

Fondul Proprietatea SA

(this is a translation from the official Romanian version)



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Company Information

The Company

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

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

NAV* and share price developments	Notes	H1 2017	H1 2016	YE 2016	Change % H1 2017 vs H1 2016	Change % H1 2017 vs YE 2016
Total shareholders' equity (RON million)	a	10,520.3	11,766.0	11,386.0	-10.6%	-7.6%
Total NAV (RON million)	b, n	10,570.3	11,804.5	11,427.4	-10.5%	-7.5%
NAV per share (RON)	b, n	1.1953	1.1445	1.1865		
NAV per share change in the period (%)	c, n	+0.7%	-1.0%	+2.6%		
NAV per share total return in the period (%)	c, i	+9.2%	+3.5%	+7.3%		
Share price as at the end of the period (RON)		0.8300	0.7260	0.7950		
Share price low (RON)	d	0.8000	0.6780	0.6780		
Share price high (RON)	d	0.9250	0.8040	0.8100		
Share price change in the period (%)	c	+4.4%	-10.4%	-1.9%		
Share price total return in the period (%)	c, j	+16.7%	-4.2%	+4.9%		
Share price discount to NAV as at the end of the period (%)	f	30.6%	36.6%	33.0%		
Average discount for the period (%)	f	26.8%	32.7%	32.1%		
Average daily share turnover (RON million)	e, l	8.4	5.9	6.7	+42.4%	+25.4%
GDR price as at the end of the period (USD)		10.40	9.20	9.40		
GDR price low (USD)	g	9.40	8.50	8.50		
GDR price high (USD)	g	11.45	9.90	10.65		
GDR price change in the period (%)	c	+10.60%	-7.1%	-5.1%		
GDR price total return in the period (%)	c, k	+23.4%	-1.0%	+1.2%		
GDR price discount to NAV as at the end of the period (%)	f	30.5%	34.7%	31.8%		
Average GDR price discount for the period (%)	f	26.0%	31.3%	30.0%		
Average daily GDR turnover (USD million)	h, m	1.5	1.1	0.9	+36.4%	+66.7%

Source: Fondul Proprietatea

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

Notes:

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

Share capital information	30 June 2017*	30 June 2016	31 December 2016
Issued share capital (RON)	5,238,521,987.92	9,320,973,180.85	9,168,314,116.70
Paid in share capital (RON)	5,049,339,565.92	9,011,732,683.35	8,859,073,619.20
Number of shares in issue	10,074,080,746	10,965,850,801	10,786,251,902
Number of paid shares	9,710,268,396	10,602,038,451	10,422,439,552
Nominal value per share (RON)	0.52	0.85	0.85

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

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

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

Shareholder Structure (as at 30 June 2017)

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights ¹
The Bank of New York Mellon (GDRs) ²	33.35%	34.60%	37.82%
Foreign institutional shareholders	20.73%	21.51%	23.62%
Romanian private individuals	16.57%	17.19%	18.88%
Romanian institutional shareholders	14.25%	14.78%	16.23%
Foreign private individuals	2.98%	3.09%	3.39%
Ministry of Public Finance ³	0.06%	0.06%	0.06%
Treasury shares ⁴	8.45%	8.77%	-
Unpaid shares ⁵	3.61%	-	-

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

As at 30 June 2017, there were 6,734 shareholders and the total number of voting rights was 8,844,251,362.

Largest Shareholders

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

Source: ownership disclosure submitted by shareholders

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

² Fondul Proprietatea held 293.135 global depository receipts as at 30 June 2017 (14,656,750 shares equivalent)

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

⁴ 851,360,284 treasury shares acquired by the Fund in the seventh and eight buy-back programmes, based on settlement date (558,330,334 ordinary shares acquired and 293,029,950 shares corresponding to GDRs acquired, converted into shares)

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

Overview

Franklin Templeton International Services S.à r.l, as Sole Director and AIFM of Fondul Proprietatea presents the results of the Fund in accordance with IFRS for the half year ended 30 June 2017, with an unaudited net profit of RON 709.3 million, as compared to the unaudited net profit for the half year ended 30 June 2016 of RON 540.7 million.

The main contribution to the profit recorded in the first six months of 2017 was the gross dividend income, which increased in 2017 due OMV Petrom SA decision to distribute dividends in 2017 (RON 106.8 million) and due to higher dividends distributed by Hidroelectrica SA (RON 206.6 million). For more details, please see section *Financial Statements Analysis*.

Total shareholders' equity was RON 10,520.3 million as at 30 June 2017 and decreased by 7.6% as compared to the value of RON 11,386.0 million as at 31 December 2016.

The Fund reported a Net Asset Value of RON 10,570.3 million as at 30 June 2017 and a Net Asset Value per Share ("NAV per share") of RON 1.1953 (a positive NAV per Share total return of 9.2% compared to 31 December 2016).

In the half year ended 30 June 2017, the BVB had a positive performance, in line with other largest markets in Central Europe, in both local currency and EUR terms, as shown in the table below:

% change in H1 2017	in local currency	in EUR
WIG20 (Poland)	18.06%	22.99%
ATX (Austria)	18.65%	18.65%
BET-XT (Romania)	11.16%	10.79%
BUX (Hungary)	10.01%	10.11%
PX (Czech Republic)	6.38%	9.96%

Source: Bloomberg

The discount of the Fund's share price to NAV was 30.56% as at 30 June 2017, based on the NAV as at 30 June 2017. In the half year ended 30 June 2017, the discount calculated according with the Investment Policy Statement ranged between 23.9% and 35.7%.

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

NAV* and share price developments	Notes	Q2 2017	Q1 2017	Change % Q2 2017 vs Q1 2017
Total NAV (RON million)	a, g	10,570.30	10,689.50	-1.10%
NAV per share (RON)	a, g	1.1953	1.1943	+0.10%
NAV per share total return in the period (%)	b, d	+4.20%	+4.90%	
Share price as at the end of the period (RON)		0.8300	0.8880	-6.5%
Share price total return in the period (%)	b, e	-1.20%	+18.10%	
Share price discount to NAV as at the end of the period (%)	c	30.60%	25.60%	
GDR price as at the end of the period (USD)		10.40	10.50	-1.0%
GDR price total return in the period (%)	b, f	+4.60%	+18.00%	
GDR price discount to NAV as at the end of the period (%)	c	30.54%	25.10%	

Source: Fondul Proprietatea

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

Notes:

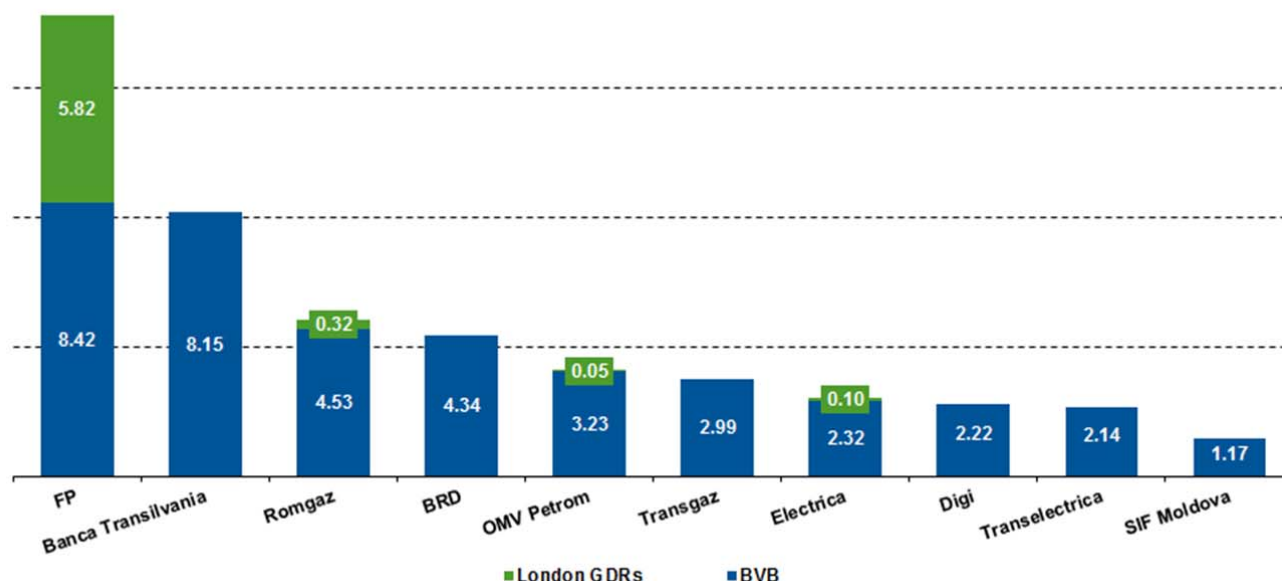
- Prepared on the basis of local rules issued by the Romanian capital market regulator
- Compared to the end of the previous period (year-end)
- Share Price/ GDR Price discount to NAV as at the end of the period (%) is calculated as the discount between FP share closing price on BVB/ FP GDR closing price on LSE on the last trading day of the period and the NAV per share at the end of the period;
- The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per share at the end of the period plus any cash distribution during the period, dividing the resulting sum by the official NAV per share at the beginning of the period. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS.

