 to 10.45 (6.75) Discount for lack of marketability: 15% or 20% (17%)	The higher EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	202,606,000	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 10.81% to 14.31% (13.98%) Discount for lack of marketability ranging from 12% to 16.7% (14.9%) Discount for lack of control ranging from 0% to 22.96% (20%) Long-term revenue growth rate: 1.5% (1.5%)	The lower the weighted average cost of capital, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. The lower discount for lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	62,840,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.93 (0.93) Discount for lack of marketability: 20% (20%)	The higher Revenue multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	58,698,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price Earnings value: 10.29 (10.29) Discount for lack of marketability: 24% (24%)	The higher Price /Earnings multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	1,574,000	Market approach - comparable companies (based on Price/ Book value multiple)	Price/ Book value: 0.48 (0.48) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

12. 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 or doubt regarding some of the 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 the company's earning capacity.

EBITDA multiple: represents the most relevant multiple used when pricing the 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 the comparable companies are determined by dividing the enterprise value of the 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 the comparable peer group. Valuers estimate the discount for lack of marketability based on 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 control power and it was considered under the discounted cash flow method, in order to derive the value of a minority shareholding in the equity of the 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: the P/E 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", 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 ratio varies dramatically between industries. A company that requires more assets (e.g. a manufacturing company with factory space and machinery) will generally post a drastically lower price to book than a company whose earnings come from the provision of a service (e.g. a consulting firm).

13. Deferred tax

	30 June 2016	31 December 2015
Temporary differences on equity investments	(44,410,295)	(683,271,099)
Fiscal loss carried forward	44,410,295	683,271,099
Recognised deferred tax at 16%	-	-

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

As at 30 June 2016 and 31 December 2015, the net deferred tax position is nil due to the fact that the Fund recognised a deferred tax asset for the unused tax losses carried forward, only to the level of the deferred tax liability arising from the taxable temporary differences. The deferred tax is recognised either in profit or loss or other comprehensive income, depending on the nature of the corresponding item.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

14. Other assets

As at 30 June 2016 other assets include, among others, receivables from transactions with financial instruments, the guarantee paid for the public tender offer for the buy-back of own shares, payments to Central Depository in relation with 2015 return of capital to shareholders, income tax to be recovered from the State Budget and receivables in relation with the Fund's own GDRs.

As at 31 December 2015 other assets include, among others, receivables from transactions with financial instruments, the payments to Central Depository in relation with 2015 return of capital to shareholders and income tax to be recovered from the State Budget.

15. Other liabilities

	30 June 2016	31 December 2015
Payable to shareholders related to the return of capital	52,267,141	22,972,691
Investment management and administration fees	22,969,372	13,878,424
Provision for litigations	11,644,853	11,567,805
Financial Supervisory Authority fees	888,370	905,581
Prior years dividends payable	-	1,349,398
Payables related to treasury shares under settlement	-	848,468
Other liabilities	3,894,708	3,103,457
	91,664,444	54,625,824

The provisions for litigations relate to the legal case started by World Trade Center București SA against the Fund in August 2013, requesting the Fund to pay back the amounts recovered from the enforcement procedure against this company during 2010 and 2011 and to pay the related legal interest.

16. Shareholders' equity

(a) Share capital

As at 30 June 2016, the subscribed share capital was RON 9,320,973,180.85 (31 December 2015: RON 10,074,080,745.90) representing 10,965,850,801 shares (31 December 2015: 11,193,423,051 shares) with a nominal value of RON 0.85 per share (31 December 2015: RON 0.90 per share), out of which 363,812,350 shares were unpaid (31 December 2015: 363,812,350 unpaid shares).

The paid-in share capital of the Fund as at 30 June 2016 was RON 9,011,732,683.35 (31 December 2015: RON 9,746,649,630.90) representing 10,602,038,451 shares (31 December 2015: 10,829,610,701 shares) with a nominal value of RON 0.85 per share (31 December 2015: RON 0.90 per share).

In March 2016, the paid-in share capital of the Fund decreased by RON 204,815,025 following the cancellation of 227,572,250 treasury shares acquired by the Fund during the fifth buy-back programme carried on in 2015.

In June 2016, the paid in share capital of the Fund decreased by RON 530,101,922.55 following the reduction of the nominal value of the shares from RON 0.90 to RON 0.85 per share and the return to shareholders of RON 0.05 per share.

Unpaid share capital as at 30 June 2016, in amount of RON 309,240,497.50 (31 December 2015: RON 327,431,115), represents the net value of certain contributions due to the Fund by the Romanian State represented by the Ministry of Public Finance as shareholder, that were recorded in previous years as paid-in share capital (based on Law 247/2005) and subsequently were considered unpaid following the results of several litigations that took place in the past. Holders of unpaid shares are not entitled to vote or to receive dividends or other cash distributions, until the matters are legally clarified. The Fund recorded an impairment adjustment for the entire receivable related to the unpaid share capital from Ministry of Public Finance.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

16. Shareholders' equity (continued)

(a) Share capital (continued)

As at 30 June 2016, the Romanian State's share in the Fund's subscribed share capital was 3.36% (31 December 2015: 3.29%) and the share in the Fund's paid-in share capital was of only 0.04% (31 December 2015: 0.04%).

(b) Fair value reserve on available for sale financial assets

The fair value reserve of RON 4,043,719,790 as at 30 June 2016 (31 December 2015: RON 4,232,810,400) comprised the cumulative net change in the fair value of available for sale financial assets recognised in other comprehensive income until the investments are derecognised or impaired, net of the related deferred tax recognised through equity, where applicable.

(c) Treasury shares

The sixth buy-back programme

During the 27 April 2015 General Shareholders Meeting ("GSM"), the shareholders approved the sixth buy-back programme for a maximum number of (i) 891,770,055 shares or the equivalent number of global depositary receipts corresponding to the shares of Fondul Proprietatea or (ii) 10% of the subscribed share capital at the relevant time, whichever is the lesser, until 15 November 2016. The buy-back shall be performed at a price that is neither lower than RON 0.2 per share nor higher than RON 2 per share. The buy-back transactions can only be applied for fully paid shares. The shares repurchased will be cancelled. The implementation of this buy-back programme is subject to the availability of the necessary cash. The execution of the six buy-back programme started on 9 September 2015 and until 30 June 2016, the total number of shares repurchased was 288,370,107 (239,871,207 ordinary shares and 48,498,900 equivalent shares of the GDRs repurchased, where 1 GDR represents 50 ordinary shares), at a total acquisition value, including transaction costs, of RON 225,137,064.

Until 30 June 2016, the Fund converted into ordinary shares a total number of 947,478 GDRs acquired within the sixth buy-back programme (equivalent of 47,373,900 ordinary shares).

At the 26 April 2016 GSM the shareholders of the Fund approved the decrease of the subscribed share capital of the Fund, by cancelling a number of 179,598,899 own shares acquired within sixth buy-back programme (140,274,199 shares and 786,494 GDRs acquired and settled between 9 September 2015 and 24 February 2016). After the shares cancellation, the issued share capital of the Fund will be RON 9,168,314,116.70, being divided into 10,786,251,902 shares, with a nominal value of RON 0.85 per share. The paid-in share capital of the Fund will be RON 8,859,073,619.20, being divided into 10,422,439,552 shares, with a nominal value of RON 0.85 per share.

The shareholders resolution was published in the Official Gazette of Romania on 24 May 2016 and will be effective after it is endorsed by the FSA and it is registered by the Trade Register, which is expected in September 2016.

The acceleration of the sixth buy-back programme through a tender offer suspended in January 2016 due to the material market volatility was resumed in July 2016 – further details are given in *Note 19 Subsequent Events*.

The seventh buy-back programme

On 29 October 2015 the Fund's shareholders approved the seventh buy-back programme that refers to the acquisition of a maximum number of shares computed so that all the outstanding treasury shares (acquired during this programme and/ or previous ones) will not exceed 10% of the subscribed share capital at the relevant time, starting with the date when the share capital decrease regarding the cancellation of the shares repurchased within the fifth buy-back programme is effective, valid until 26 May 2017.

The buy-back shall be performed at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The transaction can only have as object fully paid shares and global depositary receipts corresponding to the shares of the Fund. The buy-back programme is aimed at the share capital decrease. This buy-back programme implementation will be subject to the availability of the necessary cash.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

16. Shareholders' equity (continued)

(d) Return of capital to shareholders

At the 27 January 2016 GSM, the Fund's shareholders approved the return to shareholders of RON 0.05 per share, following the share capital decrease through the reduction of the nominal value of Fund's share from RON 0.90 to RON 0.85. The shareholders resolution was published in the Official Gazette of Romania on 22 February 2016 and the endorsement by the FSA of the new Constitutive Act reflecting the share capital decrease was received on 26 May 2016. On 9 June 2016, the Trade Registry registered the 27 January 2016 GSM Resolution for approving the subscribed share capital decrease.

The shareholders registered in the shareholders' registry with the Central Depository on 6 June 2016 have the right to receive RON 0.05 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment started on 27 June 2016 and by 30 June 2016, shareholders had collected over 93% of the total distribution of RON 516,886,344.

17. Contingencies

1. Litigations

As at 30 June 2016 the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of the IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*" the Fund has disclosed in these condensed interim financial statements those which may have significant effects on the Fund's financial position or profitability. The most important litigations were as follows:

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

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

- the version of the Constitutive Act to which the Court decision relates is not the one currently in force, as new changes and versions of the Constitutive Act were adopted by the Fund's shareholders with vast majority during the 29 November 2010 GSM, the 23 November 2011 GSM, the 4 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, the 3 February 2014 GSM, the 28 April 2014 GSM, the 23 September 2014 GSM, the 19 November 2014 GSM, the 21 January 2015 GSM, the 27 April 2015 GSM, the 29 October 2015 GSM, the 27 January 2016 GSM and 26 April 2016 GSM;
- new resolutions passed during the 25 April 2012 GSM, the 23 November 2012 GSM, the 25 April 2013 GSM, the 22 November 2013 GSM, the 3 February 2014 GSM, the 28 April 2014 GSM, the 23 September 2014 GSM, the 19 November 2014 GSM, the 21 January 2015 GSM, the 27 April 2015 GSM, the 29 October 2015 GSM, the 27 January 2016 GSM and 26 April 2016 GSM specifically ratified and re-approved the objects of all the resolutions to which this Court decision relates (these resolutions were proposed by a shareholder and approved with a significant majority);

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

17. Contingencies (continued)

1. Litigations (continued)

- FTIML was appointed for a new 2-year mandate as Sole Director and Fund Manager of Fondul Proprietatea with effect from 30 September 2014. Considering the legal requirements to implement the AIFM Directive the shareholders of the Fund approved, on 29 October 2015, the change of the management structure and the termination of the mandate of FTIML as Fund Manager and Sole Director, with the mutual consent of both parties, with effect from 1 April 2016. Subsequent to the termination, the Fund appointed FTIS as its Sole Director and Alternative Investment Fund Manager under AIFM Directive. The mandate of the new Sole Director (FTIS) has not been challenged.

As at 30 June 2016 the litigant was no longer a shareholder of Fondul Proprietatea.

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

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

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

2. Other contingencies

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

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

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

17. Contingencies (continued)
2. Other contingencies (continued)

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

World Trade Center București SA is the object of an insolvency procedure, but the Fund is not a creditor in this file, while the Ministry of Public Finance is a creditor in accordance with article IV of Law no. 10/2015

“Beginning with the date when this law is in force the receivable mentioned at article 4 of Title II from Emergency Ordinance of the Government no. 81/2007 [...] will be transferred from Fondul Proprietatea to Ministry of Public Finance together with additional interests”.

18. Related parties
(a) Key management

	6 months ended 30 June 2016	6 months ended 30 June 2015
Remunerations		
Members of the Board of Nominees	600,000	450,000

There were no loans to or other transactions between the Fund and the members of the Board of Nominees during the first six months of 2016 or during the first six months of 2015.

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch was both the Fund Manager and Sole Director of the Fund until 31 March 2016. Starting with 1 April 2016, considering the legal requirements to implement the AIFM Directive, the mandate of FTIML was terminated and Franklin Templeton International Services S.à r.l. was appointed as Sole Director and Alternative Investment Fund Manager under AIFM Directive. FTIS delegated the role of investment manager as well as certain administrative functions to FTIML.

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

	6 months ended 30 June 2016	6 months ended 30 June 2015
Transactions		
Investment management and administration fees	22,969,372	-

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

	6 months ended 30 June 2016	6 months ended 30 June 2015
Transactions		
Investment management and administration fees	12,567,847	40,385,776
Rental expense	33,010	33,673
Operating cost	11,736	12,055
	12,612,593	40,431,504

During the six-month period ended 30 June 2016, the Fund also recorded RON 1,006,326 representing expenses incurred by the FTIML on its behalf (six-month period ended 30 June 2015: RON 1,243,922). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the management agreements and was subject to Board of Nominees' approval.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

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

The outstanding liabilities owed by the Fund were as follows:

Amounts due to:	30 June 2016	31 December 2015
FTIS	22,969,372	-
FTIML	666,125	15,050,105
	23,635,497	15,050,105

As at 30 June 2016 the advance payment to FTIML for expenses incurred on behalf of the Fund for promotional activities was RON 21,151 (31 December 2015: nil).

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:

	30 June 2016	31 December 2015
Ownership interest		
Alcom SA	72%	72%
Comsig SA	70%	70%
Primcom SA	68%	68%
Zirom SA	100%	100%

In March 2016, the Fund participated in the cash share capital increase of Zirom SA subscribing 300,000 new shares at the nominal value of RON 10 per share (in total of RON 3,000,000). The share capital increase became effective on 7 April 2016, when the registration with the Trade Register was completed.

On 13 February 2015, Primcom SA finalised the registration within the Romanian Central Depository of its share capital decrease by RON 19,237 through the cancellation of 192,372 shares according with the resolution of the General Shareholders Meeting held on 17 July 2014. The number of shares owned by Fondul Proprietatea in Primcom SA, respectively 1,427,188 shares did not change, but the holding percentage increased from 69% to 76%.

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

	30 June 2016	31 December 2015
Zirom SA	23,275,000	23,275,000
Primcom SA	13,897,849	14,280,358
Alcom SA	10,133,492	10,409,423
Comsig SA	1,967,923	1,720,902
	49,274,264	49,685,683

As at 30 June 2016, the Fund has no commitment or intention to provide financial or other support to its subsidiaries, including commitments or intentions to assist the subsidiaries in obtaining financial support. As at 30 June 2016 and 31 December 2015, there is no restriction on the ability of any of the subsidiaries to transfer funds to Fondul Proprietatea in any form of distributions.

During the six-month period ended 30 June 2016, the Fund did not carry out any transaction with its subsidiaries.

During the six-month period ended 30 June 2015, the Fund recorded and received a dividend of RON 104,524 from Alcom SA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

(all amounts are in RON unless otherwise stated)

18. Related parties (continued)
(c) Associates

As at 30 June 2016 and 31 December 2015, the Fund had three associates, all of them incorporated in Romania:

	30 June 2016	31 December 2015
Ownership interest		
OMV Petrom SA	19%	19%
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

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

During the six-month period ended 30 June 2015, the Fund recorded and collected from OMV Petrom SA a dividend of RON 120,496,860.

19. Subsequent events
(a) Credit Facility Agreement

On 4 July 2016 the Fund contracted a revolving committed credit facility for a maximum amount of RON 1 billion from BRD - Groupe Societe Generale SA. The availability period of the facility is for one year with the possibility to extend it by the same period. The purpose of this credit facility is for general corporate use, including share buybacks, but excluding investments, and is meant to replace the previous financing arrangement concluded by the Fund with Citibank Europe Plc Dublin - Romania Branch, that was terminated on 8 July 2016.

(b) Resuming the Public Tender Offer Process

The Fund Manager took the decision to resume the public tender offer process previously suspended in January 2016 when material market volatility significantly impacted stock market prices and the value of portfolio holdings. The Fund Manager considered that in the market environment at that time it was important to stay prudent in cash management and to limit the leverage of the Fund.

As such, on 5 July 2016 the Fund has submitted for approval to the FSA an application for a tender offer for acquisition of own shares in relation to the sixth buy-back programme. Under this tender offer, the Fund intends to repurchase up to 575,000,000 shares (both in the form of shares and GDRs) from its shareholders and GDR holders.

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

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

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

Annex 2 Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 June 2016, prepared in accordance with CNVM Regulation 4/2010

(Annex no. 4)

Item	31 December 2015				30 June 2016				Differences	
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON		RON
I. Total assets	100.4517%	100.0000%		12,148,082,016.47	100.7766%	100.0000%		11,896,170,316.05	(251,911,700.42)	
1 Securities and money market instruments, out of which:*	38.6935%	38.5198%		4,679,379,747.81	26.8423%	26.6357%		3,168,624,491.37	(1,510,755,256.44)	
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	38.6935%	38.5198%	-	4,679,379,747.81	26.8423%	26.6357%	-	3,168,624,491.37	(1,510,755,256.44)	
1.1.1 listed shares traded in the last 30 trading days	38.1175%	37.9464%	-	4,609,725,698.56	26.5784%	26.3737%	-	3,137,464,548.73	(1,472,261,149.83)	
1.1.2 listed shares not traded in the last 30 trading days	0.0881%	0.0877%	-	10,649,639.24	0.0867%	0.0861%	-	10,236,484.72	(413,154.52)	
1.1.3 government bonds	0.4879%	0.4857%	-	59,004,410.01	0.1772%	0.1759%	-	20,923,457.92	(38,080,952.09)	
1.1.4 allotment rights not admitted at trading on a regulated market	-	-	-	-	-	-	-	-	-	-
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-	-	-	-	-	-	-	-	-
1.2.1 listed shares traded in the last 30 trading days	-	-	-	-	-	-	-	-	-	-
1.2.2 listed shares not traded in the last 30 trading days	-	-	-	-	-	-	-	-	-	-
1.3. securities and money market instruments admitted on a stock exchange from a non-member state or negotiated on another regulated market from a non-member state, that operates on a regular basis and is recognised and opened to the public, approved by the FSA	-	-	-	-	-	-	-	-	-	-
2 New issued securities	-	-	-	-	-	-	-	-	-	-
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	59.7075%	59.4391%	-	7,220,693,259.75	62.4574%	61.9760%	-	7,372,781,740.78	152,088,481.03	
- shares not admitted at trading on a regulated market	59.7075%	59.4391%	-	7,220,693,259.75	62.4574%	61.9760%	-	7,372,781,740.78	152,088,481.03	
4 Bank deposits, out of which:	1.6358%	1.6286%	-	197,825,552.00	4.8515%	4.8137%	-	572,669,337.80	374,843,785.80	
4.1. bank deposits made with credit institutions from Romania	1.6358%	1.6286%	-	197,825,552.00	4.8515%	4.8137%	-	572,669,337.80	374,843,785.80	
- in RON	1.6358%	1.6286%	-	197,825,552.00	4.8515%	4.8137%	-	572,669,337.80	374,843,785.80	
- in EUR	-	-	-	-	-	-	-	-	-	-
4.2. bank deposits made with credit institutions from an EU state	-	-	-	-	-	-	-	-	-	-
4.3. bank deposits made with credit institutions from a non-EU state	-	-	-	-	-	-	-	-	-	-
5 Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	-	-	-	-
6 Current accounts and petty cash out of which:	0.0053%	0.0053%		648,858.28	0.2951%	0.2928%		34,834,298.85	34,185,440.57	
- in RON	0.0053%	0.0053%	-	644,341.11	0.2951%	0.2928%	-	34,831,516.51	34,187,175.40	
- in EUR	0.0000%	0.0000%	EUR	550.27	0.0000%	0.0000%	EUR	205.43	928.75	(1,560.95)
- in USD	0.0000%	0.0000%	USD	249.87	0.0000%	0.0000%	USD	164.16	666.88	(369.51)
- in GBP	0.0000%	0.0000%	GBP	161.24	0.0000%	0.0000%	GBP	217.21	1,186.71	195.63
7 Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	0.1650%	0.1643%	-	19,957,310.85	0.5078%	0.5039%	-	59,943,697.88	39,986,387.03	
- Treasury bills with discount, with original maturities of less than 1 year	0.1650%	0.1643%	-	19,957,310.85	0.5078%	0.5039%	-	59,943,697.88	39,986,387.03	
8 Participation titles of OCII and/or of UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.2446%	0.2429%	-	29,577,287.78	5.8225%	5.7779%	-	687,316,749.37	657,739,461.59	
- net dividend receivable from Romanian companies	-	-	-	-	2.6505%	2.6302%	-	312,882,390.18	312,882,390.18	
- guarantee deposited to the broker for the sixth buyback tender offer	-	-	-	-	1.2304%	1.2209%	-	145,246,291.07	145,246,291.07	
- the value of bonus shares from Banca Transilvania following the share capital increase from the incorporation of reserves	-	-	-	-	0.1519%	0.1508%	-	17,933,911.84	17,933,911.84	
- receivable representing the amount transferred to Central Depository for 2015 return of capital and not yet paid to / collected by shareholders until the end of the period	0.1588%	0.1580%	-	19,207,349.00	0.1194%	0.1186%	-	14,097,773.35	(5,109,575.65)	
- dividend withholding tax to be recovered from Austrian Tax Authorities	0.0087%	0.0086%	EUR	231,495.58	-	-	-	-	(1,047,401.75)	
- receivables related to transactions under settlement	-	-	-	-	0.0399%	0.0396%	-	4,711,090.20	4,711,090.20	
- tax on dividends to be recovered from the State Budget	0.0056%	0.0056%	-	681,562.00	0.0059%	0.0058%	-	692,489.00	10,927.00	
- tax on profit to be recovered from the State Budget	0.0606%	0.0602%	-	7,330,440.00	0.0621%	0.0616%	-	7,330,440.00	-	
- intangible assets	0.0066%	0.0065%	-	796,412.31	0.0057%	0.0057%	-	668,997.09	(127,415.22)	
- other receivables, out of which:	0.0038%	0.0037%	-	452,263.51	1.5544%	1.5424%	-	183,483,992.03	183,031,728.52	
- in RON	0.0038%	0.0037%	-	452,263.51	1.5225%	1.5108%	-	179,726,756.19	179,274,492.68	
- in USD	-	-	-	-	0.0318%	0.0316%	USD	924,880.82	3,757,235.84	3,757,235.84
- prepaid expenses	0.0005%	0.0003%	-	61,859.21	0.0023%	0.0023%	-	269,374.61	207,515.40	
II. Total liabilities	0.4517%	0.4497%	-	54,625,823.74	0.7766%	0.7705%	-	91,664,444.42	37,038,620.68	
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1148%	0.1142%	-	13,878,424.02	0.1946%	0.1931%	-	22,969,371.70	9,090,947.68	
2 Liabilities related to the fees payable to the depositary bank	0.0007%	0.0007%	-	84,979.19	0.0005%	0.0005%	-	60,112.13	(24,867.06)	

FONDUL PROPRIETATEA SA

Item	31 December 2015				30 June 2016				Differences
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
3 Liabilities related to the fees payable to intermediaries	0.0037%	0.0037%	-	446,715.00	0.0043%	0.0042%	-	504,232.40	57,517.40
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
5 Interest payable	-	-	-	-	-	-	-	-	-
6 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-
7 Liabilities in relation with the fees/commissions to FSA	0.0075%	0.0075%	-	905,580.70	0.0075%	0.0075%	-	888,370.20	(17,210.50)
8 Liabilities related to audit fees	-	-	-	-	-	-	-	-	-
9 Other liabilities, out of which:	0.3250%	0.3236%	-	39,310,124.83	0.5697%	0.5652%	-	67,242,357.99	27,932,233.16
- liabilities related to the return of capital	0.1900%	0.1891%	-	22,972,690.65	0.4429%	0.4394%	-	52,267,141.10	29,294,450.45
- dividends payable	0.0111%	0.0111%	-	1,349,397.52	-	-	-	-	(1,349,397.52)
- provisions	0.0956%	0.0952%	-	11,567,804.85	0.0986%	0.0979%	-	11,644,852.73	77,047.88
- liabilities related to buybacks under settlement	0.0070%	0.0070%	-	848,468.13	-	-	-	-	(848,468.13)
- remunerations and related contributions	0.0003%	0.0003%	-	32,689.00	0.0003%	0.0002%	-	34,383.00	1,694.00
- VAT payable to State Budget	0.0011%	0.0011%	-	132,207.55	-	-	-	2,496.45	(129,711.10)
- other liabilities, out of which:	0.0199%	0.0198%	-	2,406,867.13	0.0279%	0.0277%	-	3,293,484.71	886,617.58
- in RON	0.0195%	0.0194%	-	2,354,839.90	0.0274%	0.0272%	-	3,235,269.45	880,429.55
- in EUR	0.0004%	0.0004%	EUR	11,499.00	0.0004%	0.0004%	EUR	11,499.00	51,986.98
- in GBP	-	-	-	-	0.0001%	0.0001%	GBP	1,140.00	6,228.28
III. Net Asset Value (I - II)	100.0000%	99.5503%		12,093,456,192.73	100.0000%	99.2295%		11,804,505,871.63	(288,950,321.10)

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

Unitary Net Asset Value

Item	30 June 2016	31 December 2015	Differences
Net Asset Value	11,804,505,871.63	12,093,456,192.73	(288,950,321.10)
Number of outstanding shares	10,313,668,344	10,452,388,827	(138,720,483)
Unitary net asset value	1.1445	1.1570	(0.0125)

Detailed statement of investments as at 30 June 2016
Securities admitted or traded on a regulated market in Romania, out of which:
1.1 listed shares traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alro Slatina SA	ALR	30/Jun/2016	72,884,714	0.5	1.0350	75,435,678.99	10.21%	0.6341%	0.6390%	Closing price
Banca Transilvania SA	TLV	30/Jun/2016	5,666,251	1	2.0800	11,785,802.08	0.18%	0.0991%	0.0998%	Closing price
BRD-Groupe Societe Generale SA	BRD	30/Jun/2016	25,363,456	1	9.8000	248,561,868.80	3.63%	2.0894%	2.1057%	Closing price
Conpet SA	COTE	30/Jun/2016	524,366	3.3	73.4000	38,488,464.40	6.05%	0.3235%	0.3260%	Closing price
IOR SA	IORB	3/Jun/2016	2,622,273	0.1	0.3200	839,127.36	2.81%	0.0071%	0.0071%	Reference price - Average price
Oil Terminal SA	OIL	30/Jun/2016	36,796,026	0.1	0.0948	3,488,263.26	6.31%	0.0293%	0.0296%	Closing price
OMV Petrom SA	SNP	30/Jun/2016	10,758,648,186	0.1	0.2400	2,582,075,564.64	18.99%	21.7051%	21.8736%	Closing price
Palace SA	PACY	24/Jun/2016	5,832,482	0.1	0.2900	1,691,419.78	15.42%	0.0142%	0.0143%	Reference price - Average price
Primcom SA	PRIB	24/Jun/2016	1,275,032	0.1	10.9000	13,897,848.80	67.93%	0.1168%	0.1177%	Reference price - Average price
Romaero SA	RORX	23/Jun/2016	1,311,691	2.5	18.0000	23,610,438.00	20.99%	0.1985%	0.2000%	Reference price - Average price
Nuclearelectrica SA	SNN	30/Jun/2016	27,408,381	10	5.0200	137,590,072.62	9.09%	1.1566%	1.1656%	Closing price
Total						3,137,464,548.73		26.3737%	26.5784%	

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	27/Jul/2015	89,249	2.5	113.5418	10,133,492.11	71.89%	0.0852%	0.0858%	Shareholders' equity as of 31 December 2015
Mecon SA	MECP	6/Apr/2016	60,054	11.6	1.7150	102,992.61	12.51%	0.0009%	0.0009%	Fair value (Last trading price)
Total						10,236,484.72		0.0861%	0.0867%	

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	67.9649	1,573,999.12	20.00%	0.0132%	0.0133%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	81.6466	2,613,997.55	20.00%	0.0220%	0.0221%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
BAT Service SA	194,022	19/Jul/2005	656,686	0.0000	0.00	33.00%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Cetatea SA	354,468	19/Jul/2005	118,840	0.9855	349,328.21	20.43%	0.0029%	0.0030%	Unlisted companies, in function	Shareholders' equity as of 31 December 2015/ share
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	81.0905	16,474,345.98	20.00%	0.1385%	0.1396%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2014 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	109.2594	3,010,533.51	20.00%	0.0253%	0.0255%	Unlisted companies, in function	Shareholders' equity as of 31 December 2015/ share
CN Administratia Porturilor Dunarii Maritime SA	56,675	19/Jul/2005	1,706,051	20.8520	1,181,787.10	7.70%	0.0099%	0.0100%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2015 adjusted with dividends declared/ share)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	65,511,444	79.4920	211,299,910.98	19.99%	1.7762%	1.7900%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 December 2015)
CN Aeroporturi Bucuresti SA **	2,875,443	5/Feb/2010	131,168,263	219.9591	632,479,854.38	20.00%	5.3167%	5.3580%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 December 2015)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	2.2944	62,838,889.54	21.55%	0.5282%	0.5323%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Comsig SA	75,655	19/Jul/2005	132,633	26.0118	1,967,922.73	69.94%	0.0165%	0.0167%	Unlisted companies, in function	Shareholders' equity as of 31 December 2015/ share
Electrica Distributie Muntenia Nord SA	7,796,022	19/Jul/2005	165,221,141	32.5678	253,899,285.29	21.99%	2.1343%	2.1509%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 August 2015)
Electrica Distributie Transilvania Nord SA	8,167,813	19/Jul/2005	113,299,904	26.3962	215,599,225.51	22.00%	1.8123%	1.8264%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 August 2015)
Electrica Distributie Transilvania Sud SA	9,327,282	19/Jul/2005	125,918,629	23.8333	222,299,910.09	21.99%	1.8687%	1.8832%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 August 2015)
Electrica Furnizare SA ***	1,366,412	22/Jul/2011	17,819,672	109.4838	149,599,978.13	22.00%	1.2575%	1.2673%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 August 2015)
Enel Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	67.6742	623,999,706.18	24.12%	5.2454%	5.2861%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Enel Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	59.4095	401,199,898.51	24.09%	3.3725%	3.3987%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Enel Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	139.8478	455,399,816.53	12.00%	3.8281%	3.8578%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	144.1266	63,999,993.24	12.00%	0.5380%	0.5422%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	45.5952	76,599,936.00	12.00%	0.6439%	0.6489%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	186.5982	446,099,943.54	11.99%	3.7499%	3.7791%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,378,235	19/Jul/2005	3,107,667,996	36.5748	3,268,991,069.48	19.94%	27.4794%	27.6927%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 March 2016)
Plafar SA	132,784	28/Jun/2007	3,160,329	14.3993	1,911,996.65	48.99%	0.0161%	0.0162%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	3.9468	58,696,600.42	25.00%	0.4934%	0.4972%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Romplumb SA	1,595,520	28/Jun/2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Salubriserv SA	43,263	19/Jul/2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Insolvency	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 Sariei SA	2,005,884	28/Jun/2007	76,347,715	88.4492	177,418,835.09	48.99%	1.4914%	1.5030%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	0.0000	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero
World Trade Hotel SA	17,912	19/Jul/2005	17,912	0.0000	0.00	19.90%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (lack of annual financial statements for the year-ended 31 December 2014)
Zirom SA	5,285,083	28/Jun/2007	52,638,072	4.4039	23,274,977.02	100.00%	0.1957%	0.1972%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2015)
Total			5,114,502,791		7,372,781,740.78		61.9760%	62.4574%		

Legend:

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

** = company formed as a result of the merger between CN "Aeroportul International Henri Coanda - Bucuresti" SA and S.N. "Aeroportul International Bucuresti Baneasa - Aurel Vlaicu" SA

*** = company formed as a result of the merger between S.C. Electrica Furnizare Transilvania Nord SA, S.C. Electrica Furnizare Transilvania Sud SA and S.C. Electrica Furnizare Muntenia Nord SA

**** = company formed as a result of the merger between S.C. Complexul Energetic Turceni SA, S.C. Complexul Energetic Craiova SA, S.C. Complexul Energetic Rovinari SA, Societatea Nationala a Lignitului Oltenia SA

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
RO1516CTN0G8	7,000	26/Apr/2016	19/Sep/2016	34,934,827.20	446.39	29,461.68	34,964,288.88	0.2939%	0.2962%	BRD Groupe Societe Generale	Acquisition price cumulated with the related interest since the acquisition date
RO1616CTN043	5,000	26/Apr/2016	5/Sep/2016	24,958,818.00	311.98	20,591.00	24,979,409.00	0.2100%	0.2116%	ING BANK	
Total							59,943,697.88	0.5039%	0.5078%		

Government bonds

Issuer	ISIN code	No. of bonds	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Cumulated discount	Market price	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Ministry of Finance	RO1316DBN053	2,000	3/May/2016	29/Aug/2016	29/Aug/2016	20,000,000.00	2,595.63	796,857.92	-	10,063.30	20,923,457.92	0.1759%	0.1772%	Fair value (reference composite price published by Reuters, including the cumulated interest)
Total											20,923,457.92	0.1759%	0.1772%	

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
Unicredit Tiriac Bank	14/Jun/2016	5/Jul/2016	RON 97,200,000.00	RON 405.00	RON 6,885.00	RON 97,206,885.00	0.8171%	0.8235%	Bank deposit value cumulated with the daily related interest for the period from starting date
BRD Groupe Societe Generale	30/Jun/2016	1/Jul/2016	RON 10,055,746.17	RON 22.35	RON 22.35	RON 10,055,768.52	0.0845%	0.0852%	
ING BANK	30/Jun/2016	14/Jul/2016	RON 92,400,000.00	RON 513.33	RON 513.33	RON 92,400,513.33	0.7767%	0.7828%	
Unicredit Tiriac Bank	30/Jun/2016	1/Jul/2016	RON 92,400,000.00	RON 770.00	RON 770.00	RON 92,400,770.00	0.7767%	0.7828%	
ING BANK	30/Jun/2016	7/Jul/2016	RON 92,400,000.00	RON 513.33	RON 513.33	RON 92,400,513.33	0.7767%	0.7828%	
Banca Comerciala Romana	30/Jun/2016	14/Jul/2016	RON 92,400,000.00	RON 513.33	RON 513.33	RON 92,400,513.33	0.7767%	0.7828%	
BRD Groupe Societe Generale	30/Jun/2016	1/Jul/2016	RON 3,403,948.63	RON 40.66	RON 40.66	RON 3,403,989.29	0.0286%	0.0288%	
BRD Groupe Societe Generale	30/Jun/2016	7/Jul/2016	RON 92,400,000.00	RON 385.00	RON 385.00	RON 92,400,385.00	0.7767%	0.7828%	
TOTAL						572,669,337.80	4.8137%	4.8515%	

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

	31 December 2014	31 December 2015	30 June 2016
Net Asset	13,236,700,614.13	12,093,456,192.73	11,804,505,871.63
NAV/share	1.2125	1.1570	1.1445

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

BRD Groupe Societe Generale

Oana Truta
Permanent representative

Marius Nechifor
Compliance Officer

Claudia Ionescu
Director

Victor Strâmbei
Manager Depositary Department

Annex 3

Statement of persons responsible

Provisions of Art.30 of Accounting Law no. 82/1991 and
CNVM Regulations no. 1/2006, Art.112¹, par. 1, letter c

The semi-annual financial statements as at 30 June 2016 prepared for:

Entity: Fondul Proprietatea SA

Address: Bucharest, District 1, 78–80, Buzești Street, 7th Floor

Trade Registry Number: J40/21901/28.12.2005

Form of property: 22 (joint ownership with public capital under 50%, domestic and foreign public and private capital companies)

CAEN code and name: 6430 “Trusts, funds and similar financial entities”

Sole Registration Code: 18253260

The undersigned, Oana Truta, Permanent Representative, and Catalin Cadaru, Financial Reporting Manager with Franklin Templeton International Services S à r l as Sole Director, undertake the responsibility for the preparation of the semi-annual financial statements as at 30 June 2016 and confirm that:

- a) The accounting policies used for the preparation of the semi-annual financial statements are in compliance with the applicable accounting regulations;
- b) The semi-annual financial statements give a true and fair view of the financial position and performance and of other information regarding the conducted business;
- c) The company is conducting its business on the going concern basis;
- d) The Semi-Annual Administrator’s Report of Franklin Templeton International Services S.À.R.L regarding the management and administration of Fondul Proprietatea SA for the first half of year 2016, includes an accurate overview of the developments and performance of Fondul Proprietatea SA, as well as a description of the main risks and uncertainties related to the business.

Franklin Templeton International Services S à r l, acting in the capacity of Sole Director of FONDUL PROPRIETATEA SA

Oana Truta
Permanent Representative

Catalin Cadaru
Financial Reporting Manager

Annex 4

Constitutive Act in force updated as at 30 June 2016

CHAPTER I

Name of the company, legal form, headquarters and duration

ARTICLE 1

Name of the Company

- (1) The name of the Company is "Fondul Proprietatea" - S.A.
- (2) All invoices, offers, orders, tariffs, prospectuses and other documents used in business, issued by the Company shall indicate the name, the legal form, the registered office, the registration number with the Commercial Registry and the sole registration code (CUI), the subscribed share capital, and the paid share capital".

ARTICLE 2

Legal form of the company

- (1) "Fondul Proprietatea" - S.A., hereinafter referred to as Fondul Proprietatea, is a Romanian legal person, set up as a joint-stock company.
- (2) Fondul Proprietatea is organized, operates and ceases its activity under the provisions of Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed, and of Company Law No. 31/1990, republished, as further amended and completed.
- (3) Fondul Proprietatea is set up as an undertaking for collective investment (A.O.P.C.), of the closed-end-type, as defined by Art. 114 (1) letter b) of Law No. 297/2004, as further amended and completed and qualifies as an Alternative Investment Fund as defined by Law no. 74/2015 regarding the alternative investment fund managers that implemented in Romania Directive 2011/61/EU on alternative investment fund managers, as amended.

ARTICLE 3

Company headquarters

- (1) The registered office of Fondul Proprietatea is located in Bucharest, 78-80 Buzesti Street, floor 7th, Sector 1; the headquarters may be changed to any other location in Romania, by decision of the asset management company (Alternative Investment Fund Manager), according to article 21 paragraph (3) xii).
- (2) The Company may set up secondary headquarters such as branches, representative offices, working points or other units with no legal personality, under the terms provided by law.

ARTICLE 4

Company duration

The duration of Fondul Proprietatea is unlimited.

CHAPTER II

Purpose and business object of the company

ARTICLE 5

Company purpose

The purpose of Fondul Proprietatea is the management and administration of the portfolio.

ARTICLE 6

Business object

- (1) Fondul Proprietatea has as main object of activity the management and administration of the portfolio.
- (2) The main domain of activity of Fondul Proprietatea is the one described by CAEN Code 643 – mutual funds and other similar financial entities, and the main activity is financial investments - CAEN Code 6430.
- (3) The business object of Fondul Proprietatea is the following:
 - a) management and administration of the portfolio;
 - b) other additional and adjacent activities, according to the regulations in force.

CHAPTER III

Share capital, shares

ARTICLE 7

Share capital

- (1) The subscribed share capital of Fondul Proprietatea is in amount of RON 9,320,973,180.85, divided in 10,965,850,801 ordinary, nominative shares, having a nominal value of RON 0.85 each. The capacity as shareholder of Fondul Proprietatea is attested by a statement of account issued by Depozitarul Central SA.
- (2) The identification data of each shareholder, the contribution to the share capital of each shareholder, the number of shares to which a shareholder is entitled to and the participation quota out of the total share capital are included in the shareholders' register kept by a computerized system by the Central Depository.

ARTICLE 8

Share capital increase and decrease

- (1) The extraordinary general meeting of the shareholders shall decide, under the conditions of the law, on the share capital increase and decrease of Fondul Proprietatea, in accordance with the provisions of art. 12 (3) letter c) and d) of this constitutive act.
- (2) The share capital may be increased, in accordance with the provisions of the law, by:
 - a) by issuing new shares in exchange for cash contributions;
 - b) incorporating reserves, except for the legal reserves and of the reserves created out of the re-evaluation of the patrimony, as well as of the benefits and issuing premiums.
- (3) The share capital increase stated for in paragraph 2 shall be registered at the Trade Register Office, on the basis of the decision made by the General Meeting of the Shareholders of Fondul Proprietatea,
- (4) Any share capital decrease shall be performed in accordance with the provisions of the law.
- (5) The share capital may be decreased by:
 - a) decreasing the number of shares;
 - b) decreasing the nominal value of shares; and
 - c) other means provided by the law.

- (6) In case the Alternative Investment Fund Manager notices that, due to accrued losses, the amount of the net assets, established as the difference between the total assets and total liabilities of Fondul Proprietatea, is less than half of the value of the subscribed share capital, Fund Manager is bound to call the extraordinary general meeting of the shareholders, which will decide if Fondul Proprietatea requires to be dissolved. In case the extraordinary general meeting of the shareholders does not decide the dissolution of Fondul Proprietatea, then Fondul Proprietatea is bound to proceed, at the latest by the termination of the fiscal year subsequent to the one in which the losses were determined, to a share capital decrease with an amount at least equal to that of the losses which could not be covered by reserves, in case in this time the net assets of Fondul Proprietatea were not reconstituted up to a value at least equal to half of the share capital.
- (7) Share capital decrease shall be performed only after two months as of the publication in the Official Gazette of Romania, Part IV, of the resolution of the extraordinary general meeting of the shareholders.

ARTICLE 9

Shares

- (1) The shares of Fondul Proprietatea are nominative, of equal value, issued in dematerialized form, established by registration in the account, and grants equal rights to their holders under the conditions provided by art. 11.
- (2) The nominal value of a share is RON 0.85.
- (3) The shares are indivisible with respect to Fondul Proprietatea, acknowledging only one holder for each share. In case a share becomes the property of more persons, Fondul Proprietatea / the Central Depository is not bound to register the transfer as long as those persons will not appoint a sole representative to exercise the rights arising from the share.
- (4) The partial or total transfer of the shares amongst the shareholders or third parties is done according to the terms, conditions and procedure provided by law.
- (5) Fondul Proprietatea may buy back its own shares in accordance with the conditions laid down in legislation in force.
- (6) The right to dividends are held by the shareholders registered in the shareholders' register, according to the provisions of Law No. 297/2004, as further amended and completed, as well as the regulations issued for the implementation thereof.

ARTICLE 10

Bonds

Fondul Proprietatea is authorized to issue bonds in accordance with the provisions of the law. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

ARTICLE 11

Rights and obligations arising from shares

- (1) Each share fully paid by the shareholders, according to the law, grants them the right to vote in the general meeting of the shareholders, according to the provisions of paragraph (2), the right to elect and to be elected in the management bodies, the right to take part in the profit distribution, according to the provisions of this constitutive act and the legal dispositions, respectively other rights provided by the constitutive act.
- (2) The shares issued by Fondul Proprietatea grant the right to vote, each share grants one voting right.
- (3) Holding one share implies the rightful adhesion to this constitutive act.
- (4) The rights and obligations follow the shares in case ownership thereof passes to another person.

CHAPTER IV
General meeting of the shareholders

ARTICLE 12
General meetings of the shareholders

- (1) The general meeting of the shareholders may be ordinary and extraordinary.
- (2) The ordinary general meeting of the shareholders has the following competencies, duties and functions:
- a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Alternative Investment Fund Manager and financial auditor;
 - b) to establish the distribution of the net profit and to establish the dividends;
 - c) to appoint the members of the Board of Nominees (“BoN”) and to cancel their appointment;
 - d) to appoint the Alternative Investment Fund Manager in accordance with the law and to cancel its appointment;
 - e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;
 - f) to set the level of the remuneration of the members of the Board of Nominees, the Alternative Investment Fund Manager and of the financial auditor for financial audit services for the ongoing fiscal year;
 - g) to rule over the management of the Alternative Investment Fund Manager and to evaluate his/her performances and to discharge him/her from its management,
 - h) to decide on the action in a court of law against the Alternative Investment Fund Manager or, as the case may be, against the financial audit, for damages caused to Fondul Proprietatea;
 - i) to approve the strategies and the development policies of Fondul Proprietatea;
 - j) to establish the annual income and expenditure budget for the following financial year;
 - k) to decide upon the pledge, lease or the creation of the movable securities or mortgages on the assets of Fondul Proprietatea;
 - l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.
- (3) The extraordinary general meeting of the shareholders is entitled to decide on the following:
- a) set-up or closing of some secondary units: branches, agencies, representative offices or other such units with no legal personality;
 - b) share capital increase;
 - c) share capital decrease or re-completion thereof by issuing new shares;
 - d) conversion of shares from one category to another;
 - e) conversion of a category of bonds to another category or to shares;
 - f) issue new bonds;
 - g) approves the admission for trading and nominates the regulated market on which the shares of Fondul Proprietatea will be traded;
 - h) execution of any agreement / legal document which may create binding obligations to Fondul Proprietatea including, without limitation to, agreements for purchase, sale or exchange or creation of encumbrances of the non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
 - i) change of the management system of Fondul Proprietatea;
 - j) limitation or cancellation of the preference right of the shareholders;
 - k) approves the Investment Policy Statement;

-
- 1) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general meeting of the shareholders, according to applicable law or to this Constitutive Act.