- e. The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS.
- f. The GDR Price Total Return is calculated in USD is by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS.
- g. The difference in change (%) between total NAV and NAV per share is due to the change in the number of treasury shares during the period (treasury shares acquired through buy-backs, both ordinary shares and GDRs, are excluded from the number of shares used in the computation of NAV per share)

Significant Events

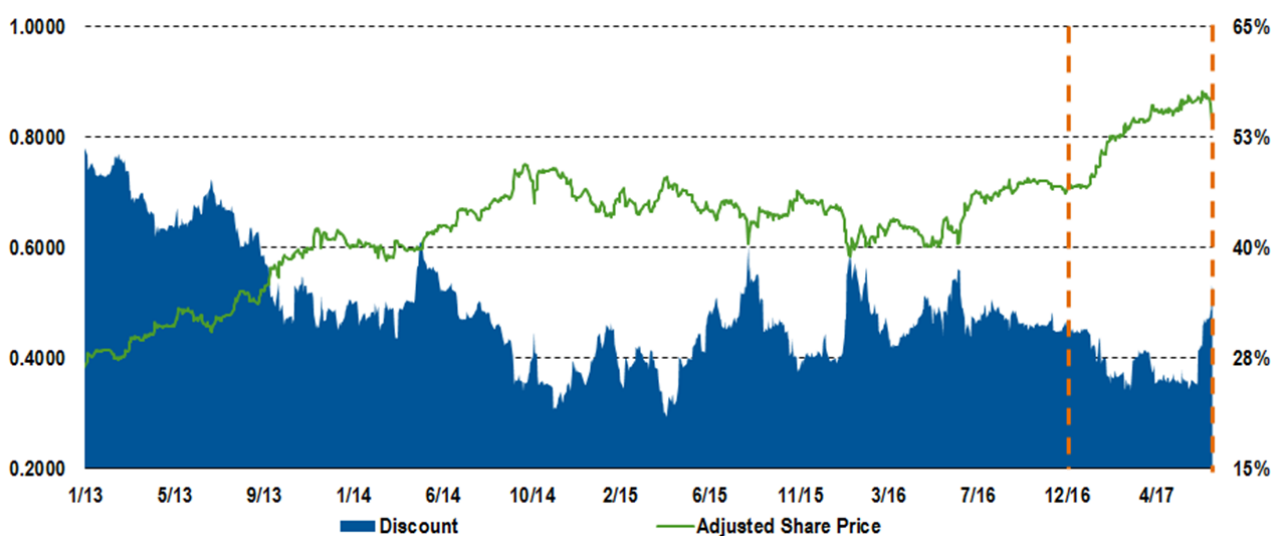
Regulated Stock Market Trading

Average Daily Turnover in the six-month period ended 30 June 2017 (RON million)



Note: the values include the Fund tender offer from March 2017 of RON 337.3 million for the 370.7 million shares acquired on BVB and RON 245.7 million for the 269.3 million shares equivalent to the GDRs acquired on LSE, based on the exchange rate at the transaction date, as communicated by the National Bank of Romania (RON/USD)
Source: BVB, Bloomberg

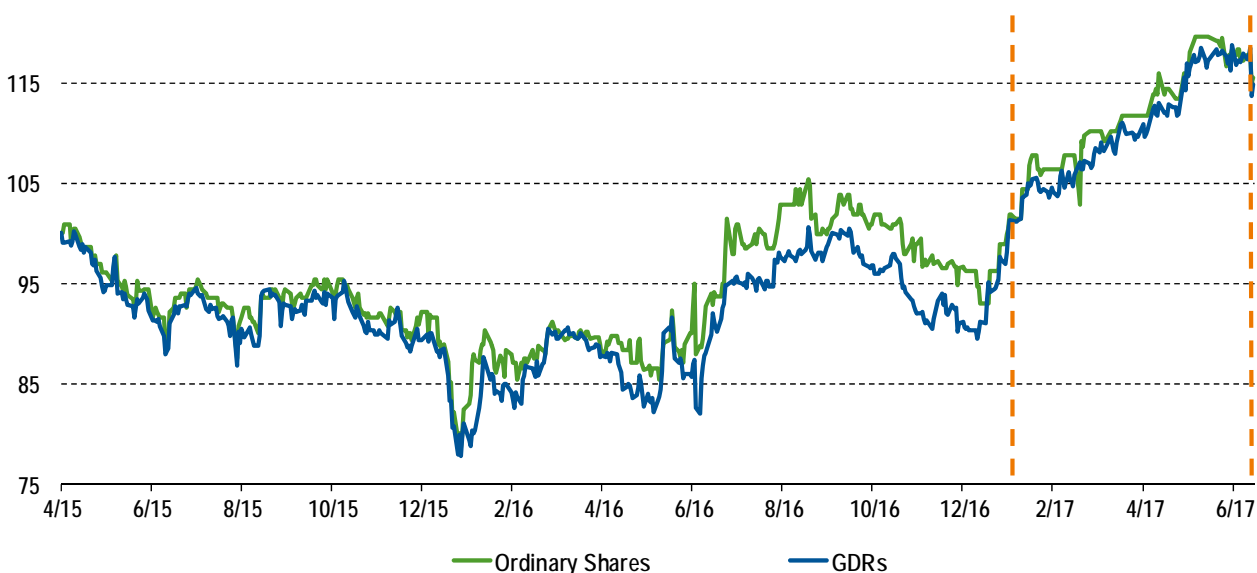
Fund's Share Price and Discount History (RON per share)



Source: BVB

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

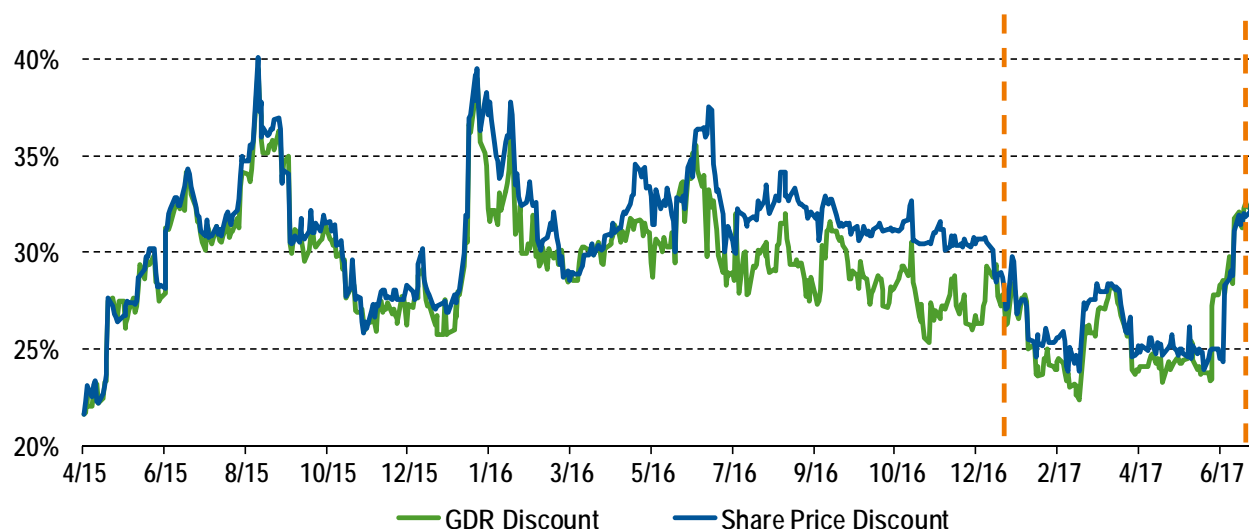
FP Share Price vs. FP GDR price (%)



Note: As at 30 June 2017, FP GDRs were trading on LSE at a 0.02% premium to the FP share price on BVB.

Source: BVB, LSE, for the period 29 April 2015 – 30 June 2017

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



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

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

Performance Objectives

In accordance with the Fund's IPS, there are two performance objectives that the AIFM is aiming to achieve. The NAV objective refers to a higher adjusted NAV¹ per share in the last day of the Reporting Period, namely as at 30 June 2017, compared to the reported 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

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

NAV per share to be equal to or lower than 15%, in at least 2/3 of the trading days in the Reporting Period from 1 July 2016 to 30 June 2017.

According with the MA, 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”).

NAV Objective

As at 30 June 2017, the adjusted NAV per share was 15.30% higher than the 30 June 2015 NAV per share of RON 1.1851.

NAV Objective	Amount RON	Details
Total NAV as at 30 June 2017	10,570,251,408	
Costs related to the 2015, 2016 and 2017 returns of capital after 30 June 2015 , until 30 June 2017	57,414	Fees charged by the Central Depository and Paying Agent for the payments performed after 30 June 2015 (for the 2015; 2016 and 2017 returns of capital)
Costs related to buy-backs after 30 June 2015 , until 30 June 2017	14,883,473	Fees related to fifth buy-back programme after 30 June 2015, sixth and seventh buy-back programmes (including the FSA fees of 1% of the tender offer value) and eight buy-back programme starting 30 May 2017
Distribution fees after 30 June 2015, until 30 June 2017	56,176,582	Distribution fees for distributions to shareholders after 30 June 2015
2016 Return of capital to shareholders	516,886,344	Payment started in June 2016
March 2017 Return of capital to shareholders	480,543,496	Effective as of 24 March 2017; payment date 27 March 2017
June 2017 Return of capital to shareholders	443,502,747	Effective as of 16 June 2017; payment date 30 June 2017
Total Adjusted NAV as at 30 June 2017	12,082,301,465	
Number of Fund's paid shares, less treasury shares and GDRs held as at 30 June 2017	8,842,846,464	
Adjusted NAV per share as at 30 June 2017	1.3664	
NAV per share as at 30 June 2015	1.1851	
Difference	0.1813	
%	15.30%	

Source: Fondul Proprietatea

Discount Objective

In the period between 1 July 2016 and 30 June 2017 the discount to NAV was greater than 15%, for both shares and GDRs.

Discount Evolution¹

Discount at 30 June 2017	Minimum discount in the Reporting Period	Maximum discount in the Reporting Period	Average discount for the Reporting Period
35.12%	23.85%	35.67%	29.17%

Source: Fondul Proprietatea

The AIFM and the Investment Manager will continue its efforts to reduce the discount to NAV as we firmly believe that the Fund's shares should be trading at a significantly lower discount than the current levels, given the quality of the underlying portfolio assets, our track record in working with the portfolio companies to improve efficiency and profitability, the attractive cash distribution yield for 2017 of over 12%², the ongoing buy-back programmes and our transparency, disclosure, and proactive investor relations efforts.

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

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

Investor Relations Update

In the first six months of 2017, 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 to 9 regional and global emerging and frontier market conferences in London, Zurs, Budapest, and New York, and met with over 80 investment professionals interested in finding out more details about the Fund and its equity story, and in receiving updates on the Fund, its corporate actions, and the main portfolio holdings, as well as on the Romanian macro-economic environment.

During this period, we also organised 4 road-shows in the United Kingdom (London and Edinburgh), South Africa (Cape Town and Johannesburg), US (New York, Charlotte, Orlando), and UAE (Dubai and Abu Dhabi). During the road-shows, the Investment Manager participated in individual and group meetings with representatives of 70 international institutional investment firms, both current shareholders and potential investors.

On 15 February, we organised a conference call to present and discuss the 2016 preliminary results, while on 15 May we organized a conference call regarding the first quarter of 2017 results report. On average, over 40 analysts and investors participated, to the conference calls.

On 1 and 2 March we organised, in collaboration with WOOD & Company, the fourth edition of the "Romania Investor Days in London" event. 87 representatives from 50 international investments firm, with assets under management of over EUR 2,000 billion, and 46 representatives from 20 Romanian companies, listed or candidates for IPOs, participated to the event.

The first part of the first day of the event featured presentations and speeches from the British Ambassador to Romania, the Ambassador of Romania to the United Kingdom, the Deputy Governor of the National Bank of Romania, the Chief Economist of WOOD & Company, the Manager of the Strategy and Financial Stability Directorate within the Financial Supervisory Authority, the Head of the Treasury from the Ministry of Public Finances, and the CEO of FTIML. During the event, over 162 individual and group meetings were held between the investors and the management teams of the Romanian corporates present at the event.

On 19 April, we organized, in collaboration with Auerbach Grayson, Bucharest Stock Exchange, BCR and Erste Bank, the fourth edition of the Romania Investor Days in New York event. 41 investors from 29 investment management firms, with assets under management of over USD 2,000 billion, and 13 Romanian companies with 28 representatives participated to the event, and to the 127 company meetings, including 1-on-1, and group meetings. Also, during the event, we had a plenary session, with speeches from the Consul General of Romania to the United States of America, the Head of Treasury Ministry of Public Finances, and the Deputy Governor of National Bank of Romania.

We have also been invited to speak and present the Fund's latest developments to over 25 investment professionals at a conference in Bucharest.

Furthermore, during the first half of the year, we organised 46 additional meetings with analysts, brokers, current and prospective investors, as well as 28 conference calls with institutional investors, and analysts covering Fondul Proprietatea, interested in the latest developments regarding the Fund's corporate actions, and its portfolio companies.

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

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

GDR Facility Update

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations or 71,908,346 GDRs until 18 January 2017 and 67,160,538 GDRs after that date, each GDR representing 50 shares. As at 30 June 2017, 33.35% of the Fund's issued shares were converted into GDRs, accounting for 37.82% of the voting rights.

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

Credit Facility Agreement

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

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

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

The outstanding amount for the credit facility at 30 June 2017 amounts to RON 237.0 million.

For further updates regarding the credit facility agreement, please see the section *Subsequent Events*.

Buy-back Programmes

Overview of share buy-backs during the six-month period ended 30 June 2017

During the first six months of 2017, the Fund bought back a total number of 788,085,211 own shares in the seventh and eight buy-back programmes (out of which 480,398,511 ordinary shares and 307,686,700 ordinary shares corresponding to GDRs), representing 7.82% of the total issued shares as at 30 June 2017, for a total acquisition value of RON 713,885,736, excluding transaction costs.

The total number of own shares held by the Fund as at 30 June 2017 is 867,421,932, having a total nominal value of RON 451,059,404.64 (RON 0.52 per share), which are in process of being cancelled or will be proposed to be cancelled during the next general meeting of shareholders.

During the first six months of 2017 the Fund converted 5,860,599 GDRs into 293,029,950 ordinary shares.

As at 30 June 2017, the accounting records show 293,135 GDRs corresponding to the Fund's shares acquired within the eight buy-back programme, which were not yet converted into shares.

Programme	Start date	End date	Limit	Status*
6th	9-Sep-15	23-Sep-16	Maximum number of 891,770,055 shares or the equivalent number of GDRs corresponding to the shares of Fondul Proprietatea	Finalised
7th	29-Sep-16	26-May-17	All the outstanding treasury shares (acquired during this programme and/ or previous ones) do not exceed 10% of the issued share capital at the relevant time	Finalised
8th	30-May-17	19-Apr-18		20.98% completed

* At 30 June 2017

The table below shows a summary of the buy-back programmes during the six-month period ended 30 June 2017:

Programme	Description	No of shares	Equivalent shares of GDRs	TOTAL	% of the Fund's issued share capital****
6th	Opening balance as at 1 January 2017	712,171,156	-	712,171,156	
	Acquisitions	-	-	-	
	Cancelations*	(712,171,156)	-	(712,171,156)	
	Closing balance as at 30 June 2017	-	-	-	8.13%
	Weighted average share price (RON/share ; USD/share)	0.8156	10.5221		
7th	Opening balance as at 1 January 2017	79,336,721	-	79,336,721	
	Acquisitions**	463,817,448	287,093,450	750,910,898	
	Converted during the period	287,093,450	(287,093,450)		
	Closing balance as at 30 June 2017***	830,247,619	-	830,247,619	8.24%
	Weighted average share price (RON/share ; USD/share)***	0.8887	10.7528		

Programme	Description	No of shares	Equivalent shares of GDRs	TOTAL	% of the Fund's issued share capital****
8th	Opening balance (30 May 2017)	-	-	-	
	Acquisitions	16,581,063	20,593,250	37,174,313	
	Converted during the period	5,936,500	(5,936,500)		
	Closing balance as at 30 June 2017***	22,517,563	14,656,750	37,174,313	0.37%
	Weighted average share price (RON/share ; USD/share)	0.8784	10.7985		

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

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

*** The total value of the seventh buy-back programme was RON 744,506,784.85 (excluding brokerage fees and other acquisition related costs). The total value of the eight buy-back programme was RON 32,696,636 (excluding brokerage fees and other acquisition related costs)

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

Share Capital Decrease

Share cancellation after the sixth buy-back programme

On 11 October 2016 the shareholders approved the cancellation of the remaining 712,171,156 shares repurchased by the Fund during the sixth buy-back programme. The shareholders resolution was published in the Official Gazette of Romania on 21 October 2016. The FSA endorsed through Endorsement no. 1/ 12 January 2017, the decrease of the subscribed share capital of the Fund, following the cancellation of 712,171,156 shares repurchased by the Fund during the sixth buy-back programme in 2016. With effect from 18 January 2017, the Trade Registry registered the Resolution no. 7/ 11 October 2016 of the Fund's EGM for approving the decrease of the Fund's subscribed share capital from RON 9,168,314,116.70 to RON 8,562,968,634.10, being divided into 10,074,080,746 shares.