ARTICLE 13

Summoning the general meeting of the shareholders

- (1) The general meeting of the shareholders is called by the Alternative Investment Fund Manager whenever required. Prior to the convocation of the general meeting of the shareholders, the Alternative Investment Fund Manager shall communicate to the Board of Nominees the intention to call the general meeting and shall introduce on the list of matters for the meeting all matters requested by the Board of Nominees.
- (2) The ordinary general meeting of the shareholders meets at least once a year, within 4 months from the end of the financial year.
- (3) The date of the meeting may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.
- (4) The general meeting of the shareholders, either ordinary or extraordinary, shall be called whenever required, according to the legal provisions in force and with the dispositions of the constitutive act, by publication of the calling notice in the Official Gazette of Romania, Part IV, and a national daily newspaper or in a local newspaper largely read in the locality where the HQ of the company resides at least 30 days prior to the proposed date of meeting.
- (5) One or more shareholders, individually or jointly, representing at least 5% of the share capital of Fondul Proprietatea, may request the Alternative Investment Fund Manager by a written address signed by the holder(s) to introduce in the agenda new matters, within 15 days of the publication of the calling notice.
- (6) The calling notice, any other matter added to the agenda at the request of the shareholders or of the Board of Nominees, the annual financial statements, the annual report of the Alternative Investment Fund Manager, the report of the Board of Nominees as well as the proposal to distribute dividends are made available to the shareholders, at the headquarters of Fondul Proprietatea at the date of convocation of the general meeting, and are also published on the internet page, for free access to information by the shareholders. Upon request, copies of these documents shall be issued to the shareholders.
- (7) The calling notice includes the place, hour and date of the general meeting of the shareholders, as well as the agenda, expressly mentioning all matters that will be subject to debate and all matters required by the applicable law.
- (8) In case the agenda includes proposals to amend the constitutive act, the notice shall include the full text of the proposals. In case the agenda includes the appointment of the members of the Board of Nominees, the notice shall mention that the list including information regarding the name, the residence and professional training of the persons proposed for the position of member of the Board of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.
- (9) The notice for the first general meeting of the shareholders may provide also the day and hour of the second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting cannot take place if the quorum is not being met.
- (10) The general meeting of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.
- (11) The Board of Nominees may request to the Alternative Investment Fund Manager the calling of the general meeting, and if the Fund Manager does not observe the written request of the Board of Nominees within 5 working days from receiving it, the Board of Nominees may call upon the general meeting of the shareholders by following the same procedures as set out in this Article.
- (12) The chairperson of Board of Nominees may request to the Alternative Investment Fund Manager the calling of the general meeting according to article 16 paragraph (4) second sentence.
- (13) The Alternative Investment Fund Manager immediately call the general meeting of the shareholders, upon written request of the shareholders, individually or jointly, representing at least 5% of the share capital, in case the request includes dispositions that fall under the responsibility of the general meeting of shareholders.

- (14) In the case provided by paragraph (13), the general meeting of the shareholders shall be called within at most 30 calendar days and shall meet within at most 60 calendar days as of the date when the Alternative Investment Fund Manager received the request of the shareholders.
- (15) In the situation provided by paragraphs (13) and (14), in case the Alternative Investment Fund Manager does not call the general meeting of shareholders, the shareholders who requested the calling of the general meeting may request the same to the Board of Nominees. Should the Board of Nominees is also not responding to their request in 10 working days from the receipt of the request, the court of law from the headquarters of Fondul Proprietatea, by summoning the Alternative Investment Fund Manager, may authorize the calling of the general meeting by the shareholders which formulated the request

ARTICLE 14

Organization of the general meeting of the shareholders

I. Quorum and voting rights

- (1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is required that the shareholders representing at least a fourth of the total shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with the majority of votes.
- (2) In case the ordinary general meeting of the shareholders cannot operate due to lack of quorum under paragraph (1), the meeting that will meet upon a second convocation may deliberate on the items included in the agenda of the first meeting, irrespective of the met quorum, taking decision by majority of the expressed votes.
- (3) For the validity of the deliberations of the extraordinary general meeting of the shareholders the following are required:
- a) upon the first convocation, the attendance of the shareholders representing at least a fourth of the shares having voting rights, and the decisions are taken with majority of votes held by the shareholders attending or being represented;
 - b) upon the second convocation, the general meeting of the shareholders may deliberate on the items included in the agenda of the first meeting in the presence of the shareholders representing at least one fifth of the total number of the shares having voting rights, taking decisions by majority of votes held by the shareholders attending or being represented.
- (4) The attendance of shareholders representing at least 50% of the total number of the voting rights, both at the first and the second convocation, is required for the validity of deliberations of the extraordinary general meeting of the shareholders to adopt a decision regarding:
- (i) a share capital increase,
 - (ii) the anticipated dissolution of Fondul Proprietatea, made under the conditions of the law.
- (5) For the validity of the deliberation of the extraordinary general meeting of shareholders regarding a share capital decrease, the attendance of the shareholders representing:
- (i) at least a fourth of the shares having voting rights upon the first convocation, and
 - (ii) at least one fifth of the total number of the shares having voting rights, upon the second convocation is required.
- (6) The decision to amend the main business object of Fondul Proprietatea, to decrease or increase the share capital, to change the legal form, to merge, de-merge or dissolve, is taken with a majority of at least two thirds of the voting rights related to the shares having voting rights of the shareholders attending or being represented.

II. Procedure of the meetings

- (7) On the day and hour established in the convocation, the general meeting of the shareholders shall be opened by the permanent representative of the Alternative Investment Fund Manager or, in its absence, by the one holding its place. A legal representative of the Alternative Investment Fund Manager or a person appointed by

the legal representative of the Fund Manager shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.

- (8) The general meeting shall elect, from amongst the attending shareholders, 1 up to 3 secretaries, who will check the attendance list of the shareholders, indicating the share capital represented by each of them, the minutes drawn up by the technical secretary to determine the number of the submitted shares and the fulfillment of the formalities requested by law and by the constitutive act for holding the general meeting of the shareholders.
- (9) A minute of the meeting, signed by the president and by Secretaries, shall determine the fulfillment of the calling formalities, the date and place of the general meeting of the shareholders, attending shareholders, the members of the Board of Nominees present, the number of shares, a summary of the debates, the decisions taken, and upon request of the shareholders, the statements made thereby in the meeting.
- (10) The documents referring to the convocation and the shareholders' attending list shall be attached to each minute.
- (11) The permanent representative of the Alternative Investment Fund Manager may appoint, from amongst the employees of the Alternative Investment Fund Manager, one or more technical secretaries, to fulfill their duties according to the legal provisions.
- (12) The decisions of the general meetings of the shareholders are drawn-up based on the minutes and is signed by the permanent representative of the Alternative Investment Fund Manager or by a person appointed thereby. The minutes shall be recorded in the general meetings of the shareholders' register.
- (13) Considering the extremely large number of shareholders of Fondul Proprietatea the shareholders may participate in person, by proxy with a special power of attorney or may express their voting right by correspondence or by electronic voting; the procedures and forms for the proxy, correspondence and electronic voting shall be set by the Alternative Investment Fund Manager, in accordance with the applicable legislation and are made available to the shareholders at least by the date of publishing of convening notice for general meeting of shareholders.
- (14) Considering the introduction of the voting right by correspondence, which right may be exercised and it is recommended to be exercised by any of the shareholders, the statutory quorum that needs to be met for the valid holding of any type of general meeting of the shareholders is calculated by including the votes deemed validly sent by correspondence.
- (15) Also in the case of the vote by correspondence, each shareholder is entitled to pronounce himself in writing, with respect to the issues included in the agenda, casting a vote "for", "against" or "abstained". The expressed votes that are not cancelled are considered.
- (16) All shareholders who, at the reference date, are registered in the shareholders' register, kept according to the law, have the right to participate to the general meetings of the shareholders.
- (17) In order to ensure the effective and real possibility of all shareholders to be informed on the contents of the documents and the proposals of the ones requiring the organization of the general meeting of the shareholders, by care of the Alternative Investment Fund Manager, such will be available, at the headquarters of Fondul Proprietatea, as well as on the internet page of Fondul Proprietatea, at least 30 days prior to the date provided for holding the meeting. In the case the calling of the general meeting is made by the Board of Nominees, the Alternative Investment Fund Manager has the obligation to fulfil all the above-mentioned formalities at the request of the Board of Nominees. In case the communication with the shareholder is not realized in this way, for objective reasons, the Board of Nominees may announce in the calling notice a different address than the registered address of Fondul Proprietatea, where the above-mentioned documents will be made public on the website of Fondul Proprietatea, in accordance with the applicable legislation.
- (18) In the ads informing on the convocation of the general meeting of shareholders of Fondul Proprietatea it will be indicated, by the Alternative Investment Fund Manager the reference date in relation to which the shareholders will be entitled to participate and vote. Also, the date by when the shareholders may send their votes, as well as the procedure for voting by correspondence, regarding any of the issues subject to approval shall also be set. If the calling of the general meeting is made at the request of the Board of Nominees the above mentioned duties shall be fulfilled by the Board of Nominees. The deadline by when votes by correspondence may be registered at least 5 working days subsequent to the date of publication of the informative material and is prior to the convocation date of the general meeting of the shareholder by at least 48 hours.

- (19) The votes of the shareholders will be sent electronically or by letter to the headquarters of Fondul Proprietatea, in a clear and precise form, noting "for", "against" or "abstained" in relation to each issue subject to approval for which the shareholder intends to cast a vote.
- (20) The votes transmitted electronically shall be cancelled if they do not observe the procedure set by the Alternative Investment Fund Manager drawn up according to the Financial Supervisory Authority regulations and such votes will not be taken into consideration in calculating the attending quorum.

III. Exercising the voting right in the general meeting of the shareholders

- (21) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.
- (22) The decisions of the general meetings of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.
- (23) Only the shareholders registered in the company shareholders' register at the reference date established by the Alternative Investment Fund Manager or the Board of Nominees, as the case may be, when calling the general meeting of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.
- (24) Secret vote is compulsory for electing and revoking the Alternative Investment Fund Manager, the members of the Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Alternative Investment Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.
- (25) The procedures referring to the secret vote, where applicable will be approved by the Alternative Investment Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.
- (26) The decisions of the general meeting of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.
- (27) The shareholders who do not have capacity to act, as well as the legal entities may be represented by their legal representatives who, in their turn, may grant power of attorney to other persons for that particular general meeting of the shareholders.

CHAPTER V **The Board of Nominees**

ARTICLE 15 **Organisation**

- (1) The ordinary general meeting of the shareholders shall appoint the Board of Nominees, formed of 5 members, and shall establish their remuneration.
- (2) Any shareholder will have the right to make proposals on the members of the Board of Nominees. The members of the Board of Nominees may be shareholders of Fondul Proprietatea or other persons designated by the shareholders and they must have the proper experience and knowledge in order to be able to receive the Alternative Investment Fund Manager reports and of the consultants and, based on the information received, judge the merits of the management of Fondul Proprietatea within the limits of the objectives and principles set by the investment policy as well as by the applicable laws and regulations. Also, the members of the Board of Nominees have to be qualified properly in order to decide (if there is need with the support of an independent consultant) if the transactions proposed by the Alternative Investment Fund Manager needing the approval of the Board of Nominees are made to the advantage of the shareholders.
- (3) The mandate of the members of the Board of Nominees is of 3 years, period to be extended by right, by the first meeting of the General Meeting of the Shareholders.
- (4) The Board of Nominees elects from amongst its members a chairman of the Board.

ARTICLE 16

Functioning

- (1) The meetings of the Board of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Board of Nominees is made by the chairman, any of its members or upon the request of the Alternative Investment Fund Manager. The Board of Nominees shall meet in at most 7 days as of the calling.
- (2) The Chairperson of the Board of Nominees or, during his absence, a member of the Board of Nominees appointed through vote by the other members to chair the meeting, ensures the proper development of the meetings. The meetings of the Board of Nominees shall be held at the headquarters of Fondul Proprietatea or at such other location as may be agreed among the members of the Board of Nominees.
- (3) The Board of Nominees takes valid decisions provided the absolute majority of its members. The members of the Board of Nominees may be represented to the meetings of the Board of Nominees only by other members of the Board of Nominees on the basis of a special written empowerment, presented in its original form at the beginning of the meeting. One member of the Board of Nominees may represent only one absent member. The decisions of the Board of Nominees shall be taken with the absolute majority of the votes of its members and are signed by all the members which participated to the meeting. If some of the members of the Board of Nominees have been represented, the empowerment will be annexed to the minute of the meeting.
- (4) If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision, the chairperson of the Board of Nominees shall give notice for a second meeting of Board of Nominees, having the same agenda as the first, in order to discuss this agenda. If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision for three consecutive times, the chairperson of the Board of Nominees shall ask the Alternative Investment Fund Manager to convoke the general meeting of the shareholders in order to properly decide on the respective decisions; in case that the Alternative Investment Fund Manager does not convoke it, any of the members of the Board of nominees will be in his right to convoke the general meeting.
- (5) In case of vacancy of the seat of one or more members of the Board of Nominees, the general meeting of the shareholders shall immediately convoke for the appointment of new members. For the period in time by the decision of the general meeting, the other members of the Board of Nominees will nominate members ad interim to fulfil the vacant positions. The decision of the Board of Nominees on nominating members ad interim will be communicated to the Alternative Investment Fund Manager, the auditor and will be filed with the Trade Register.

ARTICLE 17

Attributions of the Board of Nominees

The Board of Nominees has the followings duties and functions:

- (1) Following the information received from the Alternative Investment Fund Manager with regard to the summoning of the ordinary and/or extraordinary general meeting of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general meeting of shareholders;
- (2) Receives from the Alternative Investment Fund Manager the information in connection with the answers to the written requests submitted before the date of the general meeting of the shareholders, by the shareholders on topics regarding Fondul Proprietatea' s activity;
- (3) Receives from the Alternative Investment Fund Manager the annual financial statements, the annual activity report presented by the Alternative Investment Fund Manager and the financial auditors' report, before being made available to the shareholders and analyses them, being able to formulate an opinion to be presented to both the Alternative Investment Fund Manager and the general meeting;
- (4) Receives from the Alternative Investment Fund Manager for analysis the annual report and the management policy of Fondul Proprietatea and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders regarding such;
- (5) Receives from the Alternative Investment Fund Manager for analysis the yearly income and expenditure budget before it is submitted to the approval of the general meeting of shareholders and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders regarding such;

- (6) Receives from the Alternative Investment Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (7) Receives from the Alternative Investment Fund Manager for analysis and approves the framework for carrying out Fondul Proprietatea's operations, as well as any other Fondul Proprietatea's regulations issued by Alternative Investment Fund Manager according to legal provisions in force, capital market rules and regulations;
- (8) Receives from the Alternative Investment Fund Manager for analysis the proposal to the ordinary general meeting of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary meeting;
- (10) Receives the report of the internal auditor and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;(11) Monitors the following, based on information and reports received from the Fund Manager:
- the list of all portfolio investments and percentage breakdown by each investment type;
 - a list of major transactions occurring in the Fondul Proprietatea portfolio for the period under review;
 - the total profit of the portfolio and comparison of profit with the appropriate market benchmark;
 - comparison of the obtained profit with the initial objective;
 - the extent of compliance with the investment policy, including, specifically, the degree to which any performance objectives set out therein are achieved, as well as any variations and actions taken to achieve such objectives and improve investment results;
 - the performance evaluation report.

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

- (12) Represents the general meeting of the shareholders in relation with the Alternative Investment Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by this constitutive act as a direct communication between the general meeting and the Alternative Investment Fund Manager;
- (13) Verifies the report of the Alternative Investment Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Alternative Investment Fund Manager, and verifies if the operations carried on by the Alternative Investment Fund Manager are in compliance with the applicable law, the constitutive act and/or with any relevant decision of the general meeting of the shareholders;
- (14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general meeting of the shareholders;
- (15) Participates to the meetings of the general shareholders' meetings and presents in this meeting reports in all cases provided by this constitutive act or with regard to any issue it deems to be relevant for the shareholders;
- (16) Proposes to the general meeting of the shareholders the prior approval or rejection of any contract/document which may create binding obligations to Fondul Proprietatea, including without limitation buying, selling, exchanging, pledging of non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
- (17) Recommends to the General Meeting of the Shareholders the termination of the management contract for the case when the Board of Nominees is considered is to the benefit of the shareholders.
- (18) Recommends to the general meeting of the shareholders on any other issues the Board of Nominees is considered relevant to the shareholders.

- (19) Following of proposal of Alternative Investment Fund Manager, recommends to the Extraordinary General Meeting of the Shareholders the appointment of the public offer intermediate, as well as on his remuneration , when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.
- (20) Approves the delegation by the Alternative Investment Fund Manager of certain activities. The delegation shall be effective in accordance with the legal provisions in force.
- (21) Is responsible for monitoring the Alternative Investment Fund Manager performance of the Investment Management Agreement.

ARTICLE 18

The obligations of the members of the Board of Nominees

- (1) The members of the Board of Nominees have diligence and loyalty duties towards the shareholders of Fondul Proprietatea.
- (2) The members of the Board of Nominees are held liable towards the general meeting of the shareholders of Fondul Proprietatea, in accordance with the mandate rules. The decisions of the members of the Board of Nominees will be taken after due enquiries into the relevant circumstances existing at the specific moment at which such decisions have been taken.
- (3) The members of the Board of Nominees cannot disclose the confidential information and the commercial secrets of Fondul Proprietatea, to which those persons have access. Such obligation remains in force as well as after the termination of the mandate.
- (4) If a member of the Board of Nominees has, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, in a certain operation, that member must give notice of such situation to the other members and to the internal auditors and not take part in any deliberation regarding that operation.
- (5) The same obligation must be observed by the member of the Board of Nominees, who acknowledges that in a certain operation, his/her wife or husband, relative or related persons by the 4th grade inclusive are interested.
- (6) The prohibitions stipulated in paragraphs (4) and (5) regarding the participation, deliberation and voting of the members of the Board of Nominees, are not applicable if the vote refers to:
 - a) the offer of shares or obligations of Fondul Proprietatea for subscription, to a member of the Board of Nominees or to the persons mentioned in paragraph (5);
 - b) the granting by a member of the Board of Nominees or by the persons mentioned in paragraph (5) of a loan or establishing a guarantee in favour of Fondul Proprietatea.
- (7) The member of the Board of Nominees not observing the provisions of paragraphs (4) and (5) is held liable for the damages caused to Fondul Proprietatea.
- (8) It is forbidden the crediting by the Fondul Proprietatea of the members of the Board of Nominees, through operations such as:
 - a) granting loans;
 - b) granting financial facilities for or after the conclusion by Fondul Proprietatea with the members of delivery operations of goods, providing of services or performance of works;
 - c) direct or indirect guarantee, in whole or in part, of any loans granted to the member of the Board of Nominees, concomitant or after granting the loan;
 - d) direct or indirect guarantee, in whole or in part, of performance by the members of any other personal obligation of those towards third parties;
 - e) direct or indirect guarantee, in whole or in part, of any receivables having as object a loan granted by a third party to the members of the Board of Nominees or other personal service of those members.
- (9) The provisions of paragraph (8) are applicable and the operations in which the husband or wife, relatives or related persons by the 4th grade inclusive of the members of the Board of Nominees are interested; also, if the operation concerning a civil or a commercial company at which one of the persons above mentioned is director

or holds, solely or together with one of the persons above mentioned, a quota of at least 20% of the value of the subscribed share capital.

- (10) The provisions of paragraph (8) are not applicable for the case when the operation is concluded by Fondul Proprietatea during its current business, and the clauses of the operations are not more favourable to the persons specified in paragraphs (8) and (9) than the ones usually practiced by Fondul Proprietatea towards third parties
- (11) The Board of Nominees shall promptly decide on all requests for approval from the Alternative Investment Fund Manager within a reasonable time frame to allow the Alternative Investment Fund Manager to comply with its own obligations.

CHAPTER VI

Provisions regarding the company's management

ARTICLE 19

Organisation

- (1) Fondul Proprietatea has appointed FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L., a société à responsabilité limitée qualifying as an alternative investment fund manager under Article 101-1 of the Luxembourg Act of 17 December 2010 concerning undertakings for collective investment, as amended from time to time, whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 36.979, as its alternative investment fund manager, referred to throughout this document as the Alternative Investment Fund Manager. In addition, FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L. is also Fondul Proprietatea's Sole Director and is represented in its capacity as sole director in Romania by the individuals as permanent representatives (in Romanian language "reprezentanti permanenti persoane fizice") appointed by FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L., upon its appointment as Fund Manager by the shareholders, and in accordance with Article 15313 of Companies' Law no. 31/1990.
- (2) The Alternative Investment Fund Manager is elected by the general meeting of the shareholders, with the observance of the legal provisions and of this constitutive act.
- (3) The mandate of the AIFM is of 2 years. The AIFM will call an Ordinary General Meeting of Shareholders to be held at least 6 months before the expiry of the mandate of the AIFM and will ensure that the agenda for such meeting will include points granting the options to (i) approve the renewal of the AIFM's mandate and (ii) appoint a new AIFM in accordance with the legal provisions in force, with the shareholders being granted the opportunity to propose candidates for such position; the agenda will also include provisions for the authorization of the negotiation and execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorization and legal completion of such appointment.
- (4) The legal entity appointed as Alternative Investment Fund Manager of Fondul Proprietatea must expressly accept such position, by executing the management agreement and must have in place professional liability insurance.
- (5) The Investment Management Agreement can be modified or replaced in accordance with article 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the Investment Management Agreement will be signed on behalf of Fondul Proprietatea by the chairman of the Board of Nominees or by a member of the Board of Nominees empowered by the chairman.

ARTICLE 20

Functioning

The Alternative Investment Fund Manager shall appoint a natural person as its permanent representative. The Alternative Investment Fund Manager can change the permanent representatives in accordance with the applicable law. All changes will be registered with the Trade Registry.

ARTICLE 21
Attributions of the Alternative Investment Fund Manager

- (1) The management of Fondul Proprietatea is ensured by the Alternative Investment Fund Manager, which fulfils the necessary and useful operations for the fulfilment of the company's business object, except of the operations reserved by the law for the general meeting of the shareholders and has all the obligations attributed to it by the applicable law.
- (2) The Alternative Investment Fund Manager exercises its attributions under the control of the general meeting of the shareholders and the monitoring of the Board of Nominees, according to article 17.
- (3) In addition to the duties provided by the applicable law, the Alternative Investment Fund Manager shall propose for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea and it is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio. The Alternative Investment Fund Manager undertakes to inform the Board of Nominees regularly, and as and when required by the Board of Nominees, about any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio.
- (4) In excess of the duties provided by the applicable law, the Alternative Investment Fund Manager shall be liable to:
 - i) establish a reference date for shareholders entitled to vote within the general meeting, under the law, and draft the text of the announcement on the convocation of the general meeting, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;
 - ii) upon the written request of any shareholder submitted before the date of the general meeting of the shareholders, to give responses after obtaining the prior approval of the Board of Nominees, regarding the aspects concerning the business of Fondul Proprietatea;
 - iii) ensure that, if requested by any of the shareholders, a copy of or extract of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general meeting of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors,
 - iv) prepare the annual financial statements, draft the annual activity report, examine the financial auditors' report, present them to the Board of Nominees before submitting such documents to the general meeting of the shareholders and make proposals on the distribution of the profit to the general meeting of the shareholders, after obtaining the prior approval of the Board of Nominees;
 - v) manages the relationship with the Central Depository with regard to its shareholders register functions,
 - vi) prepare an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general meeting of the shareholders;
 - vii) proposes for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders, of the yearly income and expenditure budget and business plan;
 - viii) approves the outsourcing of certain activities, within the limits of the approved budget, respectively the delegation of the performance of certain activities, subject to the observance of the applicable legislation;
 - ix) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of the shareholders any agreement / document which may create binding obligations to Fondul Proprietatea, including but not limited to the purchase, sale, conversion or encumbrance of the non-current assets of Fondul Proprietatea whose value exceeds, either individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
 - x) to enter into any agreement / document which may create binding obligations to Fondul Proprietatea, including the purchase, sale, conversion or encumbrance of the non-current assets of Fondul Proprietatea whose value does not exceed, either individually or cumulated, during a financial year, 20% of the total value

of the non-current assets, less any receivables, without the approval of the ordinary or extraordinary general shareholders meeting;

xi) propose to the ordinary general meeting of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approve the procedure of internal audit and the audit plan;

xii) decide the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;

xiii) make available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);

xiv) inform at once the Board of Nominees of any litigation or infringement of legislation regarding Alternative Investment Fund Manager, any operation which might be an infringement to the investment policy and about the plans/ correction measures for approaching these matters;

xv) ask for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Alternative Investment Fund Manager, which cannot be resolved amiably;

xvi) proposes to Board of Nominees the recommendation for the Extraordinary General Meeting of the Shareholders for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration , when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

- (5) For the avoidance of any doubt, in fulfilling the obligations listed under paragraph (4) of this Article 21, the Alternative Investment Fund Manager acts mainly in its capacity as sole director according to the applicable Romanian legislation.

ARTICLE 22

The obligations of the Alternative Investment Fund Manager

- (1) The Alternative Investment Fund Manager has a diligence and loyalty duty towards Fondul Proprietatea. Such duty is exercised taking into consideration the interest of the shareholders generally, and not of some of them.
- (2) The Alternative Investment Fund Manager is held liable towards Fondul Proprietatea, according to the law. The decisions of the Alternative Investment Fund Manager are taken after due enquiries regarding the relevant circumstances existing at the moment of which those decisions are taken.
- (3) The Alternative Investment Fund Manager cannot disclose confidential information or commercial secrets of Fondul Proprietatea, to which it has access. Such obligation remains also after the termination of the mandate.
- (4) If the Alternative Investment Fund Manager, respectively its permanent representative and its employees, have in a certain operation, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, the Fund Manager must give notice to the internal auditors and Board of Nominees of this issue and not take part in any deliberation concerning the specific situation.
- (5) The same obligation must be observed by the Alternative Investment Fund Manager, respectively by its permanent representative and its employees if, in a certain operation, is being aware that an affiliate of the Alternative Investment Fund Manager or the wife or husband, relatives or related persons by the 4th grade inclusive of the representative and its employees, are interested.

ARTICLE 23

Representation of Fondul Proprietatea

- (1) In relations with third parties, Fondul Proprietatea is represented by the Alternative Investment Fund Manager, respectively by its permanent representative.
- (2) The Alternative Investment Fund Manager may delegate the representative powers, in accordance with the applicable law.

CHAPTER VII
The audit of Fondul Proprietatea

ARTICLE 24
The internal auditors and the financial audit

- (1) The financial statements of Fondul Proprietatea are subject to financial audit. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.
- (2) An internal audit department shall be organised within Fondul Proprietatea, having attributions of objective examinations of the company's aggregate business, for the purpose of providing an independent evaluation of the risk management, control and leading development of the company. The Alternative Investment Fund Manager can decide that internal audit work can be outsourced, in which case it will run on a contractual basis, according to article 3 of Decision of Romanian Chamber of Auditors no. 88/2007, with subsequent amendments.
- (3) The internal audit is independent of the management of Fondul Proprietatea, and the internal auditors shall objectively exercise this activity.
- (4) The internal audit shall evaluate and shall propose the improvement of the risk management, the control and internal rules within Fondul Proprietatea.
- (5) The internal auditors shall not be subject of any interference in determining the purpose of the internal audit and in exercising their activity.
- (6) The internal auditors shall have an impartial, correct attitude and shall avoid the conflicts of interest.
- (7) The internal audit shall transmit the plans of the internal audit activity and the necessary resources, inclusive the significant interim changes, to the Board of Nominees for information, as well as to the Alternative Investment Fund Manager for approval within the limits of its competencies.
- (8) The internal audit shall establish the policies and procedures for exercising the internal audit activity within Fondul Proprietatea, comprising amongst others, the analysis of the decisions taken by the company's management and the control of their compliance with the statutory requirements and/or with other documents approved by the general meeting of the shareholders.
- (9) The internal audit shall coordinate its activity with the financial auditor, in order to ensure the proper fulfilment of the audit objectives and to minimize any duplication of attributions.
- (10) The internal audit shall give quarterly reports to the Board of Nominees of Fondul Proprietatea and the Alternative Investment Fund Manager regarding the purpose of the internal audit activity, authority, responsibility and performance according to its plan. The reports shall include also the significant risks and aspects of the control and management, as well as other necessary problems or as requested by the Board of Nominees and the Alternative Investment Fund Manager.
- (11) The internal audit shall verify if the management of Fondul Proprietatea has taken appropriate measures concerning the reported significant risks or if the Alternative Investment Fund Manager has accepted the risk of not taking any measure and shall inform the Board of Nominees and the general meeting of the shareholders if the Alternative Investment Fund Manager has accepted the reported significant risks.
- (12) The internal audit shall establish the procedures for monitoring the implementation of the measures taken by the management of Fondul Proprietatea.
- (13) The internal auditors shall notify the Board of Nominees and the Alternative Investment Fund Managers with respect to any flaws in the management or breaches of the legal provisions or of the constitutive act, where such are identified by the internal auditors; the significant cases shall be notified to the general meeting of the shareholders.
- (14) The internal auditors shall take into consideration the complaints of the shareholders when drafting the reports addressed to the general meeting of the shareholders.
- (15) The attributions, duties and the functioning way of the internal auditors, as well as their rights and obligations are completed with the legal provisions in this area.

CHAPTER VIII
Business of Fondul Proprietatea

ARTICLE 25
Financing its own business

For the fulfilment of the business object and in accordance with the attributions established, Fondul Proprietatea uses the financial sources established pursuant to the law, banking credits and other financial sources. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

ARTICLE 26
Financial year

The financial year begins on 1st of January and terminates on 31st December of each year.

ARTICLE 27
Accounting evidence and annual financial statements

- (1) The accounting is kept in Romanian language and in national currency.
- (2) Fondul Proprietatea must draft the annual financial statements according to legal provisions in force.

ARTICLE 28
Calculation and distribution of the profit

- (1) The result of the financial year is determined at the end of the year and represents the final balance of the profit and loss account.
- (2) The profit of Fondul Proprietatea after the payment of the profit tax shall be distributed according to the decision of the general meeting of the shareholders and to the legal provisions in force.
- (3) Fondul Proprietatea creates legal reserves and other reserves, pursuant to the law.
- (4) The payment of dividends owed to the shareholders is made by Fondul Proprietatea, according to the law.
- (5) The dividends are distributed between the shareholders proportional with the number of held shares.
- (6) In case of loss of the net asset, the general meeting of the shareholders shall analyse the causes and decide properly, according to the law.

ARTICLE 29
Registries

Fondul Proprietatea shall maintain, by care of the Alternative Investment Fund Manager and internal auditors, all registries provided by the law. The shareholders registry is kept by the Central Depository.

CHAPTER IX
Association, change of the legal form, dissolution and liquidation, litigation

ARTICLE 30
Association

- (1) Fondul Proprietatea may set-up, solely or together with other Romanian or foreign natural persons or legal entities, other companies or legal entities, according to the law and to this constitutive act.
- (2) The conditions for the participation of Fondul Proprietatea at the setting-up of new legal entities shall be regulated by the constitutive acts, which to be approved by the general meeting of the shareholders.

ARTICLE 31
Dissolution

- (1) The dissolution of Fondul Proprietatea shall take place in the following cases:
 - a) impossibility of performing the company's business object;

- b) declaring the company's nullity;
- c) by decision of the extraordinary general meeting of the shareholders, in accordance with article 14 paragraphs (4) and (5);
- d) as consequence of losses, if the net asset value, determined as difference between the total asset and company's debts, represents less than half of the value of the subscribed share capital and if, not later than the termination of the financial year subsequent to the one during which the losses have been ascertained, the general meeting of the shareholders fails to decrease the share capital with an amount at least equal with the one of losses which could not be covered from reserves or to reconstitute the company's net asset up to the value at least equal with half of the subscribed share capital.
- e) opening of the bankruptcy procedure;
- f) the number of shareholders reduces under the legal minimum;
- g) other causes provided by the law or by this constitutive act.

(2) The dissolution of Fondul Proprietatea cannot take place before the finalisation of the procedures for granting indemnities to the rightful persons.

- (3) The dissolution decision of Fondul Proprietatea must be registered with the commercial registry and published in the Official Gazette of Romania, Part IV.

ARTICLE 32

Liquidation

- (1) The dissolution of Fondul Proprietatea has as consequence the opening of the liquidation procedure.
- (2) The liquidation of Fondul Proprietatea and distribution of the patrimony are made in accordance with the law.

ARTICLE 33

Calculation method of the net asset

The calculation method of the net asset is made according to the legal provisions in force.

ARTICLE 34

Prudential rules concerning the investment policy

- (1) The investment policy is established by the Alternative Investment Fund Manager, with the observance of the investment limitation provided by the legal provisions in force and of this Constitutive Act.
- (2) Fondul Proprietatea shall be subject to the investment restrictions provided under Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed as well as any other applicable law or regulation.
- (3) Subject to the terms of this Constitutive Act, of the IMA and the applicable law, all decisions in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of Fondul Proprietatea shall be at the sole discretion of the Alternative Investment Fund Manager.
- (4) Prudential rules concerning the investment policy will be by approved by the shareholders through Investment Policy Statement.

ARTICLE 35

Conditions for the replacement of the depository

- (1) Fondul Proprietatea shall conclude a deposit agreement with a depository legal entity authorised and supervised by the Financial Supervisory Authority, which performs the deposit operations of securities, as well as any operations in connection with those. The activities to be developed by the depository and the conditions for its replacement shall be provided in the deposit agreement.

- (2) The deposit agreement shall mandatorily include clauses related to the replacement of the depository and rules for ensuring shareholders' protection in such situations, as well as other mandatory clauses in accordance with the applicable regulations.

ARTICLE 36

Identity, requirements regarding the qualification, professional experience and integrity of the management members

- (1) The Alternative Investment Fund Manager, respectively its permanent representative shall cumulatively fulfil with the minimum requirements regarding the integrity, qualification and professional experience provided in the legislation and in other specific provisions; the identity of the Alternative Investment Fund Manager is the one registered with the National Office of Trade Registry, based on the decision of the general meeting of the shareholders regarding its election.

ARTICLE 37

Litigations

The litigations of any type shall be amiably resolved and if this is not possible, they shall be solved by the competent arbitral or judicial courts.

CHAPTER X

Final provisions

ARTICLE 38

Final provisions

The provisions of this constitutive act are completed by the provisions of Company Law No. 31/1990, republished, as further amended and completed, and other applicable legal provisions in force as well as by the provisions of the capital market legislation governing the issuers whose shares are admitted on trading.

Annex 5

Documentation related to AIFMD implementation for Fondul Proprietatea

Ordinary General Shareholders Meeting Decision for approving the detailed AIFMD implementation plan

**Resolution no. 8 / 29 October 2015
of the Shareholders' Ordinary General Meeting of
FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzesti Street, 7th floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 29 October 2015, 14:00 o'clock (Romanian time), the shareholders of Fondul Proprietatea S.A. ("the Fund") have met during the Shareholders' Ordinary General Meeting ("OGM") of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the OGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of legal representative of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, having its headquarters in Bucharest, 78-80 Buzesti Street, 7th and 8th floors, 1st District, registered with the Trade Register under no. J40/8587/2009, sole identification code 25851096 ("the Sole Administrator") and with the Public Register of the Romanian National Securities Commission ("CNVM") under number PJM05SSAM/400001.

Whereas:

- The convening notice of the OGM was published on the Fund's website (www.fondulproprietatea.ro) on 16 September 2015, in the Official Gazette of Romania, Part IV, number 5.123/17 September 2015 and in "Bursa" newspaper no. 178/17 September 2015;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 297/2004 on capital market, with its subsequent amendments and supplementations (Law no. 297/2004);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Regulation of the Financial Supervisory Authority no. 4/2013 regarding depositary receipts (Regulation no. 4/2013);

- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company “Fondul Proprietatea” S.A., as well as on trading the shares issued by this company.

Following debates, the Fund’s shareholders decide as follows:

- I. The approval of the replacement of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch with another group entity in view of complying with the Directive 2011/61/EU on Alternative Investment Fund Managers and the related national implementation laws and regulations, as well as the waiver of any selection procedure as the change is made to comply with legal requirements as follows.

1. Revocation, starting with 1 April 2016, 00:00 am (last day of mandate being 31 March 2016), of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch from the position of sole director and fund manager of Fondul Proprietatea SA, and termination of the Investment Management Agreement signed between Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch and Fondul Proprietatea SA as a result of the mutual consent of the both parties. The approval of the Addendum no. 5 to the Investment Management Agreement dated 29 April 2014 between FONDUL PROPRIETATEA S.A. and FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED as described in the supporting materials and attached in Annex 1 of this resolution. The Chairman of the Board of Nominees is empowered to sign the Addendum no. 5 to the Investment Management Agreement with the Sole Administrator on behalf of Fondul Proprietatea S.A.. Addendum no. 5 will be effective subject to its prior endorsement by the FSA, where required by applicable law or regulation.

The approval of termination is effective and conditional upon (i) the approval of the appointment of FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L., as sole director and fund manager by the shareholders of Fondul Proprietatea and (ii) FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L. accepting its mandate and being dully authorized by all competent authorities to perform its duties as sole director, fund manager and external Alternative Investment Fund Manager starting with 1 April 2016.

2. Appointment of FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L., a société à responsabilité limitée, qualifying as an alternative investment fund manager under Article 101-1 of the Luxembourg Act of 17 December 2010 concerning undertakings for collective investment, as amended from time to time, whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 36.979, as the alternative investment fund manager of Fondul Proprietatea SA and as the sole director of Fondul Proprietatea SA, for a mandate of two years starting with 1 April 2016. The approval and the execution of the Management Agreement as described in the supporting materials and attached in Annex 2 of this resolution between FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L. and Fondul Proprietatea SA, as negotiated between FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L. and the Board of Nominees, and the empowerment of the Chairman of the Board of Nominees to execute it on behalf of Fondul Proprietatea SA. The Management Agreement shall be effective from 1 April 2016.

This item is adopted through secret vote with 3,797,615,656 votes representing 98.87% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 3,797,615,656 votes “for” and 43,061,012 votes “against”. There were also registered 758,254 abstains and 5,182,974 votes „not given”.

- II. In accordance with Article 1292 of Regulation no. 1/2006, the approval of:

- (i) 18 November 2015 as the Ex – Date, computed in accordance with the provisions of Article 2 (2) letter f1) of Regulation no. 1/2006;
- (ii) 19 November 2015 as the Registration Date, computed in accordance with the provisions of Article 238 (1) of Capital Market Law no. 297/2004.

As no payments to the shareholders shall be triggered by the OGM’s decisions herein, shareholders do not decide upon the Payment Date, as it is defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with 3,835,833,585 votes representing 99.99% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second

paragraph of Law no. 31/1990. The casted votes were recorded as follows: 3,835,833,585 votes “for” and 7,650 votes “against”. There were also registered 2,161,816 abstains and 7,925,881 votes „not given”.

III. The empowerment, with authority to be substituted, of Grzegorz Maciej KONIECZNY, as legal representative of Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, to sign the shareholders’ resolutions, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders’ resolution, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item is adopted with 3,842,285,813 votes representing 99.99% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 3,842,285,813 votes “for” and 338,000 votes “against”. There were also registered 2,243,934 abstains and 1,180,908 votes „not given”.

This decision is drafted and signed on behalf of the shareholders by:

Oana Valentina Truta

Empowered through the Sole Director’s

Decision no. 37/29 October 2015

Vlad Neacsu

Meeting secretary

Changes to the Investment Management Agreement during the six-month period ended 30 June 2016

Deed of Addendum no. 4 (“Addendum no. 4”) to the Investment Management Agreement dated 29 April 2014 signed between FONDUL PROPRIETATEA S.A. and FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED and last amended by Addendum no. 3 of [] (the “Management Agreement”),

This Addendum no. 4 to the Management Agreement is made on [_____]

Between:

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED of the Cannon Place

78 Cannon Street, London, EC4N 6HL, United Kingdom, acting through its Romanian branch having its registered office at Premium Point, 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania (**“Fund Manager”**) (**“S.A.I.”** in Romanian language); and,

FONDUL PROPRIETATEA S.A. of 78-80 Buzesti Street 78-80, 1st District, Bucharest, Romania (the **“Customer”**),

the Fund Manager and the Customer together, the **“Parties”**.

It is agreed as follows.

Article I.

With effect from the Effective Date (as defined below), the Annex to the Management Agreement shall be deleted in its entirety and replaced by the provisions below:

“Annex

The fees due to the Fund Manager in accordance with clause 10 of this Management Agreement shall be calculated and paid in RON by the Customer in compliance with the following provisions.

The fees shall be calculated as (i) a Base Fee and (ii) a Distribution Fee, in each case as set out below.

1. Base Fee

A base fee (the **“Base Fee Rate”**) shall be calculated as follows:

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

where:

the Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001; and

the notional amount is the market capitalization of the Customer, which is defined as:

(a) the number of the Customer’s paid shares considered on daily basis, minus

- (b) the weighted average over the calculation period of the number of the Customer's settled own shares together with the number of the Customer's equivalent ordinary shares represented by Global Depositary Receipts ("FP GDRs") in each case where those shares or FP GDRs are held by the Customer as treasury shares,
- (c) then multiplying the resulting number by the weighted average market price of the Customer's shares calculated for the corresponding calculation period. The weighted average market price shall be computed based on the daily average market prices of the Customer's shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section. If the number of shares relevant for the computation of the Base Fee (described above in (a) and (b)) changes over the calculation period, the Base Fee will be an aggregation of the computation for each sub-period.

2. Distribution Fee

It is recognized that distributions beneficial to shareholders would reduce the notional amount upon which the Base Fee is calculated. To reward the Fund Manager for arranging such distributions, a fee shall be calculated as follows (an amount so calculated in respect of a particular period, a "Distribution Fee"): 200 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of FP GDRs, and returns of share capital) made available at any time in between 20 March 2015 and 31 March 2016.

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

3. Payments

- (a) The Base Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is to be made.
- (b) The Distribution Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which the Distribution Fee was calculated.
- (c) The invoices for the Base Fee and the Distribution Fee shall be submitted to the Depositary.
- (d) The Fund Manager shall provide to the BoN quarterly and on an annual basis and upon reasonable request of the BoN a detailed report regarding the fees collected under this Management Agreement, in the form reasonably required by the BoN.
- (e) The payment of each fee shall be done within 30 business days of the receipt of the applicable invoice.

4. Verification

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

Article II. Entry into force

This Addendum no. 4 shall be effective from the date of the endorsement by the FSA (the "Effective Date") of such, if so required by the applicable law or regulation.

Article III.

The Management Agreement and this Addendum no. 4 will, from the Effective Date, be read and construed as one document.

Except as otherwise provided in this Addendum no. 4 the Management Agreement shall remain in full force and effect.

SIGNATORIES

This Addendum will be signed in Romanian and English languages and executed in a number of three (3) counterparts, all of which taken together constitute the agreement, one (1) for the Fund Manager and two (2) for the Customer.

AS WITNESS the hands of the duly authorized representatives of the parties on the date which appears first on page 1.

Executed and delivered as a DEED

by FONDUL PROPRIETATEA S.A.

acting by _____ (print name)

and by _____ (print name)

who are acting under the authority of that
company in accordance with the laws of
Romania

Executed and delivered as a DEED

**by FRANKLIN TEMPLETON INVESTMENT
MANAGEMENT LIMITED UNITED KINGDOM**

acting by _____ (print name)

and by _____ (print name)

who are acting under the authority of that
company in accordance with the laws of
England and Wales

Addendum no. 5 (“Addendum no. 5”) to the Investment Management Agreement dated 29 April 2014 signed between FONDUL PROPRIETATEA S.A. and FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED last amended by Addendum no. 4 of _____ 2015 (the “Management Agreement”),

This Addendum no. 5 to the Management Agreement is made on _____ 2015

Between:

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED of the Cannon Place, 78 Cannon Street, London, EC4N 6HL, United Kingdom, acting through its Romanian branch having its registered office at Premium Point, 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania (“**Fund Manager**”) (“**S.A.I.**” in Romanian language); and,

FONDUL PROPRIETATEA S.A. of 78-80 Buzesti Street 78-80, 1st District, Bucharest, Romania (the “**Customer**”),

the Fund Manager and the Customer together, the “**Parties**”.