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

The share capital decrease for covering of the accounting losses and for cash distributions to shareholders

In the 31 October 2016 General Meeting of Shareholders ("GSM"), the Fund's shareholders approved the decrease of the share capital from RON 8,562,968,634.10 to RON 5,742,226,025.22 by reducing the nominal value of the shares from RON 0.85 to RON 0.57 through the coverage of the cumulated accounting losses in the amount of RON 2,473,157,471.66 using: RON 156,118,900.08 from Other reserves and RON 2,317,038,571.58 from the registered capital, and through distribution to shareholders of RON 0.05 per share.

The shareholders resolution approved on 31 October 2016 was published in the Official Gazette of Romania on 16 November 2016.

The FSA endorsement of the new Constitutive Act reflecting the share capital decrease was received on 22 March 2017 and the resolution was registered with the Trade Registry on 24 March 2017.

On 24 March 2017 the Trade Registry registered Resolution no 10/31 October 2016 of the Fund's EGM for approving the subscribed share capital decrease from RON 8,562,968,634.10 to RON 5,742,226,025.22, through the reduction of the nominal value of the shares from RON 0.85 to RON 0.62, for the coverage of the cumulated accounting losses as reflected in the Fund's financial statements as at 31 December 2015 in amount of RON 2,473,157,471.66 and through the reduction of the nominal value of the Fund's shares from RON 0.62 to RON 0.57, as a result of the approved shareholders cash distribution of RON 0.05 per share, endorsed by the FSA through Endorsement 79/22 March 2017.

During the first six months of 2017 the Fund performed two cash distributions to shareholders:

1) 27 March 2017 cash distribution:

The FSA Endorsement no. 79/ 22 March 2017 of the new Constitutive Act reflecting the share capital decrease was received on 22 March 2017. On 24 March 2017, the Trade Registry registered the Resolution no. 10/2016 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 0.85 to RON 0.57. In accordance with the Fund's accounting policy, the share capital decrease operation was recorded in the accounting system in the same

day, at the Trade Registry registration date, of 24 March 2017 and incorporates two operations (coverage of accounting losses and distributions to shareholders).

Therefore, with effect from 24 March 2017, the new value of the Fund's subscribed share capital was RON 5,742,226,025.22, being divided into 10,074,080,746 shares with a nominal value of RON 0.57 per share. The value of the paid-in share capital of the Fund was RON 5,534,852,985.72, being divided into 9,710,268,396 shares with a nominal value of RON 0.57 per share.

The shareholders registered with the Romanian Central Depository as at 7 March 2017 had 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 March 2017 (the Payment Date), the next working day after the accounting operation for covering accounting losses was registered in the accounting books of the Fund.

By 30 June 2017, shareholders had collected over 96% of the total distribution of RON 480.5 million.

2) **30 June 2017 cash distribution:**

The FSA Endorsement no. 362/ 12 June 2017 of the new Constitutive Act reflecting the share capital decrease was received on 12 June 2017. On 16 June 2017, the Trade Registry registered the Resolution no. 1/28 February 2017 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 0.57 to RON 0.52. In accordance with the Fund's accounting policy, the share capital decrease operation was recorded on the same date in the accounting system.

Therefore, with effect from 16 June 2017, the new value of the Fund's subscribed share capital is RON 5,238,521,987.92, being divided into 10,074,080,746 shares with a nominal value of RON 0.52 per share. The value of the paid-in share capital of the Fund is RON 5,049,339,565.92, being divided into 9,710,268,396 shares with a nominal value of RON 0.52 per share.

The shareholders registered with Romanian Central Depository as at 12 June 2017 have the right to receive RON 0.05 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment of the capital return started on 30 June 2017 (the Payment Date).

By 30 June 2017, shareholders had collected over 91% of the total distribution of RON 443.5 million.

With effect from 2015, for the distribution to shareholders, the payments are performed through Romanian Central Depository, according to the legislation in force, as follows:

- a) for shareholders having a custodian/ brokerage account, directly by the respective custodian bank or broker;
- b) for all other shareholders:
 - (i) by the Romanian Central Depository, through the Paying Agent, for bank transfers, when the supporting documentation required by the Romanian Central Depository, along with a payment request, have been submitted. The Paying Agent appointed by the Fund for the 2017 distribution is BRD Groupe Société Générale SA.
 - (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 27 March 2017 and 30 June 2017 cash distributions 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 March 2020 for 27 March 2017 cash distribution and 30 June 2020 for 30 June 2017 cash distribution.

General Shareholders Meeting Resolutions in the First Six Months of 2017

During the first six months of 2017 three shareholders meetings were convened as presented below.

The main resolutions approved by shareholders during the **28 February 2017 GSM** were the following:

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

The main shareholders resolutions approved by **annual GSM on 25 April 2017** were the following:

- The approval of the Annual Activity Report of the Sole Director of Fondul Proprietatea for the financial year 2016, including the IFRS financial statements for the year ended on 31 December 2016, the approval of the auditor's report, and the ratification of all legal acts concluded, adopted or issued on behalf of Fondul Proprietatea through its sole director and/or its investment manager, as well as of any management/administration measures adopted, implemented, approved or concluded during 2016, and the discharge of Sole Director (Franklin Templeton Investment Management Limited UK Bucharest Branch for period 1 January – 31 March 2016 and Franklin Templeton International Services S.à r.l. for period 1 April – 31 December 2016) for any liability for its administration during 2016 financial year;
- The approval of the net profit allocation registered for the financial year 2016.

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

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

- (i) the resolution is published in the Official Gazette of Romania, Part IV for at least two months (the resolution was published in Official Gazette on 7 June 2017 and the two months period ends on 7 August 2017);
- (ii) FSA endorses the amendment of Article 7 paragraph (1) of the Constitutive Act of Fondul Proprietatea as approved by shareholders during this meeting, where required by applicable law or regulation (the final request for endorsement will be filled on or around 8 August 2017);
- (iii) the share capital decrease approved by the shareholders on 28 February 2017 is effective (the effective date for it was 16 June 2017);
- (iv) the shareholders' resolution for approving this share capital decrease is registered with the Trade Registry (this last stage will take place after FSA endorsement).

Subsequent Events

Execution of a Memorandum of Understanding with Electrica SA

On 14 July 2017 the Fund has signed a Memorandum of Understanding with Societatea Energetică „Electrica” S.A. (“Electrica”) for the disposal of the Fund’s holdings in Electrica subsidiaries, namely SDEE Distributie Muntenia Nord S.A., SDEE Distributie Transilvania Sud S.A., SDEE Distributie Transilvania Nord S.A. and Electrica Furnizare S.A. (“Electrica Subsidiaries”).

The aggregated value of the transaction would amount to RON 752,031,841. Shares would be acquired by Electrica together with all the rights attached to them under the applicable law, including the right to receive dividends, except for those for the financial year ending on 31 December 2016, which remain to be collected by the Fund, as already approved by the General Meeting of Shareholders of the Subsidiaries on 17 May 2017.

The parties plan to execute the transactional documents pertaining to the envisaged transaction after obtaining the necessary corporate and shareholding approvals at Electrica and Subsidiaries level by 31 October 2017.

Credit Facility Update

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

Analysis of the Activity of the Fund

Analysis of the Portfolio of the Fund

Net Asset Valuation

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

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

NAV methodology

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

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

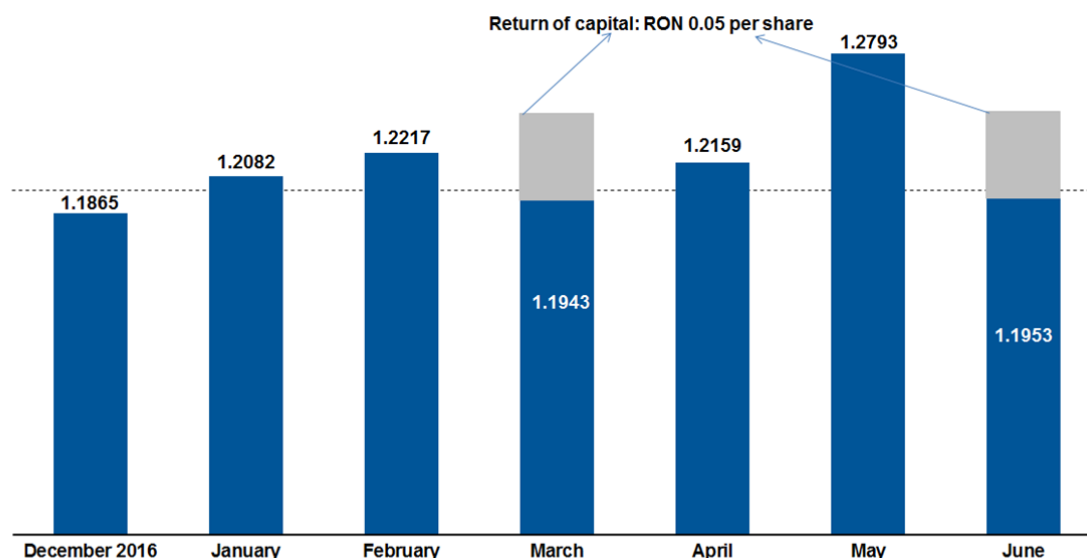
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards which permit fair valuation.