Whereas

- On 8 June 2011, the European Parliament and the Council enacted Directive 2011/61/EU on Alternative Investment Fund Managers (“**AIFMD**” or the “**Directive**”);
- The Directive was implemented in Romania through Law no. 74/2015 and Financial Supervisory Authority’s Regulation no. 10/2015 (collectively “AIFMD National Laws”);
- The Customer is in scope of the Directive and AIFMD National Laws, requiring thus to be managed by a fund manager holding an AIFMD licence;
- Franklin Templeton Investment Management Limited Bucharest Branch, subject to due approval of the general meeting of Customer’s shareholders would like to pass over the management of the Customer to an intra group entity holding such a licence, namely Franklin Templeton International Services S.À R.L, a Luxemburg entity authorized under AIFMD (“AIFMD Franklin Entity”);
- Customer’s Board of Nominees and its general meeting of shareholders approved the said replacement of the Fund Manager by AIFMD Franklin Entity;
- The Parties would like to terminate the Management Agreement in order for the Customer to formalize the relation with the AIFMD Franklin Entity in order to achieve AIFMD and AIFMD National Laws compliance,

Now, the Parties decide as follows:

The Management Agreement will be terminated with full force and effect starting with 1 April 2016 (last day of mandate being 31 March 2016), subject to the fulfilment of the key conditions for the replacement of Fund Manager with the AIFMD Franklin Entity, the termination being conditional upon the appointment of AIFMD Franklin Entity as an authorized alternative investment fund manager of the Customer, duly appointed to start its mandate on the basis of an Management Agreement. Any outstanding fees the Customer may owe to Franklin Templeton Investment Management Limited Bucharest Branch on the date of termination herein, will be computed and paid in accordance with the provisions of the Management Agreement and especially the Annex therein (in the form which will be in force at the time of termination).

A Fund Manager’s report of activity, including the Performance Report (the “Report”) to the termination date, for the purpose of discharging the Fund Manager from civil liability shall be submitted to the general meeting of Customer’s shareholders for analysis and resolution regarding the discharge of civil liability.

The Report shall include; (i) general information about the Customer ; (ii) information about the activity of the Fund Manager as Sole Director of the Customer; (iii) investment performance; (iv) statement of net assets; (v) statement on operations and changes in net assets; (vi) financial information; (vii) additional information (unaudited).

The Report approved by the general meeting of the Customer's shareholders shall be handed over to AIFMD Franklin Entity, and the Fund Manager undertakes to provide to AIFMD Franklin Entity all other data and information necessary for AIFMD Franklin Entity further performance of activity as required under the Management Agreement.

ENTRY INTO FORCE

This Addendum no. 5 shall be effective starting with 1 April 2016, subject to the fulfilment of the key conditions for the replacement of Fund Manager with the AIFMD Franklin Entity, the termination being conditional upon the appointment of AIFMD Franklin Entity as an authorized alternative investment fund manager of the Customer, duly appointed to start its mandate on the basis of an Management Agreement.

GOVERNING LAW, MISCELLANEOUS

Governing Law. This Addendum shall be governed by and interpreted in accordance with the laws of England and Wales.

Severability. If any of the provisions of this Addendum shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this addendum.

Entire Agreement. This Addendum is part and parcel of the Investment Management Agreement dated 29 April 2014 signed between FONDUL PROPRIETATEA S.A. and FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED, as previously amended and all the provisions not amended by this Addendum shall remain in full force and effect.

COUNTERPARTS AND SIGNATORIES

This Addendum will be signed in Romanian and English languages and executed in a number of 3 (three) counterparts, all of which taken together constitute the agreement, 1 (one) for the Fund Manager and 2 (two) for the Customer.

AS WITNESS the hands of the duly authorized representatives of the parties on the date which appears first on page 1.

EXECUTED AND DELIVERED BY

FONDUL PROPRIETATEA S.A.

acting by Sorin Mihai Mindrutescu, Chairman of the Board of Nominees

FRANKLIN TEMPLETON INVESTMENT

MANAGEMENT LIMITED UNITED KINGDOM

acting by Grzegorz Maciej Konieczny, Legal Representative of the Romanian Branch

Deed of Addendum no. 6 (“Addendum no. 6”) to the Investment Management Agreement dated 29 April 2014 signed between FONDUL PROPRIETATEA S.A. and FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED (the “Management Agreement”/ “IMA”)

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED of the Cannon Place

78 Cannon Street, London, EC4N 6HL, United Kingdom, acting through its Romanian branch having its registered office at Premium Point, 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania (**“Fund Manager”**) (**“S.A.I.”** in Romanian language); and,

FONDUL PROPRIETATEA S.A. of 78-80 Buzesti Street 78-80, 1st District, Bucharest, Romania (the **“Customer”**),

the Fund Manager and the Customer together, the **“Parties”**.

Whereas

- The ordinary general meeting of the Customer’s shareholders have approved by Resolution no. 6 of 29 October 2015 the Addendum no. 4 to the IMA (“Addendum 4”) whereby, among others, the total non-dividend distribution period was established as 20 March 2015 - 31 March 2016 (“Non – Dividend Distribution Period”);
- The Addendum 4 was approved by the Financial Supervisory Authority (“FSA”) by Decision no. 1/7 January 2016, save for the Non – Dividend Distribution Period, which was to be calculated from the date of the decision until 31 March 2016;
- The Parties would like to amend the IMA (so to reflect FSA’s Decision no. 1/7 January 2016) before its termination on 31 March 2016, subject to the ratification by the ordinary general meeting of the Customer’s shareholders (“OGM”) of such amendment,

Now, the Parties agree as follows.

Article I.

With effect from the Effective Date (as defined below), the Annex to the Management Agreement shall be amended as follows.

“Annex

The fees due to the Fund Manager in accordance with clause 10 of this Management Agreement shall be calculated and paid in RON by the Customer in compliance with the following provisions.

The fees shall be calculated as (i) a Base Fee and (ii) a Distribution Fee, in each case as set out below.

1. Base Fee

A base fee (the “Base Fee Rate”) shall be calculated as follows:

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

where:

the Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001; and

the notional amount is the market capitalization of the Customer, which is defined as:

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

2. Distribution Fee

It is recognized that distributions beneficial to shareholders would reduce the notional amount upon which the Base Fee is calculated. To reward the Fund Manager for arranging such distributions, a fee shall be calculated as follows (an amount so calculated in respect of a particular period, a "Distribution Fee"): 200 basis points of total non-dividend distributions (including, without limitation, repurchases of own shares, repurchases of FP GDRs, and returns of share capital) made available at any time in between 7 January 2016 and 31 March 2016.

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

3. Payments

- (a) The Base Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is to be made.
- (b) The Distribution Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which the Distribution Fee was calculated.
- (c) The invoices for the Base Fee and the Distribution Fee shall be submitted to the Depositary.
- (d) The Fund Manager shall provide to the BoN quarterly and on an annual basis and upon reasonable request of the BoN a detailed report regarding the fees collected under this Management Agreement, in the form reasonably required by the BoN.
- (e) The payment of each fee shall be done within 30 business days of the receipt of the applicable invoice.

4. Verification

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

Article II. Entry into force

The entry into force of this Addendum no. 6 is conditional upon its ratification by the OGM, starting with that respective date onwards (the “Effective Date”).

SIGNATORIES

This Addendum is signed on this day of _____ in Romanian and English languages and executed in a number of three (3) counterparts, all of which taken together constitute the agreement, one (1) for the Fund Manager and two (2) for the Customer.

Executed and delivered as a DEED

by **FONDUL PROPRIETATEA S.A.**

acting by _____ (print name)

Executed and delivered as a DEED

by **FRANKLIN TEMPLETON INVESTMENT
MANAGEMENT LIMITED UNITED KINGDOM**

acting by _____ (print name)

New Management Agreement

MANAGEMENT AGREEMENT

DATED _____ 2015

FONDUL PROPRIETATEA S.A.

and

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L

THIS AGREEMENT is made on _____ 2015

BETWEEN:

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l., a société à responsabilité limitée qualifying as an alternative investment fund manager (“**AIFM**”) under Article 101-1 of the Luxembourg law of 17 December 2010 on undertakings for collective investment, as amended (“**UCI Act**”), whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg and which is registered with the Luxembourg Registre de Commerce et des Sociétés under number 36.979 and in the Register kept by the Romanian Financial Supervisory Authority (the “**Fund Manager**”) (“**Administrator**” in Romanian language); and

FONDUL PROPRIETATEA S.A. of Buzesti St. 78-80, 1st District, Bucharest municipality, Romania (the “**Customer**”).

WHEREAS:

- (A) The Customer wishes to appoint the Fund Manager as the AIFM of the Customer on the terms and subject to the conditions of this Management Agreement.
- (B) The Fund Manager wishes to accept such appointment, on the terms and subject to the conditions of this Management Agreement.
- (C) The Customer qualifies as an alternative investment fund within the meaning of the Directive 2011/61/EU of the EU Parliament and of the Council on Alternative Investment Fund Managers, as amended (the “AIFMD”) and Law 74/2015 on managers of alternative investment funds in Romania (“AIFM Law”). The Customer wishes to appoint the Fund Manager as its AIFM in the meaning of the AIFM Law and to entrust it with certain functions accordingly, including, without limitation, all functions relating to risk management and portfolio management.
- (D) The Fund Manager qualifies as an AIFM under Chapter 2 of the Luxembourg law of 12 July 2013 on alternative investment fund managers (the “AIFM Act”), and is entitled to carry out services in Romania in accordance with the AIFM Law being registered with the registry kept by the Romanian Financial Supervisory Authority and is authorised to carry out the management of a fund such as the Customer (including, without limitation, risk management and portfolio management).

- (E) The general assembly of shareholders of the Customer approved on 29 October 2015 the appointment of the Fund Manager as the external alternative investment manager and sole director of the Customer subject to the terms and conditions of this Management Agreement.

1. INTERPRETATION

1.1 In this Management Agreement, unless the context otherwise requires, it is agreed that:

- (a) words in the singular include the plural, words in the plural include the singular, words importing the masculine gender include the feminine, and words importing the feminine gender include the masculine;
- (b) headings and paragraphs are for the purpose of organization only and shall not be used to interpret this Management Agreement;
- (c) references to “this Management Agreement” include its Recitals and Annexes (which are incorporated herein by reference and are integrated within the body of this Management Agreement) and this Management Agreement, unless otherwise stated;
- (d) references in this Management Agreement to Recitals, Sections, Articles, Clauses, Sub-Clauses and Annexes are to the preamble, recitals, sections, articles, clauses and sub-clauses of, and Annexes to, this Management Agreement, unless otherwise stated; and
- (e) references to any provisions of legislation, delegated legislation, regulations or rules shall be construed as references to such provisions as replaced, re-enacted, extended or amended from time to time (whether before or after the date hereof).

1.2 Notwithstanding anything to the contrary in this Management Agreement, the Parties agree that none of the limitations of liability or responsibility which the Parties may agree vis-à-vis each other pursuant to this Management Agreement or otherwise may be construed as a limitation of the obligations, liabilities or responsibilities imposed by the Compulsory Rules.

2. DEFINITIONS

In this Management Agreement, the following capitalised terms shall, unless the context otherwise requires or it is otherwise provided, have the following meanings:

Account means the account maintained by the depositary and sub-custodian(s), as the Customer has notified in writing to the Fund Manager;

Affiliate means, with respect to any person, any other person directly or indirectly controlling, directly or indirectly controlled by, or under common control with such person;

AIFM Act means the Luxembourg Act of 12 July 2013 on alternative investment fund managers for implementing the AIFMD;

AIFMD means Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers;

AIFM Law means Law no. 74/2015 on managers of alternative investment funds implementing the AIFMD in Romania;

AIFM Rules means the set of rules formed by (a) the AIFMD, (b) the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing the AIFMD, (c) any binding guideline or other delegated act and regulation issued from time to time by the EU relevant authorities pursuant to any national laws and regulations (such as the AIFM Act or AIFM Law), and (d) any national laws and regulations enacted in connection with the implementation of the rules listed in paragraphs (a) to (c) above which are applicable to this Management Agreement;

Associated Company (when used in relation to the Fund Manager) means any company which is an Affiliate of the Fund Manager;

BoN means the Board of Nominees (“Comitetul Reprezentantilor” in Romanian language) which monitors the activity of the Fund Manager, appointed by the GSM and under direct supervision of the GSM;

BoN Review Report has the meaning ascribed to such term in clause 9.6;

Calculation Period means a calendar quarter, each consisting of a three-month period ; the four calendar quarters that make up the year shall be: January, February and March (the first quarter, or Q1); April, May and June (the second quarter, or Q2); July, August and September (the third quarter, or Q3); and October, November and December (the fourth quarter, or Q4);

Central Depositary means a legal person established as a joint-stock company, authorised and supervised by the FSA, performing deposit, registration, clearing and settlement services for transactions with financial instruments and related activities;

CNVM means the Romanian National Securities Commission, having the duties established in the Government Emergency Ordinance no. 25/2002 on the approval of the By-laws of the National Securities Commission; in April 2013 the CNVM was reorganized as the FSA;

Companies Law means Law no. 31/1990 on companies;

Compulsory Rules means prescriptive rules of law (referred to in Luxembourg law as "règles d'ordre public" and in Romania as “reguli de ordine publica”) from which the Parties may not be relieved by way of agreement, whether or not these rules result from the AIFM Rules and irrespective of their national or EU origin and nature;

Constitutive Act means the Articles of Incorporation of the Customer;

Control means, in relation to any person, the power of another person, directly or indirectly, to secure that the affairs of such person are conducted in accordance with the wishes of that other person, (a) by means of the holding of shares or the possession of voting power in relation to that or any other person, or (b) by virtue of any powers conferred by the constitutional or corporate documents, or by contract or any other document or other legal relationship, or by applicable law, regulating that or any other person;

CSSF means Commission de Surveillance du Secteur Financier, the Luxembourg financial supervisory authority;

Customer means „Fondul Proprietatea” S.A., a closed - end investment company established in 2005 by the Romanian Government in accordance with, among others, Law no. 247/2005, and operating in accordance with the Constitutive Act;

Damages mean any and all losses, claims, liabilities, damages, taxes or expenses;

Delegate means any entity to which the Fund Manager delegates or outsources any of its obligations under this Management Agreement, including, without limitation, the Investment Manager;

Data Protection Laws mean the set of rules formed by (a) the Data Protection Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data, (b) Law 677/2001 on protection of individuals with regard to the processing of personal data and on the free movement of such data implementing in Romania Directive 95/46/EC, (c) any binding guideline or other delegated act and regulation issued from time to time by the EU relevant authorities or competent national authorities pursuant to any national laws and regulations (such as Law 677/2001) and (d) any national laws and regulations enacted in connection with the implementation of the rules listed under (a) to (c) above or other legislation which replaces or amends the same, which are applicable to this Management Agreement;

DCM has the meaning ascribed to such term in clause 9.2;

Depositary is the entity or branch of an entity registered with the FSA, authorised to hold and safeguard financial assets of collective investment undertakings in accordance with the provisions of the AIFM Law, appointed by the Customer and in the deposit of which are entrusted for safekeeping all assets of the Customer;

Discount means, in respect of a day, an amount calculated by subtracting the closing price of the Fund's shares on the Bucharest Stock Exchange on REGS for such day from the NAV per share then most recently published by the Fund Manager and dividing the result by such most recently published NAV per share;

Discount Objective has the meaning ascribed to such term in the IPS;

Dispute has the meaning ascribed to such term in clause 19.2(a);

EGM means the Extraordinary General Meeting of the Customer's Shareholders;

Force Majeure Event means, in relation to any party, any act, event or circumstance, the cause of which is not of such party's making nor within that party's reasonable control, including without limitation (to the extent not of that party's making nor within that party's reasonable control) act of God, war, hostilities (whether or not war has been declared), terrorist acts, acts of any civil or military authority, governmental or regulatory direction or restriction, suspension or withdrawal of licences or consents from other reasons than the negligence of the Fund Manager, currency restrictions, market conditions affecting the execution or settlement of transactions or the value of assets, failure or breakdown in communications, the failure of any relevant exchange or clearing house, riot, insurrection, civil commotion, public demonstration, sabotage, acts of vandalism, fire, flood, earthquake, extreme weather conditions, epidemic or pandemic, explosion, aircraft crashes or things falling from aircraft, release of ionising radiation or contamination by radioactivity, chemical or biological contamination, the order of any court or governmental or regulatory authority, delay in transportation or communications, breakage of or accidental damage to equipment, any strike, lock-out or other industrial trade dispute (not involving solely the employees of that party), structural shift or subsidence;

FSA means the Romanian Financial Supervisory Authority, having the duties established in the Government Emergency Ordinance no. 93/2012;

Fund Manager's Group means the Fund Manager and its Associated Companies.

GEO no. 81/2007 means the Emergency Government Ordinance no. 81/2007 for the acceleration of the procedure on granting damages in relation to assets abusively taken;

GEO no. 32/2012 means the Emergency Government Ordinance no. 32/2012;

GSM means the General Meeting of the Customer's Shareholders;

Indemnified Party means the Customer, its officers (but not the Sole Director), employees, agents and representatives;

Investment Manager means Franklin Templeton Investment Management Ltd. of the Adelphi, 1-11 John Adam Street, London WC2N 6HT, United Kingdom, acting through its Romanian branch having its registered office at Premium Point, 78-80 Buzesti Str., 7-8th floors, 1st. District, Bucharest, Romania;

IPS means the "Investment Policy Statement", i.e. the investment objectives and parameters governing investment decisions over the Portfolio which the Fund Manager has proposed and the GSM has approved;

Law no. 297/2004 means the Capital Market Law no. 297/2004;

Law no. 247/2005 means the Law no. 247/2005 regarding the Property and Judicial Reform, as well as Adjacent Measures;

Member State means the Member States of the European Union and the other States which belong to the European Economic Area;

Management Agreement means this Management Agreement entered into between the Customer and the Fund Manager;

NAV means the net asset value of the Customer, which is determined according to CNVM Regulation no. 4/2010;

NAV Objective has the meaning ascribed to such term in the IPS;

New Appointment Date means, in relation to the appointment of a new fund manager and sole director, or, in the event the Customer becomes an internally managed alternative investment fund, new directors of the Customer following termination of this Management Agreement, the later of: (i) the date when the new or, if decided by the Customer, interim, fund manager and sole director, or, as the case may be, new directors, are registered with the Trade Registry or any other competent authority as per the applicable legal provisions; and (ii) the date when the FSA issues its approval in relation to the appointment of the new, or, if decided by the Customer, interim, sole director and fund manager as the case may be, new directors, if such approval is legally required and, (iii) the date when all other mandatory legal requirements for the replacement of the Fund Manager have been satisfied, and, in each of the cases under paragraphs (i), (ii) and (iii), being effective on the date that the Fund Manager received notice (or ought reasonably to have received notice) of the event;

October GSM has the meaning ascribed to such term in clause 9.3;

OGM means the Ordinary General Meeting of the Customer's Shareholders;

OPCVM means undertakings for collective investment in transferable securities; meaning open-end investment funds and investment companies as defined by Art. 5 of GEO no. 32/2012;

Party means any of the Customer or the Fund Manager;

Performance Objectives has the meaning ascribed to such term in clause 9.1;

Performance Report has the meaning ascribed to such term in clause 9.4;

Portfolio means the portfolio of assets of the Customer, including uninvested cash designated from time to time by the Customer as subject to the management of the Fund Manager pursuant to this Management Agreement;

Reporting Period has the meaning ascribed to such term in clause 9.4;

RMS has the meaning ascribed to such term in Annex 2 (Specific duties and obligations);

Sole Director means the legal person appointed by the GSM to manage the Customer, within the limits provided by the applicable Romanian law, the Constitutive Act and the decisions of the GSM. For the purposes of this Management Agreement, any reference to the Sole Director is a reference to the Fund Manager;

Soft Dollar Practices mean arrangements under which assets or services, other than execution of securities transactions, are obtained by a fund manager from or through a broker in exchange for the fund manager directing to the respective broker trades concluded on behalf of the undertaking for collective investment managed by that fund manager;

Termination Notice means a termination notice given by the Customer or the Fund Manager, as per clause 13;

Termination Notice Date means the date when a Termination Notice is given, as per clause 13;

Trading Day means any day on which trading in shares may be carried out on Bucharest Stock Exchange, in accordance with the rules of the Bucharest Stock Exchange.

3. SCOPE OF THIS MANAGEMENT AGREEMENT

The scope of this Management Agreement is to appoint the Fund Manager as the Sole Director of the Customer and AIFM of the Customer and to establish the parties' rights and obligations in relation to each such appointment.

4. APPOINTMENT OF THE FUND MANAGER

By this Management Agreement, the Customer appoints the Fund Manager as the Sole Director of the Customer and also as its alternative investment fund manager.

5. ACCEPTANCE OF APPOINTMENT

The Fund Manager accepts its appointment as Sole Director of the Customer and as alternative investment fund manager upon the terms of this Management Agreement.

6. OBLIGATIONS OF THE FUND MANAGER, MANAGEMENT SCOPE AND OBJECTIVES

- 6.1. The obligations and the competencies of the Fund Manager as Sole Director and alternative investment fund manager of the Customer are set forth by the Companies Law, Law no. 297/2004, and the related regulations, as well as the Constitutive Act, the AIFM Rules (which may be subject to further amendments according to the law), and the provisions of this Management Agreement. The Fund Manager undertakes to comply at all times with all AIFM Rules and any other applicable law.
- 6.2. The Fund Manager shall exercise its obligations and duties in accordance with the decisions of, and under the control of, the general meeting of the shareholders and the monitoring of the BoN.
- 6.3. In addition to the duties provided by applicable law, the Fund Manager shall propose for the prior approval of the BoN and further, of a GSM, the general strategy in accordance with the investment policy of the Customer. The Fund Manager shall be solely responsible for the implementation of the investment policy in

respect of the Portfolio and for achieving a proper balance between the profits and the risks related to the Portfolio.