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

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

NAV per share (RON per share)

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



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

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

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

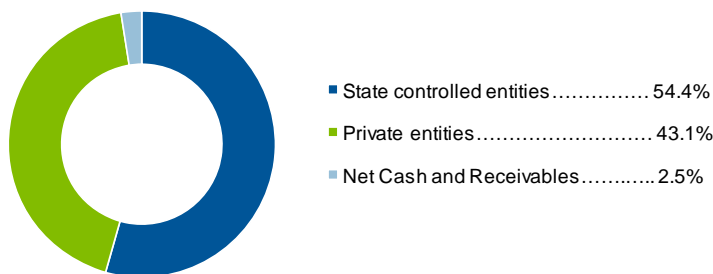
During the second quarter of 2017, the NAV per share had an increase of 0.1% compared with end of previous quarter, mainly due to the recording of 2016 dividend receivables from portfolio companies (for more details, please see section *Financial Statements Analysis*) and due to the seventh and eighth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

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

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 97.5% of the Fund's NAV as at 30 June 2017. As at that date, the portfolio was composed of holdings in 43 companies (11 listed and 32 unlisted), a combination of privately held and state-controlled entities.

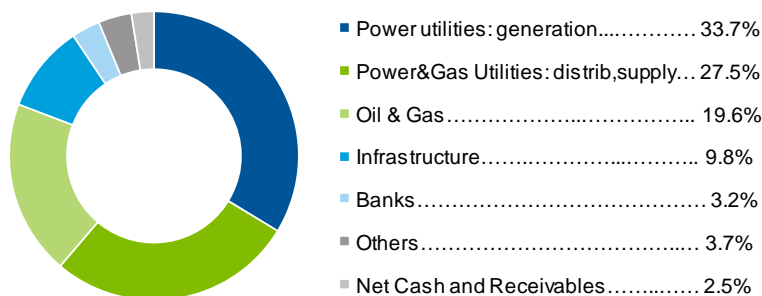
Portfolio Structure – by Controlling Ownership



Source: Fondul Proprietatea, data as at 30 June 2017

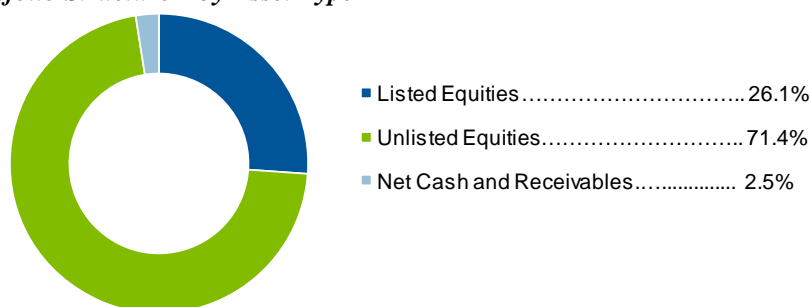
- Net cash and receivables includes bank deposits, current bank accounts, short-term government securities, other receivables and assets, net of all liabilities (including liabilities to shareholders related to the returns of capital) and provisions.

Portfolio Structure - by Sector

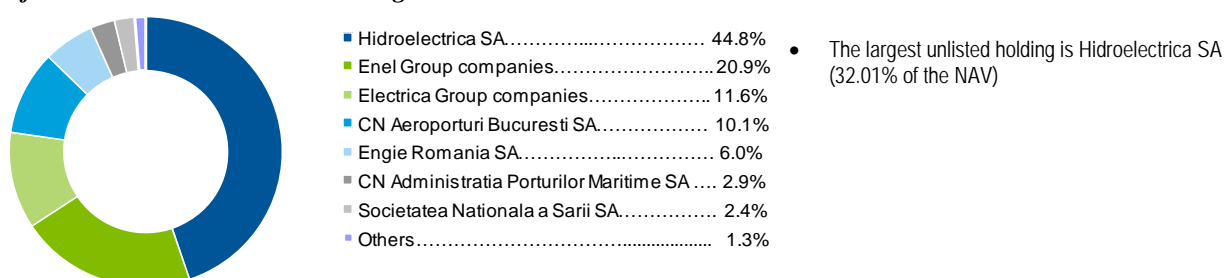


Source: Fondul Proprietatea, data as at 30 June 2017

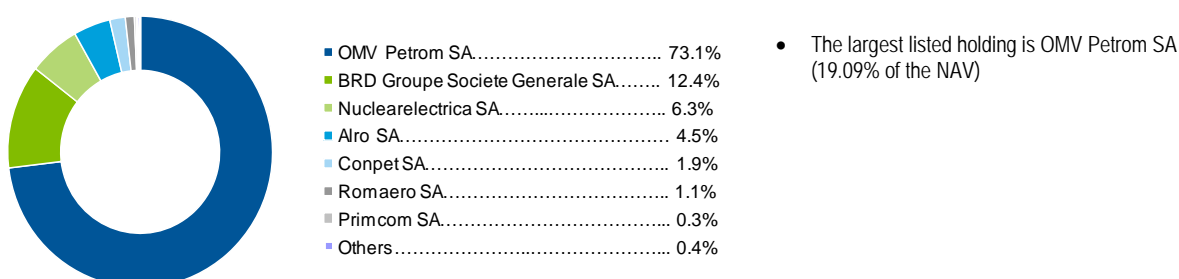
- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 80.8% of the NAV), through a number of listed and unlisted Romanian companies

Portfolio Structure – by Asset Type

Source: Fondul Proprietatea, data as at 30 June 2017

Portfolio Structure – Unlisted holdings

Source: Fondul Proprietatea, data as at 30 June 2017; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

Portfolio Structure – Listed holdings

Source: Fondul Proprietatea, data as at 30 June 2017; the chart reflects the company NAV value as a % in total NAV value of listed holdings

Top 20 equity investments

No	Name	Fund's stake (%)	Value as at 30 June 2017 ¹ (RON million)	% of NAV as at 30 June 2017 ¹
1	Hidroelectrica SA	19.94%	3,384.0	32.0%
2	OMV Petrom SA	12.56%	2,017.8	19.1%
3	CN Aeroporturi Bucuresti SA	20.00%	761.0	7.2%
4	E-Distributie Banat SA	24.12%	599.9	5.7%
5	Engie Romania SA	11.99%	453.4	4.3%
6	E-Distributie Muntenia SA	12.00%	449.4	4.3%
7	E-Distributie Dobrogea SA	24.09%	380.2	3.6%
8	BRD Groupe Société Générale SA	3.63%	341.9	3.2%
9	SDEE Muntenia Nord SA	21.99%	255.2	2.4%
10	SDEE Transilvania Sud SA	21.99%	246.2	2.3%
11	CN Administratia Porturilor Maritime SA	19.99%	216.0	2.0%
12	SDEE Transilvania Nord SA	22.00%	208.3	2.0%
13	Societatea Nationala a Sarii SA	48.99%	181.0	1.7%
14	Nuclearelectrica SA	9.09%	175.1	1.7%
15	Electrica Furnizare SA	22.00%	167.7	1.6%
16	Alro SA	10.21%	123.2	1.1%
17	ENEL Energie SA	12.00%	75.5	0.7%
18	ENEL Energie Muntenia SA	12.00%	70.3	0.7%
19	Conpet SA**	6.05%	49.9	0.5%
20	Posta Romana SA	25.00%	45.0	0.4%
Top 20 equity holdings			10,201.0	96.5%
Total equity holdings			10,308.4	97.5%
Net cash and receivables			261.9	2.5%
Total NAV			10,570.3	100.0%

Source: Fondul Proprietatea, data as at 30 June 2017, based on NAV reports submitted to FSA (30 June 2017 NAV report)

¹Rounded to one decimal

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

Key Portfolio Developments in the Period

Acquisitions and disposals

Disposals

In the first six months of 2017 the Fund sold its entire holding in Oil Terminal SA and in Banca Transilvania SA.

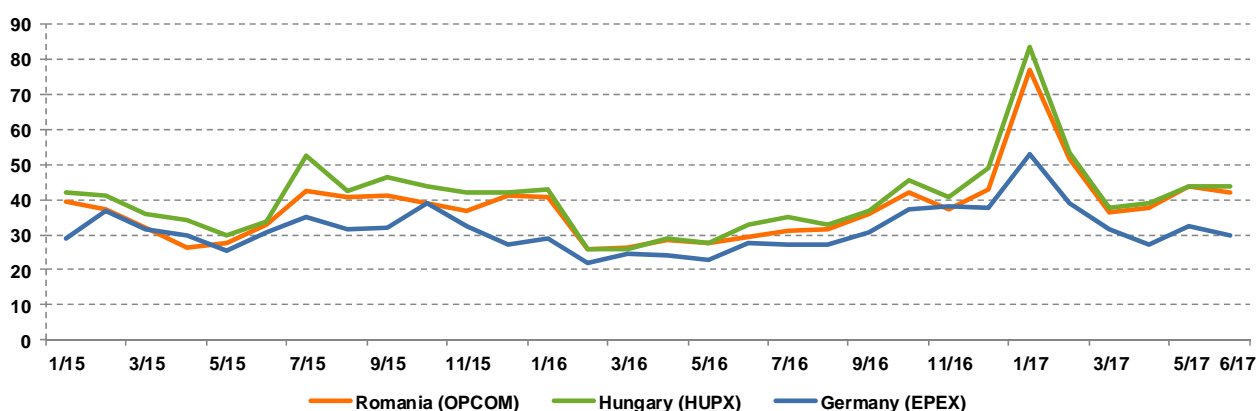
Energy sector updates

Energy tariff changes

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

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

Source: ANRE webpage

Electricity prices (EUR/ MWh)

Source: Bloomberg, Hidroelectrica SA

Note: Day Ahead Market – monthly average for base load

Energy resources (thousand tonnes barrels of oil equivalent)

	January - May 2017			January - May 2016			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	2,018.4	1,863.8	154.6	1,851.4	1,650.8	200.60	9.0	12.9	(22.9)
Crude oil	4,277.2	1,436.6	2,840.6	4,656.8	1,509.7	3,147.1	(8.2)	(4.8)	(9.7)
Usable natural gas	3,986.6	3,442.2	544.4	3,478.9	3,289.4	189.5	14.6	4.6	187.3
Hidro, nuclear, and import energy	2,185.7	2,058.4	127.3	2,384.6	2,207.7	176.9	(8.3)	(6.8)	(28.0)
Import oil products	1,108.3	-	1,108.3	950.3	-	950.3	16.6	-	16.6
Others	203.1	-	203.1	214.9	-	214.9	(5.5)	-	(5.5)
Total resources	13,779.3	8,801.0	4,978.3	13,536.9	8,657.6	4,879.3	1.8%	1.7%	2.0%

Source: National Institute of Statistics webpage

Gas tariff changes

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

Update on the largest 20 portfolio holdings

Alro SA

RON million	2015	2016	S1 2016	S1 2017	Budget 2016*	Budget 2017
Turnover	2,422.8	2,302.8	1,203.5	1,378.2	2,191.9	2,417.2
Operating profit	185.9	166.7	72.8	227.6	133.7	270.2
Net profit/ (loss)	(0.02)	71.5	35.0	186.8	55.9	161.1
Dividends**	-	67.2	n.a.	n.a.	-	-

Source: Consolidated IFRS financial statements

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

March/April: The company reported a consolidated net profit of RON 71.5 million compared to a very small loss last year. Turnover reached RON 2,302.8 million, down 4.9% y.o.y due to lower average yearly aluminium LME prices (USD 1,605 / tonne in 2016 vs. USD 1,661 / tonne in 2015) but also to changes in the mix of products sold. Gross margin for the period reached RON 367.7 million, down 9.3% y.o.y. and operating profit of RON 166.7 million, down 10.3% y.o.y.

April: the company shareholders approved the distribution of dividends corresponding to a pay-out ratio of 100% of the 2016 net profit, based on individual financial statements.

May: On a stand-alone basis, Alro reported for the first quarter of 2017, a net profit of RON 77.7 million, compared to RON 27.3 million during the similar period of the previous year. During the period, sales advanced by 12.3% y.o.y. to RON 633.6 million on the back of higher benchmark aluminum prices (average aluminum LME prices during the period advanced 22.1% y.o.y. to USD 1.851 per tonne), appreciation of the USD against the RON, as well as improved sales structure (during the period, the volume of processed aluminum sales increased by c. 2,000 tones compared to the similar period of the previous year). Operating profit for the period reached RON 103.7 million, up 4.6 times y.o.y.

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

BRD – Groupe Société Générale SA

RON million	2015*	2016	H1 2016	H1 2017	Budget 2016**	Budget 2017**
Operating income	2,595.2	2,777.6	1,433.9	1,341.6	Around 5% increase	Around 4% increase
Net operating profit	1,209.9	1,390.1	728.4	621.2	Around 5% increase	Around 5% increase
Net cost of risk	658.2	483.5	282.4	(269.8)	Further normalisation trajectory	Further normalisation trajectory
Net profit	467.2	763.5	378.0	744.1	n.a.	Improvements
Dividends	223.0	508.7	n.a.	n.a.	-	-

Source: Consolidated IFRS financial statements

*Restated values

** Budgeted figures based on individual IFRS financial statements

March / April: The bank reported a consolidated net profit for the year 2016 of RON 763.5 million compared to a net profit of RON 467.2 million in 2015. The net banking income increased by 7.0% y.o.y to RON 2,777.6 million driven by the improvement in the net interest income (+4.6% vs. 2015 to RON 1,586.5 million), higher net fee and commission income (+3.1% vs. 2015 to RON 772.7million) and the Visa Europe transaction gain recorded in the second quarter. According to the bank, excluding non-recurring elements, the net banking income advanced by 3.0% y.o.y. During the period, the general operating expenses marginally increased by 0.2% y.o.y to RON 1,387.6 million, leading to a net operating profit of RON 1,390.1 million, representing an increase of 14.9% y.o.y. Net cost of risk decreased by 26.5% y.o.y. to RON 483.5 million. Shareholders approved the Board recommendations of a dividend per share of RON 0.73 corresponding to a pay-out ratio of 70% of the 2016 bank stand-alone net profit.

May: The bank reported a consolidated net profit for Q1 2017 of RON 329.9 million compared to a net profit of RON 72.9 million during the similar period of the previous year. The net banking income increased by 0.4% y.o.y. to RON 650.1 million as the growth in net interest income exceeded the decrease in net fees and commissions. During the period, the general operating expenses decreased by 5.1% y.o.y. driven by lower Bank Deposit Guarantee and Resolution Fund contributions leading to a net operating profit of RON 266.0 million, up 9.6% y.o.y. During Q1 2017, the bank reported a positive net cost of risk of RON 124 million compared to a provision charge of RON 152 million in Q1 2016 on the back of recoveries on non-retail defaulted exposure coupled with the recognition of material insurance indemnities.

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

CN Administratia Porturilor Maritime SA

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

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

April: Total cargo traffic during the first 3 months of 2017 declined by 10.3% to 11.6 million tonnes. This was mainly driven by the unusual cold weather and resulting disruptions to traffic during the period.

CN Aeroporturi Bucuresti SA

RON million	2015	2016	Budget 2016	Budget 2017
Total revenue	783.4	910.3	842.9	983.2
Operating profit	213.5	276.6	127.4	225.7
Net profit	178.8	234.5	104.8	185.9
Dividends	137.1	214.8	55.4	95.9

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

March: The number of passengers serviced in the first 2 months of 2017 increased by 21.5% compared to the same period of 2016, reaching 1.66 million passengers. The numbers of aircraft movements increased by 8.3% to 18,069 while the cargo traffic increased by 4.5% to 5,010 tonnes.

April: Mr Bogdan Mandrescu was appointed as interim General Manager following the expiration of the mandate of Mr Liviu Radu on 18 April 2017. Mr Mandrescu is an interim member of the company's Board since 2016 and was briefly interim President of the Board during 2017.

May: The number of passengers serviced in the first 5 months of 2017 increased by 21.2% compared to the same period of 2016, reaching 4.75 million passengers.

June: the number of passengers increased by 16.6% in the first 6 months of 2017 compared to the same period from 2016, reaching 5.91 million passengers. The number of aircraft movements increased by 9% to 55,739.

Conpet SA

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

Source: Financial statements prepared in accordance with IFRS

March/ April: For the financial year 2016, the company reported total operating revenues of RON 410.9 million down 0.7% y.o.y., an operating profit of RON 80.3 million, up 15.5% y.o.y. and net profit of RON 71.5 million up 13.2% y.o.y. Total transported volumes increased in 2016 by 1.3% y.o.y. to around 7.1 million tonnes, driven by the 4.6% y.o.y. increase to 3.04 million tonnes in the volumes of crude oil transported through the import sub-system while the volume of crude oil transported through the domestic sub-system increased marginally by 0.1% y.o.y. to slightly above 3.84 million tonnes.

April: The shareholders approved the distribution of a total dividend of RON 143.6 million, out of which RON 69.8 million from the 2016 net profit and RON 73.8 million out of retained earnings.