- 6.4. The Fund Manager shall inform periodically in accordance with the applicable legislation and clause 11 of this Management Agreement the BoN on any significant changes in the activities of the Customer and within the structure of the Portfolio.
- 6.5. In addition to any duties or obligations imposed by any applicable law, the Fund Manager shall be liable to:
- 6.5.1. identify, analyse, quantify, manage and mitigate all risks affecting the Customer, the Portfolio and all other risk management functions provided by the AIFM Rules and prepare an annual report for the Customer indicating how risks affecting the Customer have been identified, analysed, quantified, managed or mitigated;
 - 6.5.2. carry out all portfolio management functions provided in the AIFM Rules;
 - 6.5.3. establish a reference date for shareholders entitled to vote within the GSM, under the law, and draft the text of the announcement to convene the GSM, after obtaining the prior approval of the BoN and after adding to the agenda the matters requested by the BoN;
 - 6.5.4. upon the written request of any shareholder submitted before the date of the GSM, provide answers, after obtaining the prior approval of the BoN, in connection with the aspects concerning the business of the Customer;
 - 6.5.5. ensure that, if requested by any of the shareholders, a copy of the minutes of the GSM shall be given to them and also, after the calling of the annual OGM is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors;
 - 6.5.6. prepare the annual financial statements, the annual activity report, the semi-annual report, and the quarterly reports (preparing each of the foregoing in accordance with the law and regulations in force at the applicable time), the Performance Report, examine the financial auditors' report, present all such reports to the BoN before submitting such documents to the GSM for approval, and making proposals on the distribution of the profit, after obtaining the prior approval of the BoN, if required;
 - 6.5.7. manage the relationship with the Central Depository with regard to its shareholders register functions;
 - 6.5.8. prepare an annual report on the management and the business policy of the Customer, to be presented to the BoN for approval prior to its submission to the GSM;
 - 6.5.9. propose for the prior approval of the BoN and further, of the GSM, the annual income and expenditure budget and business plan;
 - 6.5.10. approve the outsourcing of certain activities, within the limits of the approved budget, respectively delegate the performance of certain activities, subject to the corporate approvals required under the Constitutive Act, to the observance of all conditions and limitations regarding delegation included in the AIFM Rules and in this Management Agreement and to the prior endorsement by the CSSF or other applicable competent authorities, where required by applicable legislation;
 - 6.5.11. based on the proposal of the BoN, submit to the approval of the EGM any agreement / document which may create binding obligations to the Customer (including but not limited to the purchase, sale, conversion or encumbrance of the non-current assets of the Customer) whose value exceeds, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables;
 - 6.5.12. entering into any agreement / document which may create binding obligations to the Customer (the purchase, sale, conversion or encumbrance of the non-current asset of the Customer) whose value does not exceed, either individually or cumulatively during a financial year, 20% of the non-current assets, less any receivables, without prior approval of the OGM or the EGM;
 - 6.5.13. subject to the provisions of the Constitutive Act, IPS and applicable legislation, take all decisions at its sole discretion in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of the Customer;

- 6.5.14. propose to the GSM the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the BoN, as well as approving the procedure of internal audit and the audit plan;
- 6.5.15. change the location of the registered office of the Customer, with the prior notification of BoN, provided that the registered office shall at all times be registered in Romania;
- 6.5.16. prepare and making available to the BoN the reports, information as well as any other documents necessary for exercising the monitoring duties, as may be required by the BoN in line with the Constitutive Act and any applicable legislation including, for the avoidance of any doubt, the AIFM Act and the AIFM Rules;
- 6.5.17. inform at once the BoN on any litigation or infringement of legislation regarding the Fund Manager, on any operation which might be an infringement to the investment policy and about the plans/correction measures for addressing these matters;
- 6.5.18. ask for the calling of the GSM in order for the latter to decide whenever an issue appears on which the BoN has a disagreement with the Fund Manager, which cannot be resolved amicably by the two bodies;
- 6.5.19. propose to BoN the recommendation for the EGM for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a company be appointed related to the admission to trading of the Customer on another market than the Bucharest Stock Exchange;
- 6.5.20. duly notify the FSA or other regulatory authorities in any relevant Member State and inform the shareholders of the Customer according to the provisions of the AIFM Rules of any major holding and control of non-listed companies acquired by the Customer;
- 6.5.21. perform all the duties and obligations to which it is required by, and otherwise comply with, the AIFM Rules applicable to it in connection with its appointment as the AIFM of the Customer; and
- 6.5.22. any other responsibilities set according to the Constitutive Act and any applicable legislation.

The following activities to be carried out by the Fund Manager based on the aforementioned paragraphs qualify for the purpose of AIFM Rules as administration activities, respectively (a) legal and fund management accounting services in the case of sub-clauses 6.5.3, 6.5.6, 6.5.8, 6.5.9, 6.5.10, 6.5.11, 6.5.12, 6.5.14, 6.5.15, 6.5.18 and 6.5.19; (b) customer inquiries in the case of sub-clauses 6.5.4, 6.5.5, 6.5.16 and 6.5.17, and (c) maintenance of unit/ shareholder register in the case of sub-clause 6.5.7.

- 6.6. The Fund Manager shall perform its duties under this Management Agreement in line with the Customer's or the shareholders of the Customer's best interest in accordance with the AIFM Rules and the highest standards of professional conduct and integrity, including without limitation with respect to responding to public offerings or other corporate actions relating to the securities in the Portfolio.
- 6.7. Without limiting the generality of the foregoing (and so that none of the following provisions shall be deemed to limit the generality of any other of the following provisions), the Fund Manager undertakes to do the following:
 - (a) at all times make all reasonable efforts to avoid conflicts of interest, provided that the Customer understands that the services the Fund Manager provides to the Customer are not exclusive and that the Fund Manager may provide similar services to other customers. Where a conflict arises, the Fund Manager will promptly disclose this to the Customer and use all reasonable efforts to resolve the conflict fairly;
 - (b) will not effect any transaction in relation to the Portfolio knowingly and intentionally acting as agent for any of the Fund Manager's or other clients of its Associated Companies unless the Fund Manager shall have obtained the prior written consent of the Customer to such transaction, having given the Customer all material information relating thereto;

- (c) shall comply with all applicable laws and regulations, including without limitation the AIFM Rules insofar as they are relevant to this Management Agreement, the Fund Manager's performance of its functions under it in any countries in which it performs its duties and carries out its activities pursuant to this Management Agreement and shall procure that all its employees and Delegates, and shall use all reasonable steps to procure that all its agents, shall comply with such laws, regulations and rules as are applicable to them in relation to their involvement with the affairs of the Customer;
 - (d) shall not enter into any transaction in relation to the Portfolio where the officers or employees by which the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 acts for the purposes of this Management Agreement are aware or ought reasonably to be aware that the Fund Manager or any Associated Company has a material interest in such transaction, unless it obtains the prior written consent of the Customer to such transaction, having first given the Customer all material information relating thereto, and for the purposes of this paragraph a "material interest" means a direct or indirect pecuniary interest, whether present or expected (other than a pecuniary interest consisting of a normal commission, rate or price differential or similar remuneration receivable in the ordinary course of business for effecting securities, deposit or foreign exchange transactions) which might reasonably be expected to influence a person, knowingly having that interest, to enter into or refrain from entering into such transaction;
 - (e) shall account to the Customer for all advantages and benefits received by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 from third parties resulting from bulk dealing involving the assets in the Portfolio and other securities and investments as are attributable (using a pro rata basis of calculation) to the assets in the Portfolio; and
 - (f) shall account to the Customer for all allowances, rebates, discounts and refunds received (if any) in respect of any transaction involving the assets of the Portfolio from commission brokerage or other charges which are made to the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 in any transaction and will not authorise any other person on behalf of the Customer to retain such.
- 6.8. The Fund Manager shall at all times use reasonable efforts to be expected of a diligent professional investment manager acting in good faith to stay informed of all facts concerning rights arising in respect of securities held in the Portfolio and in this regard shall in particular monitor on a continuing basis all sources of information reasonably available, including without limitation press reports and screen-based information services.
- 6.9. The Fund Manager agrees to communicate whenever necessary or desirable with the Depositary to ensure a full flow of information in respect of rights arising in relation to the securities and cash held in the Portfolio.
- 6.10. All foreign exchange transactions relating to the Account shall be carried out at competitive rates by the Fund Manager using a third party bank (which may include the Depositary, if a bank).
- 6.11. When entering into transactions on behalf of the Customer in accordance with this Clause 6, the Fund Manager will (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will) ensure that brokers' and dealers' terms of business and terms and conditions with other third parties entered into with or by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 and applicable to transactions in listed securities for the Portfolio (whether or not such terms and conditions are specifically intended to apply to transactions for the Portfolio) do not:
- (a) disapply or waive best execution or other regulatory protections normally applicable to professional clients (as defined in the EU Markets in Financial Instruments Directive) for the Customer;
 - (b) confer liens, rights of retention or security over the Portfolio or any assets or monies of the Customer (except (i) in respect of margin for on exchange margined transactions or (ii) in respect of non-fulfilment of the obligations of the Customer under such agreement with brokers and dealers, but only if the part of the Portfolio subject to such liens, rights of retention or security is not disproportionate with the Customer's obligations and it is market practice to confer them or (iii) as otherwise permitted under this Management Agreement and as otherwise consented to in writing by the Customer) or as may be required by applicable laws; or

- (c) allow the Customer's monies or assets to be mixed with, set off against obligations or utilised for the benefit of any other person except where that is in accordance with standard market practice; or
- (d) give any representations or warranties on the Customer's behalf without the Customer's prior written consent other than representations or warranties given in the ordinary course of business and which the Fund Manager has reason to believe are true and correct; or
- (e) confer any onerous and unusual obligations on the Customer.

6.12. In relation to the Portfolio's management function, the Fund Manager will perform the day-to-day management of the Customer's assets in order to implement the Customer's investment objective, policy and strategy as such are described in the IPS, as well as the portfolio management duties and obligations constituting portfolio management under the AIFM Rules in each case, in consideration of the Customer's specific features including without limitation those described in Annex 2 (Specific duties and obligations).

6.13. Without prejudice to Clause 6.5.1, in relation to the Customer's and the Portfolio's risk management function, the Fund Manager will establish, implement, regularly (at least annually) review, and as the case may be adapt such risk management system (including the liquidity management system) which is necessary in order to identify, measure, manage and monitor appropriately all risks (including the liquidity risk) which are relevant to the Customer's investment strategy and to which the Customer is or may be exposed, as well as the risk management duties and obligations to which the Fund Manager is compelled by the AIFM Rules in view of the Customer's specific features, including without limitation those described in Annex 2 (Specific duties and obligations).

6.14. In addition to the duties and obligations listed in this Clause 6, the Fund Manager will perform the duties and obligations, which are described in Annex 2 (Specific duties and obligations) in consideration of the Customer's specific features.

6.15. In the performance of its duties and obligations under this Management Agreement and the AIFM Rules, the Fund Manager will observe and comply with the provisions of the Constitutive Act and the IPS, as well as with any requests from the BoN or instructions contained in resolutions of the Customer's shareholders which do not conflict with the Fund Manager's duties or obligations under applicable law or any Compulsory Rules.

6.16. The Fund Manager may delegate part (but not all) of its duties under this Management Agreement, including the investment management functions, in each case in accordance with Clause 14.3 to an Associated Company duly authorised under applicable law to carry out the relevant activities.

6.17. The Fund Manager will maintain at all times the capital requirements and insurance required under AIFM Rules.

7. AUTHORIZED TRANSACTIONS

The transactions to be effected in relation to the Portfolio are subject to the legal regulations in force, including the Companies Law no. 31/1990, Law no. 297/2004, the AIFM Rules and other applicable regulations, as well as Law no. 247/2005, GEO no. 81/2007, the Constitutive Act as well as any other applicable legislation or regulation replacing, amending or completing the same.

8. ASSET CUSTODY AND THE DEPOSITARY

8.1. The Fund Manager will place the assets of the Customer in custody according to all applicable legal provisions, including without limitation the AIFM Law and the AIFM Rules. The Depositary will be appointed by the Fund Manager after consultation with the BoN, with sufficient time in advance, on the identity of the proposed Depositary and the terms and conditions of its appointment.

8.2. The relationship between the Customer (acting through the Fund Manager) and the Depositary shall be governed by a written depositary agreement and the Fund Manager shall ensure that such agreement includes clauses addressing those matters and imposing those obligations, which are required by the applicable AIFM Rules, Romanian legislation applicable to the Customer, the Constitutive Act and the IPS.

- 8.3. All payments due for receipt by the Customer, such as dividends, interests, sale proceeds, or any with other title, shall be paid directly to the Depositary and in the Customer's account opened at the Depositary. The Fund Manager shall not be entitled at any time and in any form to hold cash or other assets from the Portfolio belonging to the Customer in any form.

9. FUND MANAGER PERFORMANCE OBJECTIVES, ANNUAL REPORTING

- 9.1. For the duration of this Management Agreement, the Fund Manager must manage the Portfolio in accordance with, and must comply with, all the obligations undertaken under the IPS and seek to achieve the objectives therein, including (without limitation) the Discount Objective and the NAV Objective (together the "Performance Objectives"). The Customer and the Fund Manager acknowledge and agree that there is no guarantee that the Performance Objectives will be achieved and the Fund Manager does not warrant, undertake or represent that it will achieve them.
- 9.2. The Fund Manager will call a BoN meeting to discuss the Discount Control Mechanism ("DCM") strategy if the Discount stays above 15% for more than half of the Trading Days in any financial quarter of the Customer. In addition, if the Discount stays wider than 15% for more than half of the Trading Days in any two successive financial quarters of the Customer, the Fund Manager will call a GSM (which would be held no later than the end of the next quarter) at which the Fund Manager would propose, for the Customer's shareholders' approval, specific DCM measures pre-agreed with the BoN and which are in line with the IPS, unless such actions are already pending and soon to be implemented based on shareholder approvals obtained during the relevant preceding two quarter periods.
- 9.3. For the purpose of reviewing the performance of the Fund Manager each year (including, but not limited to, whether the Performance Objectives have been achieved), each year in October the Customer will hold a GSM, starting in October 2016 (the "October GSM").
- 9.4. Not later than 30 days before the deadline for publication of the October GSM documentation as required by the law, the Fund Manager must submit to the BoN a report on activities and performance of the Fund Manager (and each Delegate) in the relevant period (the "Performance Report"). The first Reporting Period shall be 1 July 2015 until 30 June 2016 and every subsequent year shall be from 1 July until 30 June of the next year (the "Reporting Period"). The first Reporting Period will be divided in two periods of time: (a) 1 July 2015 until 31 March 2016, for which the report will reflect the activity of Franklin Templeton Investment Management Ltd. UK as fund manager of the Customer under a management agreement dated 29 April 2014 between the Customer and such entity, and (b) 1 April 2016 until 30 June 2016, for which the report will reflect the activity of Franklin Templeton International Services S.à r.l. as Fund Manager of the Customer pursuant to this Management Agreement.
- 9.5. The Performance Report must include, among others:
- (a) the report on the fulfilment of the Discount Objective (as such term is defined in the IPS);
 - (b) the report on the fulfilment of the NAV Objective (as such term is defined in the IPS);
 - (c) the report on the fulfilment of the obligations regarding DCM as mentioned above at Clause [9.2];
 - (d) a summary of the regulatory issues affecting the performance during the Reporting Period;
 - (e) a summary of market conditions affecting the performance during the Reporting Period;
 - (f) such other matters as the Fund Manager wishes to bring to the attention of the shareholders in relation to its activities and performance in the relevant period.
- 9.6. Following receipt of the Performance Report, the BoN must prepare and submit for the information of shareholders at the October GSM a review of the Performance Report (the "BoN Review Report"), evaluating the performance of the Fund Manager, as well as any other factors that it considers to be relevant for the decision of the October GSM regarding the continuation or termination of this Management Agreement and the Fund Manager's mandate.

- 9.7. The Performance Report, together with the BoN Review Report will be reviewed by the shareholders in the October GSM. The agenda of each October GSM will allow the shareholders the opportunity to vote on (i) the continuation or termination of this Management Agreement and the Fund Manager's mandate, any proposed termination ensuring the simultaneous termination of the Fund Manager's mandate and this Management Agreement and (ii) the procedure for the selection of a new Sole Director and Fund Manager, in case the shareholders vote for the termination of this Management Agreement and of the Fund Manager's mandate. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its inclusion in the language of the draft resolution of the October GSM.

10. FUND MANAGER REMUNERATION AND EXPENSES

- 10.1. As remuneration for its services under this Management Agreement, the Fund Manager shall receive the fees set forth in Annex 1 (Fees). The Fund Manager shall provide the Customer with a valid certificate of tax residence for the relevant year under applicable Romanian tax provisions, before issuing any invoices to the Customer for such fees. Unless expressly stated otherwise, the fees and any other amounts payable to the Fund Manager under this Agreement are quoted exclusive of any sales, value-added, purchase or turnover tax as may be applicable in any relevant jurisdiction, including any value-added tax chargeable under or pursuant to Romanian value-added tax laws and regulations or relevant EU Directives.
- 10.2. Save as expressly provided otherwise in this Management Agreement, all costs and expenses incurred by the Fund Manager or the Investment Manager in the performance of their functions shall not be for the account of the Customer, but shall be borne by the Fund Manager or the Investment Manager. However, the Investment Manager may issue invoices to recharge expenses incurred by it related to any activities delegated to it pursuant to Clause 14.3 directly to the Customer, with the prior consent of the Fund Manager and of the BoN.
- 10.3. The Customer shall bear, or shall reimburse the Fund Manager (and in respect of the Investment Manager, for onward payment by the Fund Manager subject to Clause 10.2 above), where the Fund Manager or the Investment Manager has incurred them in advance, the following expenses:
- (a) expenses related to the payment of fees owed to the Depositary;
 - (b) expenses related to intermediaries;
 - (c) expenses related to taxes and fees owed to the FSA or other public authorities, according to applicable legislation;
 - (d) expenses related to the financial audit performed on the Customer and any other audits or valuations required by the legislation in force applicable to the Customer;
 - (e) expenses related to the admission to trading of the financial instruments issued by the Customer, and any subsequent issues or offerings; expenses with intermediaries and professional advisors in relation to arranging and maintaining the listing; expenses related to investor relations and public relations in the interest of protecting and promoting the Customer's image and that of its securities; expenses related to ongoing reporting and disclosure obligations according to legislation in force;
 - (f) expenses related to the organising of any GSM and communications with the shareholders and to the payment of fees for registrar services and services related to distributions to shareholders rendered by the Central Depositary;
 - (g) expenses related to the payment of taxes and fees owed to the Bucharest Stock Exchange, London Stock Exchange and any other exchange on which the financial instruments of the Customer or global depositary receipts or depositary interests corresponding to shares of the Customer shall be admitted to trading;
 - (h) expenses related to the registration with the Trade Registry or documents issued by the Trade Registry;
 - (i) expenses related to the payment of fees owed to the banks for banking services performed for the Customer, with the exception of the expenses mentioned in paragraph (a));
 - (j) expenses related to appointing legal advisers and other advisors to act on behalf of the Customer;

- (k) expenses related to contracts with external service providers existing as of execution of this Management Agreement until the expiry or termination of the contract;
 - (l) expenses related to remuneration, transport and accommodation of the members of the BoN (in relation to their services and attendance at meetings, in accordance with the Constitutive Act, the mandate agreements and any applicable internal regulations) and for independent persons (not employees of the Fund Manager or of the Investment Manager) acting as representatives of the Customer on the corporate bodies of companies in the Portfolio, where appropriate;
 - (m) expenses relating to printing costs for the Customer's documentation;
 - (n) expenses or charges imposed to the Customer by any tax authority related to the above expenses or otherwise applicable to the running of the business of the Customer;
 - (o) other expenses with an annual value that does not exceed €100,000 related to the activity of the Customer; and
 - (p) other expenses approved by the BoN for the Customer in accordance with the Constitutive Act (if their annual value exceeds €100,000).
- 10.4. Save as provided above, the Fund Manager (and the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3) shall be liable for the following out of pocket expenses incurred when performing its duties hereunder, including, but not limited to:
- (i) expenses in connection with mailing and telephone, except for letters to shareholders;
 - (ii) expenses in connection with business travel and accommodation, except the expenses related to all investor relations activities and BoN meetings;
 - (iii) expenses in connection with salaries, bonuses and all other remunerations granted by the Fund Manager (or the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3) to its employees and collaborators; and
 - (iv) all other expenses necessary to the functioning of the Fund Manager (or the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3).
- 10.5. In performing its obligations under this Management Agreement, the Fund Manager shall not use (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will not use) Soft Dollar Practices. All transactions in connection to the Portfolio shall be consistent with the principles of best execution.
- 10.6. Any director's fees and other fees received by the Fund Manager's or any officers, employees, agents, representatives or delegates of any Associated Company who acts as a Delegate in accordance with clause 14.3 from any of the Portfolio companies will be either paid over to the Customer or deducted from the management fee. For the avoidance of doubt, the reference to "fees" in the previous sentence does not apply to payments by Portfolio companies to arrange commercially reasonable insurance coverage on behalf of such persons for any liabilities arising from acting as a director or officer of the Portfolio company's board and, where Portfolio companies fail to arrange such insurance, this shall be arranged by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3, acting on behalf of the Fund, at the Fund's expense. The Fund Manager undertakes to observe at all times and otherwise follow the remuneration rules and guidelines applicable in accordance with the AIFM Rules.
- 10.7. The Fund Manager shall not (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will not) claim any lien, right of retention, security interest or set-off over the Portfolio or any assets or moneys in it.

11. PROVISION OF INFORMATION TO THE CUSTOMER AND ITS REPRESENTATIVES

- 11.1. In addition to the obligations under Clause 9, the Fund Manager will provide the Customer with such analysis of performance and periodical tabular presentations in connection to the Portfolio as reasonably requested by the Customer. At least twice in a calendar year the Fund Manager will make a presentation to the Customer in respect of the Portfolio for the previous six months and the Customer may request any

- documents with a view to discussing market factors, the Portfolio and the operation of this Management Agreement.
- 11.2. The Fund Manager shall provide to the Customer, quarterly and/or upon request, written documents/presentations evidencing the transactions entered into between the Fund Manager, on behalf of the Customer, and third parties in connection with the Portfolio.
 - 11.3. The Fund Manager shall keep accurate and detailed records of all investments, receipts, disbursements and other transactions relating to the Portfolio, which it shall send to the Customer in a monthly report.
 - 11.4. The Fund Manager shall supply on demand to the Customer copies of all accounts entries and other records relating to the Portfolio. The Fund Manager will extend its normal working hours as and when reasonably requested by the Customer and will provide, without unnecessary delay, all necessary facilities and assistance to the Customer's auditors and other authorised representatives, including representatives of its shareholders and/or of the BoN, to audit and verify records of the Fund Manager relating to the securities, papers and other assets in the Portfolio, according to the applicable legislation. The scope of the audit shall not be limited by the Fund Manager and may include the examination of the Fund's accounting system, procedures, records, internal controls, and any other documents or information in the Fund Manager's possession to the extent relevant to the Customer (and subject to redaction to the extent required to respect the confidentiality of other clients) that the Customer or the auditor deems necessary acting reasonably to verify in order to facilitate formulation by the Customer of any opinion on the costs, both direct and indirect, or other amounts billed to the Customer and the performance of the Portfolio and the Fund Manager. The Fund Manager shall co-operate as necessary and facilitate the performance of any such audits, including securing for the aforementioned auditors and other authorised representatives assistance from the Fund Manager's compliance officer and internal auditors.
 - 11.5. The Fund Manager shall report to the Customer within two business days of its discovery of any non-compliance with or breach of the provisions of this Management Agreement (including the Annexes) and shall take all steps required to make good such non-compliance as soon as possible.
 - 11.6. The Fund Manager will liaise as necessary with the Depositary to enable the Depositary, on the Customer's behalf, to fulfil any obligations to disclose shareholdings in companies in which the Portfolio is invested in accordance with relevant legislation and will provide timely information to the Depositary for this purpose.

12. CONFIDENTIALITY AND ACTS WITH FISCAL CONSEQUENCES

- 12.1. The Fund Manager will, except only in so far as:
 - (a) otherwise required by laws or regulations; or
 - (b) necessary for effecting settlement and the performance of operations with the Depositary and any sub-custodian for the assets of the Portfolio; or
 - (c) reasonably required for the proper performance of the services and for the enforcement of its rights and obligations under this Management Agreement; or
 - (d) otherwise permitted in writing by the Customer; or
 - (e) necessary for the purpose of setting up foreign exchange facilities (disclosure in this case shall be limited to credit and compliance departments of the banks),

ensure that all matters relating to the Portfolio and the Customer will be kept strictly confidential. Before the Fund Manager discloses confidential information under paragraph (a) above, it shall inform the Customer to this end. The Fund Manager shall procure that the Delegate provides to the Customer a confidentiality undertaking in the relevant delegation agreement in respect of all matters relating to the Portfolio, its role as a Delegate and this Management Agreement, in form and substance acceptable to the BoN.
- 12.2. The Fund Manager shall not disclose information relating to the Portfolio and the Customer to other companies of the Fund Manager's Group (except for the Investment Manager in its capacity as, and to the extent required for its role as, a Delegate) who carry on to a material extent any activities other than investment management outside those members of staff engaged in investment management functions,

except in circumstances permitted in Clause 12.1. (a)- (d). The Fund Manager shall (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will) in any event operate confidentiality procedures which oblige its staff only to disclose information relating to the Portfolio and the Customer within the Fund Manager (or the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3) on a “need to know” basis and to observe strictest confidentiality in relation to price sensitive information.

- 12.3. The Fund Manager shall not (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will not) knowingly take or omit to take any action which might prejudice the interests of the Customer with respect to the applicable tax legislation. Without prejudice to the generality of the foregoing, the Fund Manager may (i) create any new taxable presence of the Customer, (ii) subject the Customer to new tax filing or reporting obligations, or (iii) expose the Customer to any significant tax charge outside the ordinary course of business, in each case only if the Fund Manager, after due diligence and careful investigation, considers it to be in the best interests of the Customer.

13. TERMINATION

- 13.1 This Management Agreement may be terminated according to its provisions and the applicable legislation.
- 13.2. The Customer may unilaterally and at its sole discretion terminate this Management Agreement, at any time, on three months’ prior written notice to the Fund Manager, based on an OGM resolution for approving the simultaneous termination of the mandate and of this Management Agreement. For the avoidance of any doubt, termination of the mandate and this Management Agreement in accordance with this Clause 13.2 will not entitle the Fund Manager to any Damages or the payment of any amounts other than the fees to be paid in accordance with Clause 13.6 below. This is without prejudice to Clause 17.4(c) but, for the avoidance of any doubt, such Clause 17.4(c) will never extend to Damages for termination in accordance with this Clause 13.2.
- 13.3 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director with six months’ prior written notice. Not later than five business days following the Termination Notice Date, but subject to timely approval of the GSM agenda by the BoN, the Fund Manager will call the OGM having on the agenda the approval of the procedure for the selection of a new Sole Director and Fund Manager. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its submission to an OGM for approval.
- 13.4 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director by as much prior written notice to the Customer as is reasonably practicable, if:
- (a) the termination has been required by, or as a result of, a binding decision issued by any competent regulatory authority; or
 - (b) if material obligations under this Management Agreement can no longer be fulfilled due to changes in the applicable law compared to the date of signing this Management Agreement, provided that the Fund Manager has used reasonable endeavours to comply with or (if it is not possible for the Fund Manager to do so) to propose a reasonable alternative arrangement involving an Affiliate which would comply with the relevant law, in accordance with Clause 14.4 below, but despite those efforts compliance would not be possible; or
 - (c) if the Customer becomes the subject of any definitive winding up order.
- 13.5 In any event a Termination Notice is sent (except under Clause 13.4) or in the event of expiry of this Management Agreement, the Fund Manager shall (except to the extent otherwise required in writing by the Customer) continue to carry out all such acts as it is empowered and required to do by any part of this Management Agreement until the New Appointment Date provided that this obligation is subject to the continuing satisfaction of the following conditions:
- (a) the terms of this Management Agreement (including, without limitation, all authorisations from the Customer to the Fund Manager and all terms of remuneration and indemnity in favour of the Fund Manager) shall continue to apply;

- (b) the shareholders at GSM approve resolutions proposed by the Fund Manager to ratify and approve, to the extent legally possible:
 - (i) the Fund Manager's mandate as sole director and fund manager of the Customer, with effect until the New Appointment Date and
 - (ii) all legal acts (including decisions and contracts) concluded, adopted and issued on behalf of the Customer by the Fund Manager and any implementation acts, facts and operations based on such, including the management of the Customer under a unitary system, but, in each case, without prejudice to any grounds for termination given by the Customer in any prior Termination Notice and to any rights of the Customer under Clause 17 hereunder; for the avoidance of any doubt, the condition under this paragraph (b) will not apply in the event that the ratification from the GSM is requested for acts performed by the Manager in breach of its legal and/or contractual obligations as Fund Manager and Sole Director;
 - (c) the BoN shall use all reasonable endeavours to ensure that the New Appointment Date occurs as soon as possible; and
 - (d) the mandate as Sole Director does not end between the Termination Notice Date and the New Appointment Date, unless such ending is caused by deliberate actions of the Fund Manager, in which case the condition under this paragraph (d) will not apply.
- 13.6 Termination of this Management Agreement shall not terminate rights and obligations which are capable of surviving termination, including in particular, duties of the Fund Manager to report to the Customer, to provide information to the Customer and to keep matters confidential and for the Customer to indemnify the Fund Manager in accordance with Clause 17.4(c), which, for the avoidance of any doubt, will never extend to Damages for termination in accordance with this Clause 13. Transactions in progress shall be dealt with in accordance with the Customer's instructions or, in the absence of such instructions, having regard to the best interests of the Portfolio.
- 13.7. In the event a Termination Notice is sent, the Fund Manager shall be paid in respect of its services hereunder on a pro rata basis with the duration of the provision of these services in accordance with Clause 13.5 above, in compliance with the Annex 1 (Fees), up to the New Appointment Date. For the avoidance of doubt, in such a case, the Fund Manager's, pro rata remuneration will be for a period of at least 3 months (regardless of whether the New Appointment Date is sooner).
- 13.8. In case of:
- (i) fraud, wilful default or negligence by the Fund Manager in performing the obligations assumed under this Management Agreement; or
 - (ii) material breach by the Fund Manager of obligations assumed under this Management Agreement that may bring a serious loss to the Customer and that, if capable of remedy, have not been remedied within 10 business days of a notice of breach, this Management Agreement may be terminated by the Customer with full right with immediate prior notice but without any court intervention.
- 13.9. In no circumstances shall the Fund Manager be obliged to continue its mandate as a Fund Manager and compliance with this Management Agreement beyond the date twelve months from the Termination Notice Date, unless otherwise expressly agreed in writing by the Parties or required by law.

14. AMENDMENT OF THIS MANAGEMENT AGREEMENT, ASSIGNMENT OF RIGHTS AND DELEGATION

- 14.1. This Management Agreement may be amended at any time by an addendum signed by the legal representatives of the Fund Manager and of the Customer, with the prior approval of the GSM and the endorsement of the FSA, if required by applicable law.
- 14.2. This Management Agreement is concluded in consideration of the person of the Fund Manager and is personal to the Fund Manager. The Fund Manager shall not be entitled to assign or to transfer any of its rights or obligations hereunder save as expressly provided in this Management Agreement.
- 14.3. (a) The Fund Manager may delegate to an Associated Company including the Investment Manager, performance on its behalf of the portfolio management functions as well as administration and marketing

activities which the Fund Manager has agreed to render to the Customer, subject in each case to entering into a delegation agreement, which has received the prior approval of the BoN and which the Fund Manager has ensured that it is in compliance with the AIFM Rules. The performance of each Delegate of the delegated obligations and duties shall be on the terms and be subject to the conditions contained in this Management Agreement, and shall be without prejudice to the obligations and responsibilities of the Fund Manager to the Customer under this Management Agreement.

(b) The Fund Manager shall be responsible for the acts or omissions of the Investment Manager (and each other Delegate, if any) in performing such functions, activities and services, and despite any such delegation, shall remain primarily liable for its obligations under this Management Agreement. Any such delegation by the Fund Manager shall not involve any additional cost to the Customer, unless expressly authorised in writing by the Customer, and the appointment of each Delegate shall be subject to the prior written approval of the BoN and the prior endorsement of any regulatory authority required by applicable legislation.

(c) The Fund Manager shall not delegate functions so that it is no longer the Customer's manager and to the extent that it becomes a letter-box entity within the meaning of AIFM Rules.

(d) The Fund Manager shall procure that each Delegate does not delegate any functions delegated to it according to this Management Agreement without the BoN's prior written approval and the endorsement of any regulatory authority required by applicable law. This Clause 14 shall apply, mutatis mutandis, to any such delegation by a Delegate, and the Fund Manager shall continue to remain liable towards the Customer with respect to any such further delegation.

- 14.4 To the extent that changes in applicable law or regulation following the signing of this Management Agreement impose requirements on the Fund Manager in the performance of this Management Agreement with which the Fund Manager cannot comply, the Fund Manager undertakes to use reasonable endeavours to continue performance of the services to the extent legally possible and, to the extent not legally possible, to procure that a reputable Affiliate shall agree to provide the same services on substantially the same terms to the Customer. For the avoidance of any doubt, the appointment of such Affiliate, as well as the implementation of any amendments to this Management Agreement or any other alternative arrangement proposed by the Fund Manager are subject to consent by the Customer, at its full discretion and nothing in this Management Agreement shall be construed as an expressed prior consent in this respect.

15. DURATION OF THIS MANAGEMENT AGREEMENT

- 15.1. Subject to the provisions of Clause 13, the duration of this Management Agreement and of the Fund Manager and the Sole Director mandates contained in this Management Agreement is for a period of two years, simultaneously starting on 1 April 2016.

16. COMMUNICATIONS, INSTRUCTIONS, NOTIFICATIONS

- 16.1. Subject to a GSM resolution to the contrary, as regards the relationship between the Customer and the Fund Manager/ Sole Director under or in relation to this Management Agreement, any reference in this Management Agreement to the Customer shall be deemed a reference to the BoN acting as the representative of the Customer towards the Fund Manager/ Sole Director. For the avoidance of doubt, any right or benefit of the Customer under this Management Agreement in relation to or against the Fund Manager/ Sole Directors shall be exercised by the BoN acting in the name and on behalf of the Customer.
- 16.2. All notifications and other communications from the Customer shall be made by BoN to the Fund Manager.
- 16.3. For the purpose of any communication between the Customer and the Fund Manager in relation to this Management Agreement, the Customer shall be represented by BoN.
- 16.4. The Fund Manager shall be entitled to rely on any notification or communication given by the BoN above without further enquiry, provided the instruction, notification or communication is given in one of the ways permitted in this Management Agreement and provided that oral instructions may not be relied upon by the Fund Manager.

- 16.5. All notices or any other communication to be given under this Management Agreement must be in writing, in Romanian or English, and must be: (i) personally delivered; (ii) delivered by fax; (iii) sent by courier with return receipt; or (iv) by e-mail.
- 16.6. The Parties details for transmitting notifications or any other communications related to the present Management Agreement are the following:
- (a) If addressed to the Fund Manager:
- Address:
- Premium Point Building
- 78-80 Buzești Street, 7th -8th floor, Bucharest
- District 1, Postal Code 011017
- Fax: (021) 200 96 31/32
- To the attention of: Mr. Grzegorz Maciej Konieczny
- (b) If addressed to the Customer:
- At the contact details provided by the representative of the Customer.

17. PARTIES' LIABILITIES

- 17.1. The Fund Manager is liable for any Damages suffered by the Customer as a result of:
- (a) infringement of the applicable legislation;
 - (b) infringement of the Customer's internal rules, including the investment restrictions under the IPS;
 - (c) fraud;
 - (d) wilful default in performing this Management Agreement;
 - (e) negligence in the performance of this Management Agreement's obligations; or
 - (f) material breach of this Management Agreement.

For avoidance of doubt, the Fund Manager's liability under this clause 17.1 shall not exclude or limit its liability for death or personal injury caused by the Fund Manager's negligence; or fraud or fraudulent misrepresentation.

- 17.2. The Fund Manager's liability towards the Customer and its investors shall not be affected by any delegation. The Fund Manager shall also be liable for the negligence, wilful default, fraud or material breach of this Management Agreement by its Delegates, or its or their employees. The Fund Manager shall exercise all due care in its selection, use and monitoring of Delegates and shall indemnify and hold harmless the Customer from and against any Damages suffered or incurred by the Customer and caused by any failure to exercise all due care. The Fund Manager shall make reasonable efforts to resume normal performance of the services following, and to mitigate the consequences of, an event beyond its and its Delegates' reasonable control.
- 17.3. The Fund Manager shall not be liable for the actions of brokers (not being Associated Companies of the Fund Manager) save to the extent that the Fund Manager has acted negligently in selecting, contracting or monitoring or using such persons. Without prejudice to clause 6.11 above, in selecting a broker for a particular transaction, the Fund Manager shall attempt to obtain best execution for the Customer. Notwithstanding this responsibility, the Fund Manager will pursue counterparties on the Customer's behalf and account to the Customer for all recoveries against such counterparties.
- 17.4. (a) The Fund Manager agrees to indemnify and hold harmless each Indemnified Party from and against any and all Damages, to which the Indemnified Party may become subject under law, including allegations of negligence or breach of fiduciary duty, or otherwise, insofar as such Damages are caused by or arise out of: (i) the wilful misconduct of the Fund Manager or any of its Delegates (or its or their employees); (ii) the breach by the Fund Manager or any of its Delegates (or its or their employees) of any representation or

warranty made to the Customer relating to the services hereunder or in respect of any AIFM Rules; (iii) the breach or non-fulfilment by the Fund Manager or any of its Delegates (or its or their employees) of any obligation pursuant to this Management Agreement or the investment restrictions under the IPS; (iv) any untrue statement of a material fact contained in information furnished to an Indemnified Party by the Fund Manager or any of its Delegates (or its or their employees) or the omission to state a material fact necessary in order to make the statements not misleading in light of the circumstances under which they were made; (v) the breach by the Fund Manager or any of its Delegates (or its or their employees) of any fiduciary duty or infringement of applicable law.

(b) The Fund Manager shall indemnify and shall hold harmless each Indemnified Party for all Damages incurred by an Indemnified Party, in connection with any investigation, claim, action, suit, proceeding, demand or judgment, which is subject to any of the indemnities in this Clause 17.

(c) Save to the extent arising from Fund Manager's or its employees' negligence, fraud, wilful default or breach of this Management Agreement, the investment restrictions under the IPS or the applicable legislation or that of any of its employees or Delegates, Associated Companies or their respective employees, the Customer agrees to indemnify the Fund Manager from and against Damages arising from following the Customer's specific instructions (including, for the avoidance of doubt, informed decisions of the GSM in addition to instructions from the BoN), provided that:

- (i) the Fund Manager notifies the Customer in writing by fax or email (to such fax or email address as the BoN shall have notified the Fund Manager), as soon as reasonably practicable, but no later than 3 business days after becoming aware of the relevant Damage;
- (ii) the Fund Manager does not make any admission of liability or agree to any settlement or compromise of any claim for which indemnity is sought without the prior written consent of the Customer;
- (iii) on a prompt and timely basis the Fund Manager shall have provided all such documents, information and assistance and have done all such acts and things as the Customer may have reasonably required in order to assist the Customer in relation to such claims; and
- (iv) the Fund Manager will provide evidence that it has taken all reasonable steps necessary to mitigate such Damages, including by advising the Customer in writing against such instructions, prior to the notification mentioned at point (i) above.

17.5. Subject to observance of clause 6.17, the Fund Manager will maintain the following insurance:

- (a) Professional Liability to provide against, any failure to duly perform this Management Agreement if that failure is due to a wrongful act, negligent act, error, omission for an insured amount of at least €50 million;
- (b) Fidelity Bond to provide against any failure to account to the Customer for any money or investments if that failure is due to: (i) dishonest or fraudulent act of any employee; (ii) forgery of instructions, cheques, security or currency and damage caused to office premises and contents due to burglary or vandalism; and (iii) electronic and computer crime for an insured amount of at least €50 million.

17.6. Upon request of the Customer, the Fund Manager shall provide to the Customer evidence that the premium for each insurance described in Clause 17.5 above has been paid.

17.7. The Fund Manager's liability towards the Customer and the shareholders shall not be affected by the fact that the Fund Manager has delegated functions to a third party, or by any further sub-delegation.

18. FORCE MAJEURE

18.1 If a party (the "Affected Party") is, or could reasonably be expected to be, materially prevented, hindered or delayed from performing any of its obligations under this Management Agreement by reason of a Force Majeure Event, such obligations of the Affected Party and any corresponding or related obligations of the other party shall remain in effect but shall be suspended without liability and without there having occurred by virtue of the Force Majeure Event a breach of this Management Agreement for a period equal to the duration of the Force Majeure Event, provided that:

- (i) as soon as reasonably practicable after the start of the Force Majeure Event, to the extent permitted by the applicable law, the Affected Party notifies the other party in writing of the act, event or circumstance

- relied on, the date on which such act, event or circumstance commenced and the effect of the Force Majeure Event on the Affected Party's ability to perform its obligations under this Management Agreement; and
- (ii) the Affected Party makes all reasonable efforts to mitigate the effects of the Force Majeure Event on the performance of its obligations under this Management Agreement and to the extent permitted by the applicable law furnishes written reports every 10 Business Days to the other party on its progress in doing so, and to the extent permitted by the applicable law provides any information relating to the Force Majeure Event and its effects that the other party may reasonably request.
- 18.2 Immediately after the end of the Force Majeure Event, the Affected Party, to the extent permitted by the applicable law, shall notify the other party in writing that the Force Majeure Event has ended and shall resume performance of its obligations under this Management Agreement.
- 18.3 No party shall be released from any of its obligations under this Management Agreement as a result of a Force Majeure Event, including, without limitation, the Customer's obligations to any counterparty or broker for any transaction effected by the Fund Manager pursuant to this Management Agreement, and this Management Agreement shall remain in effect for the duration of the Force Majeure Event.
- 18.4 If any Force Majeure Event shall substantially impair the ability of the Fund Manager to carry out its duties under this Management Agreement, the Customer shall be entitled to appoint a replacement manager until such event is rectified. If the Fund Manager remains unable to deliver (whether through Delegates or outsourcees or otherwise) substantially all its services under this Management Agreement after three months from the appointment of the relevant replacement manager have elapsed, the Customer shall be entitled to terminate the appointment of the Fund Manager on immediate notice.
- 18.5 For the avoidance of doubt, no Party may rescind, terminate or treat as void, voidable or unenforceable this Management Agreement on the basis of any non-performance by any other Party arising from a Force Majeure Event.

19. APPLICABLE LAW AND JURISDICTION

- 19.1. This Management Agreement is governed by and shall be construed in accordance with the laws of England & Wales.
- 19.2. Dispute Resolution
- (a) Any dispute or difference arising out of or in connection with this Management Agreement, including without limitation any disputes regarding its valid conclusion, existence, interpretation, nullity, breach, amendment, termination in any way of this Management Agreement (each a "Dispute"), that cannot be resolved by amicable negotiations within a reasonable period of time from the notice served by any of the Parties relating to the potential Dispute shall be finally resolved by the LCIA (London Court of International Arbitration) under the LCIA Rules of Arbitration. The Party requesting the initiation of the arbitration proceedings shall serve the other Party with a written notice that such proceedings will be initiated.
- (b) The place of the arbitration shall be London, the language of the arbitration shall be English, and the tribunal shall consist of three (3) arbitrators appointed in accordance with the LCIA Rules.
- (c) Any award of the arbitral tribunal rendered in accordance with this clause shall be final and binding on the Parties.
- (d) The award shall be voluntarily executed by the Parties in any jurisdiction, or else award enforcement proceedings may be instituted in any court in the country where the recognition of such arbitration award is requested.
- (e) In the event of a Dispute, the Party prevailing in such Disputes shall be entitled to recover all expenses, including without limitation reasonable legal fees and expenses and arbitral and court-related costs, incurred in ascertaining such Party's rights under this Management Agreement and preparation of application and enforcement of such Party's rights, as determined by the arbitration tribunal, whether or not it was necessary for such Party to institute any enforcement proceedings to achieving the enforcement of its rights.

19.3. Notwithstanding the above, the Fund Manager acknowledges that any decision of the Customer to terminate the Fund Manager's mandate as Sole Director will take effect pursuant to the provisions of Clause 13. above.