May: The company reported the financial results for the first quarter of 2017. During the period, net profit advanced by nearly 6.0% to RON 19.5 million, operating profit increased by approx. 4.7% to RON 22.1 million while operating revenues inched down 1.5% compared to the same period of 2016 to RON 99.3 million. During the first three months of the year, transported volume decreased to 1.5 million tonnes, down 14.4%, but 6.6% above the budgeted level for Q1 2017.

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

SDEE Muntenia Nord SA

RON million	2015	2016	Q1 2016*	Q1 2017*	Budget 2016	Budget 2017
Total revenue	798.6	717.9	189.0	182.0	741.8	680.5
Operating profit	182.9	118.5	n.a.	n.a.	147.6	116.3
Net profit	153.2	103.7	16.0	(19.0)	123.9	100.0
Dividends	122.3	87.9	-	-	-	-

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

*based on Electrica Q1 2017 results

April: Shareholders decided to go back to the version of the constitutive act of the company previous to December 2016. This change was triggered following the Fund litigations against the decisions of the shareholders meeting that approved a new version of the constitutive acts.

Shareholders also decided to appoint Mr Catalin Stancu (Electrica CEO), Ms Livioara Sujdea (Electrica employee), Ms Madalina Rusu (Electrica employee), Ms Ana Maria Nistor (Electrica employee) and Ms Oana Truta (FTIML employee) as Board members.

SDEE Transilvania Nord SA

RON million	2015	2016	Q1 2016*	Q1 2017*	Budget 2016	Budget 2017
Total revenue	720.2	857.5	200.0	192.0	707.1	688.3
Operating profit	186.6	154.9	n.a.	n.a.	173.6	145.0
Net profit	158.8	119.4	5.0	11.0	145.6	120.5
Dividends	127.1	100.5	-	-	-	-

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

*based on Electrica Q1 2017 results

April: Shareholders decided to go back to the version of the constitutive act of the company previous to December 2016. This change was triggered following the Fund litigations against the decisions of the shareholders meeting that approved a new version of the constitutive acts.

Shareholders also decided to appoint Mr Catalin Stancu (Electrica CEO), Ms Livioara Sujdea (Electrica employee), Ms Madalina Rusu (Electrica employee), Ms Ligia Costin (Electrica employee) and Ms Oana Truta (FTIML employee) as Board members.

SDEE Transilvania Sud SA

RON million	2015	2016	Q1 2016*	Q1 2017*	Budget 2016	Budget 2017
Total revenue	775.3	723.2	186.0	200.0	775.9	718.7
Operating profit	178.1	134.2	n.a.	n.a.	154.1	135.1
Net profit	152.6	116.4	32.0	9.0	127.3	113.6
Dividends	119.7	98.7	-	-	-	-

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

*based on Electrica Q1 2017 results

April: Shareholders decided to go back to the version of the constitutive act of the company previous to December 2016. This change was triggered following the Fund litigations against the decisions of the shareholders meeting that approved a new version of the constitutive acts.

Shareholders also decided to appoint Mr Catalin Stancu (Electrica CEO), Ms Livioara Sujdea (Electrica employee), Ms Madalina Rusu (Electrica employee), Ms Ana Maria Nistor (Electrica employee) and Ms Simona Fatu as Board members.

Electrica Furnizare SA

RON million	2015	2016	Q1 2016*	Q1 2017*	Budget 2016	Budget 2017
Total revenue	4,205.7	4,209.5	1,192.0	1,197.0	4,196.7	4,109.9
Operating profit	143.1	198.2	n.a.	n.a.	126.5	154.1
Net profit	131.1	175.8	44	-54	113.4	125.2
Dividends	111.5	158.2	-	-	-	-

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

*based on Electrica Q1 2017 results

April: Shareholders decided to go back to the version of the constitutive act of the company previous to December 2016. This change was triggered following the Fund litigations against the decisions of the shareholders meeting that approved a new version of the constitutive acts.

Shareholders also decided to appoint Mr Dragos Magui (Electrica employee), Ms Alexandra Borisavski (Electrica employee), Ms Stefania Andruhovici (Electrica employee), Mr Dan Crisfalusi (Electrica employee) and Mr Dan Gheorghe (FTIML employee) as Board members.

E-Distributie Banat SA

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

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

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

E-Distributie Dobrogea SA

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

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

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

E-Distributie Muntenia SA

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

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

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

March: Georgios Stassis, Romania country manager of Enel, announced that its subsidiary Enel Investment Holding will pay EUR 401.0 million for an additional 13.57% stake in E-Distributie Muntenia and Enel Energie Muntenia following the exercise of the PUT option by SAPE. The amount paid by Enel was set by the International Court of Arbitration in February 2017.

Enel Energie SA

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

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

April: Following the resignation of Georgios Stassis, Enel recommended and shareholders approved the appointment of Marco Saleme as board member.

Enel Energie Muntenia SA

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

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

March: Georgios Stassis, Romania country manager of Enel, announced that its subsidiary Enel Investment Holding will pay EUR 401 million for an additional 13.57% stake in E-Distributie Muntenia and Enel Energie Muntenia following the exercise of the PUT option by SAPE. The amount paid by Enel was set by the International Court of Arbitration in February 2017.

Engie Romania SA

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

Source: Consolidated IFRS financial statements

*Budgeted figures are on a consolidated basis

**Dividends are based on the separate IFRS financial statements

March: The company appointed two new board members, Razvan-Ionut Pataliu and Marius Viorel Stanciu, following the request coming from the Ministry of Energy. They replaced Vlad Vasiliu and Valeriu Stefan Ivan who were revoked.

April: Shareholders approved the mandate of the board of directors for another 4 years. The members of the board are: Eric Stab, Etienne Jacolin, Marleen Delvaux, Olivier Bloeyart, Razvan Ionut Pataliu, Aurelia Carmen Slate and Alexandru Georgescu Popescu.

April: According to ANRE Order no. 22/2017, with effect from 1 April 2017 the regulated supply tariffs for households were decreased on average by approximately 0.7%.

Hidroelectrica SA

RON million	2015	2016	Q1 2016*	Q1 2017*
Turnover	3,183.2	3,338.0	-	-
Operating profit	1,127.4	1,540.3	337.0	475.0
Net profit	899.4	1,227.7	293.0	393.0
Dividends	675.1	1,035.7	-	-

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

*Based on company estimations

April: Shareholders decided on 19 April to appoint Mr Dorin Liviu Nistoran, Ms Ioana Andreea Lambru, Mr Gheorghe Gabriel Gheorghe, Mr Laurentiu Dan Tudor, Mr Horia Marian Gambutean, Ms Andreea Negru Ciobanu and Ms Oana Truta (FTIML employee) as Board members for a 4 month mandate.

June: Fondul requested the revocation of Ms Ioana Andreea Lambru, Mr Laurentiu Dan Tudor, Mr Horia Marian Gambuteanu, Ms Andreea Negru Ciobanu as members of the Board following breaches of the Code of Ethics and the corporate governance principles while attempting to appoint new members of the directorate.

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

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

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

Nuclearelectrica SA

RON million	2015	2016	S1 2016	S1 2017	Budget 2016	Budget 2017
Sales	1,748.7	1,647.6	743.2	876.5	1,700.3	1,718.8
Operating profit/ (loss)	160.1	159.4	16.3	147.3	59.7	75.2
Net profit/ (loss)	149.1	112.4	1.7	133.8	41.1	47.9
Dividends*	99.5	99.5	-	-	20.9	24.4

Source: Individual IFRS financial statements

*Dividends are based on the individual IFRS financial statements

April: The shareholders approved six new interim board members for a four month mandate: Mr Cristian-Romulus Anton, Mrs Eva-Georgeta Andreas, Mr Cristian Gentea and Mr Ionut Misa. These board members will have to be replaced within the next 4 months by a new board with a 4 year mandate which will be recruited based on Law 111/2016. Mrs Daniela Lulache will remain as CEO of the company for the next 4 months.

May: The company reported the financial results for the first quarter of 2017. During the first quarter of 2017 the company registered increases in sales by 8.4%, to RON 483.9 million, in the operating result of 41.6% to RON 107.5 million, and in net profit of 25.7%, to RON 84.1 million, compared to first quarter of 2016.

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

OMV Petrom SA

RON million	2015	2016	S1 2016	S1 2017	Budget 2016	Budget 2017
Sales	18,145.0	16,246.9	7,382.2	9,261.1	10,764.0	13,487.0
Operating profit/ (loss)	(529.8)	1,469.3	566.0	1,577.3	62.0	1,851.0
Net profit/ (loss)	(689.7)	1,037.7	408.3	1,210.3	199.0	1,827.0
Dividends*	-	849.7	-	-	-	-

Source: Consolidated IFRS financial statements

*Based on separate IFRS financial statements

February: OMV Petrom announced the start of an investment of EUR 60 million in a new polyfuels unit to be built in the Petrobrazi Refinery. Expected to be completed in 2019, the unit will allow conversion of LPG components into gasoline and middle distillates, which will allow for a shift in production of up to 50,000 tonnes of gasoline and middle distillates from LPG components.