20. REPRESENTATIONS AND WARRANTIES

20.1. The Fund Manager represents and warrants to the Customer that at all times:

- (i) the Fund Manager has full power and authority to execute, deliver and to carry out the terms of this Management Agreement and that this Management Agreement constitutes a legal, valid and binding obligation of the Fund Manager;
- (ii) the Fund Manager is duly incorporated in Luxembourg and has received relevant authorisations to passport its investment management services into Romania in accordance with the AIFMD and it has at the time of entering into this Management Agreement at least the minimum level of capital and own funds required under the AIFM Rules;
- (iii) the Fund Manager has the legal capacity, as per the law applicable in its home country and Romania, as the case may be, and has received all relevant authorisations and approvals by each relevant authority to provide investment management and other services of the type contemplated under this Management Agreement to an entity such as the Customer;
- (iv) the Fund Manager has special knowledge and skill relevant to the services for which it is engaged under this Management Agreement;
- (v) neither the Fund Manager, the Investment Manager nor any Associated Company who acts as a Delegate in accordance with clause 14.3 is the subject of any regulatory or governmental actions, claims or investigations relevant to its investment management activities which could impair its ability to carry out the terms of this Management Agreement;
- (vi) neither the Fund Manager nor any of its subsidiaries, Associated Companies, divisions or other affiliates involved with the affairs of the Customer has ever had its registration revoked, suspended or its activities restricted;
- (vii) each of the Fund Manager, the Investment Manager and any Associated Company who acts as a Delegate in accordance with clause 14.3 maintains adequate back up and disaster recovery systems and procedures, conflicts of interest policies, risk management policies and any other policies or procedures required by the applicable legislation with respect to the activity carried out by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 as regards the Customer;
- (viii) each of the Fund Manager, the Investment Manager and any Associated Company who acts as a Delegate in accordance with clause 14.3 takes investment decisions solely with reference to the interests of the respective funds it manages;
- (ix) its financial statements and the financial statements of the Investment Manager are subject to regular audit by financial auditors; and
- (x) to the best of the Fund Manager's knowledge, neither the execution, delivery, nor performance of this Management Agreement by the Fund Manager will violate any law, statute, order, rule, or regulation of, or judgment, order or decree by, any federal, state, local, or foreign court or governmental authority, domestic or foreign, to which the Fund Manager is subject nor will the same constitute a breach of, or default under, provisions of any agreement or contract to which it is a party or by which it is bound.

The Fund Manager shall notify the Customer forthwith of any event or matter, which would, if these warranties were repeated, render them untrue, inaccurate or misleading.

20.2. Subject to Clause 22.2., the Fund Manager shall promptly notify the Customer in writing of changes in the Portfolio managers primarily responsible for the Portfolio or in senior staff responsible for setting the investment and business policy of the Fund Manager and of the Investment Manager. The Fund Manager will provide on annual basis, within 30 days from the beginning of the calendar year, a list with portfolio managers, the main persons with responsibilities in respect to the Portfolio, and senior staff responsible for

setting the business and investment policy within the Fund Manager and the Investment Manager. In case of a need to change a portfolio manager or a main person with responsibilities in respect of the Portfolio, the replacement shall have equal or superior qualifications and professional experience and similar time allocation for the Customer.

- 20.3 By this Management Agreement, the Customer represents and certifies that it is the legal owner of the assets comprised in the Portfolio, as at the signing date of this Management Agreement.
- 20.4. The Customer warrants that on the date this Management Agreement is signed, the Portfolio is free from any charge, lien, pledge or encumbrance other than those resulting from normal custody and settlement arrangements or through action or omission of the Investment Manager under its previous mandate as fund manager with the Customer. If the Customer shall create in the future or be informed about the creation of any charge, lien, pledge or encumbrance (other than through action of the Fund Manager) which may affect the Fund Manager's freedom to trade in such securities, it undertakes that it will inform the Fund Manager of such action as soon as reasonably practicable.
- 20.5. The Customer, in the form of its BoN and shareholders, represents that it took all reasonable steps to approve and execute all such documents and to give all authorizations and consents as are reasonably necessary to have the necessary capacity and authority to enter into this Management Agreement. This representation is subject to all information publicly available as regards the corporate decisions taken by the Customer as of its incorporation.

21. DATA PROTECTION

- 21.1 The Fund Manager stores on its computer system and processes personal data in connection with the implementation of its mandate. The Customer authorises the Fund Manager to perform such data processing and recognises that the Fund Manager is free to use the data, but only for the purposes of performing this Management Agreement and of the implementation of its mandate in accordance with the law.
- 21.2. The Fund Manager will act as data controller within the meaning of the Data Protection Laws in relation to any personal data supplied to it in connection with this Management Agreement and for the purposes indicated in Clause 21.1 above. Each Party undertakes to comply with its obligations under the Data Protection Laws in relation to such personal data it processes in relation to this Management Agreement including amongst others, to observe all the applicable formalities concerning notifying the competent data protection authority, as well as concerning informing and obtaining the relevant consent from the data subjects, where required and as incumbent upon it under the Data Protection Laws. Notwithstanding the generality of the foregoing, the Customer acknowledges and agrees that personal data relating to its investors being natural persons may be transferred to the Fund Manager and may be processed as imposed by the applicable legal provisions by the Fund Manager as if such data related to the Customer itself, with the exception that in this particular case the Customer shall be the data controller (within the meaning of the Data Protection Laws) acting in accordance with the notification registered by it with the National Supervisory Authority for Personal Data Processing under no. 18668, as such would be amended from time to time, whilst the Fund Manager shall only act as its data processor (within the meaning of the Data Protection Laws). In this particular case, the Fund Manager undertakes to only act based on the Customer's instructions and to observe and apply the security measures provided by the Data Protection Laws (including to apply the adequate technical and organizational measures in order to protect the data against accidental or unlawful destruction, loss, alteration, disclosure or unauthorized access, notably if the respective processing involves the data's transmission within a network, as well as against any other form of illegal processing).
- 21.3. Subject to applicable provisions of the Data Protection Laws, the data provided to the Fund Manager acting as data processor shall not be shared by the Fund Manager with third-parties other than the persons designated by the Customer and the companies or persons whose involvement is necessary to carry out all or part of the Fund Manager's duties and obligations contemplated under this Management Agreement (consisting in the Fund Manager's "parent" company, the Investment Manager, and the Fund Manager's Affiliates, any Delegates, subcontractors and/or outside service providers) and in accordance with the Fund Manager's internal procedures. In this context, the Customer acknowledges and agrees that personal data related to it or the investors may be transmitted, stored and processed on systems located outside of Romania, in the European Union, which systems are or may be operated by the Fund Manager or third

parties indicated above in this Clause 21.3. In case such data will be envisaged to be transmitted, stored and processed in other countries than those mentioned in this clause, the Fund Manager shall observe the applicable provisions of the Data Protection Laws, including, if necessary, the registration of this transfer with the National Supervisory Authority for Personal Data Processing, before any transmission, storage and processing in the said additional countries takes place.

21.4. Data is kept for the duration of the contractual relationship and may be kept for the maximum period legally possible, if any, following the termination of this relationship.

22. TRANSITORY AND FINAL PROVISIONS

- 22.1. If any of the provisions of this Management Agreement is held to be invalid or unenforceable, or impossible to perform, such invalidity, unenforceability or impossibility shall not affect any other provisions of this Management Agreement, and this Management Agreement shall be construed and enforced as if such invalid, unenforceable or impossible to perform provisions had not been included.
- 22.2. For the duration of this Management Agreement and irrespective of any replacement of the Fund Manager to which the Customer may consent, the Fund Manager undertakes (and must ensure that any entity in the Fund Manager's Group with which the Fund Manager may be replaced undertakes) that Mr. Grzegorz Maciej Konieczny, in his capacity as the Investment Manager's legal representative with respect to the Customer and Permanent representative of the Fund Manager, (i) will be not, without the prior express written approval of the BoN, changed, replaced or dismissed, save as a result of his misconduct, nor will the Fund Manager do any similar acts or things or do anything which may have a similar effect, and (ii) it will use all reasonable efforts to procure that Mr. Grzegorz Maciej Konieczny must, for the duration of his role (or any replacement to whom investment discretion is allocated) in the course of this Management Agreement, devote the necessary time for the management of the Portfolio, subject to compliance at all times with the conflict of interest provisions set forth under the AIFM Rules.

23. SIGNATORIES

This Management Agreement will be signed in the English and Romanian language and executed in 3 originals, one for the Fund Manager and two for the Customer.

This Management Agreement is executed as of the date mentioned on its cover page:

by **FONDUL PROPRIETATEA SA** as duly represented by:

Name: Sorin Mihai MINDRUTESCU

Position: Chairman of the Board of Nominees

Execution date: ____ / ____ / ____

on the one part;

and by **FRANKLIN TEMPLETON INVESTMENT SERVICES S.À R.L.** as represented by:

Name: Grzegorz Maciej KONIECZNY

Position: Attorney-in-Fact

Execution date: ____ / ____ / ____

on the other part.

Annex 1 - Fees

The fees due to the Fund Manager in accordance with Clause 10 of this Management Agreement shall be calculated in RON and invoiced and paid in Euro by the Customer in compliance with the following: the amount calculated in RON will be converted into Euro using the official exchange rate for RON to Euro published by National Bank of Romania for the last day of the period invoiced.

The fees shall be calculated as (i) a Base Fee, and (ii) a Distribution Fee, in each case as set out below and in respect of each Calculation Period.

1. Base Fee

A base fee (the “Base Fee”) shall be calculated as follows:

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

where:

the “Base Fee Rate” = 60 basis points per year;

1 basis point = 0.0001; and

the “notional amount” is the market capitalization of the Customer, which is defined as:

- (a) the number of the Customer’s paid shares considered on daily basis, minus
- (b) the weighted average over the applicable Calculation Period of the number of the Customer’s -settled own shares together with the number of the Customer’s equivalent ordinary shares represented by Global Depositary Receipts (“FP GDRs”), in each case where those shares or FP GDRs are held by the Customer as treasury shares,
- (c) then multiplying the resulting number by the weighted average market price of the Customer’s shares calculated for the applicable Calculation Period. The “weighted average market price” shall be computed based on the daily average market prices of the Customer’s shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section.

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

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

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

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

2. Distribution Fee

It is recognized that distributions beneficial to shareholders would reduce the notional amount upon which the Base Fee is calculated. To reward the Fund Manager for arranging such distributions, a fee shall be calculated as follows (an amount so calculated in respect of a particular period, a “Distribution Fee”):

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

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

3. Payments

- (a) The Base Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which payment is to be made.
- (b) The Distribution Fee shall be paid by the Customer quarterly, based on the invoices to be issued by the Fund Manager within twenty (20) business days following the end of the quarter for which the Distribution Fee was calculated.
- (c) The invoices for the Base Fee and the Distribution Fee shall be submitted to the Depositary.
- (d) The Fund Manager shall provide to the BoN quarterly and on an annual basis and upon reasonable request of the BoN a detailed report regarding the fees collected under this Management Agreement, in the form reasonably required by the BoN.
- (e) The payment of each fee shall be done within 30 business days of the receipt of the applicable invoice.

4. Verification

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

Annex 2 – Specific duties and obligations

Without prejudice to the obligations of the Fund Manager specified in the Management Agreement, the below is a non-exhaustive list of additional specific duties and obligations the Fund Manager undertakes to provide.

- Portfolio Management services

The Fund Manager shall provide portfolio management services to the Customer as mentioned in Clause 6 of the Management Agreement.

- Risk Management services

The Fund Manager shall provide risk management services to the Customer in order to assess the exposure of the Customer to market, liquidity and counterparty risks and the exposure of the Customer to all other relevant risks, including operational risks which may be material for the Customer, subject to and in accordance with the terms and provisions of this Management Agreement, the applicable AIFM Rules and any applicable circular to be issued by the CSSF (the "CSSF Circular"), and the risk management systems implemented by the Fund Manager, as may be amended and supplemented from time to time (the "RMS").

The Fund Manager shall have and perform the following powers and duties:

1. in addition to the obligations in Clause 6 of the Management Agreement, to prepare, in the manner and with the level of detail prescribed by the AIFM Rules, the CSSF Circular and the AIFM Law, for submission to the Customer compliance reports at regular intervals in relation to the RMS in accordance with procedures agreed from time to time between the Customer and the Fund Manager;
2. to provide to the Customer in the frequency and the form stipulated in the RMS from time to time by the Customer, such information as is required by the Customer to comply with the risk management process requirements of the applicable law.

In addition, the Fund Manager shall at least:

- i. implement an appropriate, documented and regularly updated due diligence process when investing on behalf of the Fund, according to the investment strategy, the objectives and risk profile of the Fund;
- ii. ensure that the risks associated with each investment position of the Customer and their overall effect on the Customer's portfolio can be properly identified, measured, managed and monitored on an on-going basis, including through the use of appropriate stress testing procedures;
- iii. ensure that the risk profile of the Customer shall correspond to the size, portfolio structure and investment strategies and objectives of the Customer as laid down in the applicable legislation, Constitutive Act and IPS.

The Fund Manager shall set a maximum level of leverage which it may employ on behalf of the Customer as well as the extent of the right to reuse collateral or guarantee that could be granted under the leveraging arrangement (if any), taking into account all elements as required by the applicable legislation including the AIFM Rules, Constitutive Act and IPS.

- Administration Functions

The Fund Manager shall have and perform the following duties:

1. Managing the relationship with the Central Depositary with regard to its shareholders register functions – the only entity that has the right to keep the register of shareholders under Romanian legislation.
2. Keeping all the books, records, agreements, forms, papers, files and other corporate documents required by Romanian law.
3. Determining and issuing the net asset value of the Fund as well as the net asset value per share of the Fund.
4. Monitoring the compliance with the regulations in force.

5. Receiving any and all notices, correspondence, telegrams, telex messages, telephonic advice or other representations and communications received for account of the Fund.
6. Keeping with due diligence and caring any and all such Fund documents and information entrusted to it.
7. Providing and supervising facilities and services for the preparation and dispatch of statements, reports, notices, announcements, proxies, minutes and other documents to the shareholders and the BoN.
8. Co-operating at the drafting of the entire documentation for calling the General Meeting of Shareholders of the Fund.
9. Drafting the annual budget.
10. Drafting the Investment Policy Statement.
11. Proposing the conclusion of the financial audit agreement.
12. Proposing the change of the location of the registered office of the Fund.
13. Providing appropriate conference rooms for meetings of the BoN and the shareholders of the Fund.
14. Providing for any legal filing and publications and file any tax returns.
15. Maintaining contacts with all supervisory, regulatory, tax or other state authorities or Fund-related professional organisations in Romania, complying with any information request from these authorities and advising the Fund thereof (including the current reports).
16. Co-operating at the establishment of the annual reports, accounts, financial reports, financial statements and of any other documents, which have to be sent to Investors or to the relevant authorities in accordance with applicable laws, regulations or the Constitutive Act.
17. Dealing with investor queries and sending correspondence and all other documents to the investors.
18. Public Relations activities.

The Fund Manager, in its capacity as Sole Director, shall undertake in the name of the Customer the necessary administrative work required by the applicable legislation and the Constitutive Act and the IPS. The Fund Manager, in its capacity as Sole Director, shall have and perform the following powers and duties:

- i. to establish the books and records of the Customer in compliance with the legal provisions and the accounting practices in force at the relevant time in Romania and to keep them in Romania where all accounting documents shall be available at any time;
- ii. to determine the net asset value of the Customer as well as the net asset value per share of the Customer in accordance with Romanian legal provisions in force and the relevant provisions of the Constitutive Act;
- iii. to properly fulfil its legal obligations regarding the establishment of the annual accounts, financial reports and of any other documents which have to be sent to shareholders or to the relevant authorities in accordance with applicable laws, regulations or the Constitutive Act;
- iv. to take care, at the expenses of the Customer, of the dispatch of the correspondence, the financial reports and all other documents to the shareholders and to the relevant authorities;
- v. to prepare the financial statements and reports in accordance with the provisions of Romanian regulations and of the countries where the Customer is registered;
- vi. to co-operate, as necessary, with the Customer's auditors, the Romanian authorities and the authorities in the countries where the Customer is registered.

- Marketing

The Fund Manager is in charge of marketing the shares of the Customer globally. For the avoidance of doubt, the Fund Manager must carry out any notification or other formalities contemplated in Articles 29 and 30 of the AIFM Act or the equivalent provisions in legislation in another relevant Member State, where required in view of the marketing of the Customer's shares in any Member State which has implemented the AIFMD, as defined in the AIFM Act.

Annex 6

Documents for appointment of two members of the Board of Nominees during the six-month period ended 30 June 2016

**Resolution no. 2 / 26 April 2016
of the Shareholders' Ordinary General Meeting of
FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzesti Street, 7th floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 26 April 2016, 16:00 o'clock (Romanian time), the shareholders of Fondul Proprietatea S.A. ("the Fund") have met during the Shareholders' Ordinary General Meeting ("OGM") of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the OGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of permanent representative of Franklin Templeton International Services S.À R.L., a société à responsabilité limitée with its registered office located at 8A rue Albert Borschette, L-1246 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 36.979, registered with the public registry of the Financial Supervisory Authority ("FSA") under the number PJM07.1AFIASMDLUX0037/10.03.2016, in its capacity of alternative investment fund manager and sole director of Fondul Proprietatea S.A..

Whereas:

- The convening notice of the OGM was published on the Fund's website (www.fondulproprietatea.ro) on 2 March 2016, in the Official Gazette of Romania, Part IV, number 927 of 4 March 2016 and in "Bursa" newspaper no. 44 of 4 March 2016;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 297/2004 on capital market, with its subsequent amendments and supplementations (Law no. 297/2004);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Regulation of the Financial Supervisory Authority no. 4/2013 regarding depositary receipts (Regulation no. 4/2013);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" S.A., as well as on trading the shares issued by this company.

Following debates, the Fund's shareholders decide as follows:

- I. The appointment of Mr. SORIN MIHAI MÎNDRUȚESCU as a member of the Board of Nominees following the expiration of the mandate of Mr. SORIN MIHAI MÎNDRUȚESCU on 30 September 2016; the mandate of the new member is valid for a period of three (3) years and shall produce its effects starting with the said date onwards, subject to the acceptance of the mandate by the newly appointed member.

This item is adopted with 5,606,395,120 votes representing 99.69% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 5,606,395,120 votes "for" and 17,245,301 votes "against". There were also registered: 15,298,326 abstains, and 63,282,983 votes „not given”.

- II. In accordance with Article 1292 of Regulation no. 1/2006, the approval of 23 May 2016 as the Ex – Date, computed in accordance with the provisions of Article 2 paragraph (2) letter f1) of Regulation no. 1/2006, and 24 May 2016 as the Registration Date, computed in accordance with the provisions of Article 238 paragraph (1) of Capital Market Law no. 297/2004. As no payments to the shareholders shall be triggered by the decisions herein, shareholders do not decide upon the Payment Date, as it is defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with 5,685,366,633 votes representing 99.94% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 5,685,366,633 votes "for" and 3,258,225 votes "against". There were also registered: 12,231,941 abstains, and 1,186,921 votes „not given”.

- III. The empowerment, with authority to be substituted, of Grzegorz Maciej KONIECZNY to sign the shareholders' resolutions, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders' resolution, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item is adopted with 5,686,099,377 votes representing 99.92% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 5,686,099,377 votes "for" and 4,119,393 votes "against". There were also registered: 11,316,058 abstains, and 247,052 votes „not given”.

This decision is drafted and signed on behalf of the shareholders by:

Grzegorz Maciej KONIECZNY

Vlad Neacșu

Meeting secretary

Valeriu Ioniță

Technical secretary

Resolution no. 3 / 26 April 2016
of the Shareholders' Ordinary General Meeting of
FONDUL PROPRIETATEA S.A.

Headquarters: 78-80 Buzesti Street, 7th floor, sector 1, Bucharest, registered with the Trade Register under number J40/21901/2005, fiscal registration code 18253260

Today, 26 April 2016, 16:00 o'clock (Romanian time), the shareholders of Fondul Proprietatea S.A. ("the Fund") have met during the Shareholders' Ordinary General Meeting ("OGM") of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the OGM being opened by its Chairman, namely Mr. Grzegorz Maciej Konieczny, in his capacity of permanent representative of Franklin Templeton International Services S.À R.L., a société à responsabilité limitée with its registered office located at 8A rue Albert Borschette, L-1246 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 36.979, registered with the public registry of the Financial Supervisory Authority ("FSA") under the number PJM07.1AFIASMDLUX0037/10.03.2016, in its capacity of alternative investment fund manager and sole director of Fondul Proprietatea S.A..

Whereas:

- The convening notice of the OGM was published on the Fund's website (www.fondulproprietatea.ro) on 2 March 2016, in the Official Gazette of Romania, Part IV, number 927 of 4 March 2016 and in "Bursa" newspaper no. 44 of 4 March 2016;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 297/2004 on capital market, with its subsequent amendments and supplementations (Law no. 297/2004);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Regulation of the Financial Supervisory Authority no. 4/2013 regarding depositary receipts (Regulation no. 4/2013);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" S.A., as well as on trading the shares issued by this company.

Following debates, the Fund's shareholders decide as follows:

- I. The appointment of Mr. MARK HENRY GITENSTEIN as a member of the Board of Nominees following the expiration of the mandate of Mr. MARK HENRY GITENSTEIN on 30 September 2016; the mandate of the new member is valid for a period of three (3) years and shall produce its effects starting with the said date onwards, subject to the acceptance of the mandate by the newly appointed member.

This item is adopted with 5,603,155,220 votes representing 99.52% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 5,603,155,220 votes "for" and 26,997,906 votes "against". There were also registered: 9,997,052 abstains, and 62,071,552 votes „not given”.

- II. In accordance with Article 1292 of Regulation no. 1/2006, the approval of 23 May 2016 as the Ex – Date, computed in accordance with the provisions of Article 2 paragraph (2) letter f1) of Regulation no. 1/2006, and 24 May 2016 as the Registration Date, computed in accordance with the provisions of Article 238 paragraph (1) of Capital Market Law no. 297/2004. As no payments to the shareholders shall be triggered by the decisions herein, shareholders do not decide upon the Payment Date, as it is defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with 5,685,366,633 votes representing 99.94% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 5,685,366,633 votes “for” and 3,258,225 votes “against”. There were also registered: 12,231,941 abstains, and 1,186,921 votes „not given”.

- III. The empowerment, with authority to be substituted, of Grzegorz Maciej KONIECZNY to sign the shareholders’ resolutions, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders’ resolution, including formalities for publication and registration thereof with the Trade Register or with any other public institution.

This item is adopted with 5,686,099,377 votes representing 99.92% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 5,686,099,377 votes “for” and 4,119,393 votes “against”. There were also registered: 11,316,058 abstains, and 247.052 votes „not given”.

This decision is drafted and signed on behalf of the shareholders by:

Grzegorz Maciej KONIECZNY

Vlad Neacșu

Meeting secretary

Valeriu Ioniță

Technical secretary



FONDUL
PROPRIETATEA

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