February: The company's Executive Board presented a comprehensive strategy update, which includes a shift towards developing growth options by exploring internal opportunities but also regional expansion through acquisitions and partnerships. For more details please see the company's presentation on OMV Petrom Website.

May: The company reported the financial results for the first quarter of 2017. The highlights include: sales increased by 27.5% compared to the same period of 2016 to RON 4,652.6 million, operating profit increased by 130.9% compared to the same period of 2016 to RON 798.3 million and net profit increased to RON 618.1 million from RON 288.2 million. The increase of the Q1 2017 operating results were mainly due to increased oil prices and higher retail demand for fuels and were also supported by fiscal easing in Romania, in particular the elimination of the tax on special constructions starting January 2017.

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

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

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

Posta Romana SA

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

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

There were no significant events during the period.

Societatea Nationala a Sarii SA (Salrom)

RON million	2015	2016	S1 2016	S1 2017	Budget 2016	Budget 2017
Operating revenue	319.1	315.0	146.2	183.4	329.7	338.4
Operating profit	27.5	43.3	33.6	57.4	69.5	57.5
Net profit	15.8	30.1	26.0	47.8	57.3	48.2
Dividends	-	28.1	-	-	45.4	48.2

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

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

Key Financial Highlights of the Fund

Summary % net cash & cash equivalents in NAV

RON million	30 Jun 2017	31 Mar 2017	31 Dec 2016
Current accounts*	58.4	36.2	5.8
Bank deposits	84.9	155.3	305.3
Treasury bills and short-term government bonds	84.9	149.1	1,110.0
Total liabilities**	(324.3)	(89.1)	(47.2)
Net cash & cash equivalents	(96.1)	251.5	1,373.9
Net Assets Value	10,570.3	10,689.5	11,427.4
% net cash & cash equivalents in NAV	-0.9%	2.4%	12.0%

*Current accounts include also the distribution amount for March 2017, respectively June 2017 return of capital to shareholders transferred to the distribution current bank account

**Total liabilities exclude provisions, and as at 30 June 2017, include the outstanding loan amount

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

For more details regarding the decrease of **current accounts**, **bank deposits** and **treasury bills and short-term government bonds** and the increase of **total liabilities** during the six-month period ended 30 June 2017, please see section *Financial Statements Analysis*.

Total Expense Ratio

The annualised total expense ratio of the Fund as at 30 June 2017 was 1.13% (31 December 2016: 1.17%) and excluding transaction related expenses this would be 1.12% (31 December 2016: 0.87%). 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 and income tax expenses.

The differences between total annualised expense ratio as at 30 June 2017 and the total expense ratio at year end (excluding transaction related expenses) was mainly due the lower average NAV for 2017 and due to the lower level of transaction related expenses in 2017.

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 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 2017, the Fund's exposure to Romanian equities accounted for 97.5% of the NAV, the positive difference of 2.5% being represented by the net cash and receivables.

The BET-XT index, which reflects the performance of the top 25 most liquid stocks listed on the Tier 1 of the BVB, increased by 11.2% during the first half of 2017 and by 8.4% compared with 30 June 2016.

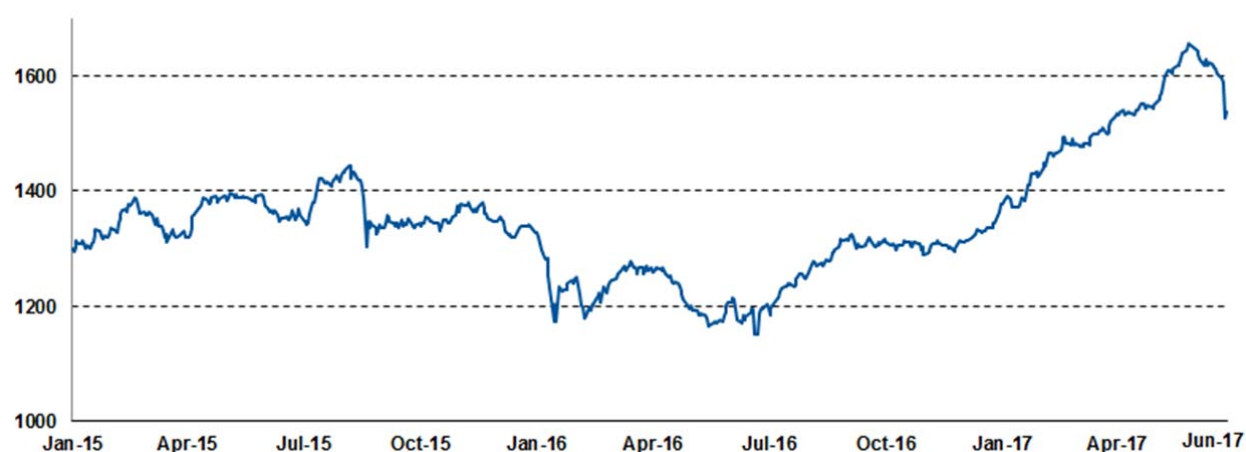
BET-BK index reflects the price evolution of the Romanian and foreign companies traded on BVB's regulated market. Its methodology takes into consideration the transactions on the main market segment ("Regular"). BET-BK index is a free float market capitalization weighted index of the most liquid companies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

BET-XT Index evolution



Source: Bloomberg

BET-BK Index evolution



Source: Bloomberg

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

Capital Expenditure

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

The Fund did not incur any capital expenditure in the first half of 2017.

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

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

Statement of Financial Position

RON million

	30 June 2017	31 December 2016	30 June 2017 vs 31 December 2016 (%)
	Unaudited	Audited	
Cash and current accounts	58.4	5.8	
Deposits with banks	84.9	305.3	
Treasury bills	70.0	781.4	
Government bonds	-	328.6	
Dividends receivable	353.1	-	
Equity investments	9,381.1	9,992.2	
Non-current assets held for sale	877.4	-	
Other assets	20.5	20.8	
Total assets	10,845.4	11,434.1	-5.1%
Payables	24.4	27.1	
Borrowings	237.0	-	
Other liabilities	63.7	21.0	
Total liabilities	325.1	48.1	+575.9%
Total equity	10,520.3	11,386.0	-7.6%
Total liabilities and equity	10,845.4	11,434.1	-5.1%

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

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

The **non-current assets held for sale** caption included the carrying value of the shares in Electrica subsidiaries subject to the potential disposal according to the memorandum concluded between the Fund and Electrica SA, in accordance with the requirements of IFRS 5 Non-current assets held for sale and discontinued operations. For more details, please see section *Subsequent Events* and the *note 14* to condensed interim IFRS financial statements included in *Annex 1*.

Equity investments

Classification and measurement of equity investments

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

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

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

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

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

Valuation

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

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

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

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

The decrease of equity investments of RON 611.1 million for the first six months of 2017 was mainly due to the reclassification of Electrica subsidiaries as non-current assets held for sale (RON 877.4 million), net of the increase in value of OMV Petrom SA share price (positive impact of RON 160.1 million).

The increase of **total liabilities** was mainly due to the RON 237 million drawing from the credit facility from BRD (total commitment: RON 1,000 million), used for the funding of the distributions to shareholders and due to the outstanding liability regarding the March and June 2017 returns of capital. For more details regarding the credit facility agreement, please see the section *Subsequent Events*.

Statement of Comprehensive Income

RON million	30 June 2017 Unaudited	30 June 2016 Unaudited
Gross dividends	539.9	346.9
Net unrealised gain / (loss) from equity investments at fair value through profit or loss	159.0	(541.3)
Reversal of impairment losses on receivables, net	36.7	17.9
Net gain on disposal of equity investments classified as available for sale	21.0	913.1
Interest income	7.3	3.0
Impairment losses on equity investments classified as available for sale	-	(40.7)
Other income, net*	2.5	2.4
Net operating income	766.4	701.3
Investment management and administration fees	(54.0)	(35.5)
Other operating expenses	(12.2)	(20.8)
Operating expenses	(66.2)	(56.3)
Finance costs**	-	(0.3)
Profit before income tax	700.2	644.7
Income tax	9.1	(104.0)
Profit for the period	709.3	540.7
Other comprehensive income	106.9	(189.0)
Total comprehensive income for the period	816.2	351.7

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

** Finance costs as at 30 June 2017 is RON 21,857

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

The increase compared to the first six months of 2016 was mainly the dividend from OMV Petrom SA and the higher dividends received from other portfolio companies (mainly Hidroelectrica SA).

The net unrealised gain from equity investments at fair value through profit or loss of RON 159.0 million was mainly generated by OMV Petrom SA, as a result of the positive evolution of the share price for this company during the first six months of 2017 (RON 160.1 million, share price increase of 8.6%).

The net loss for the first six months of 2016 was also generated by OMV Petrom SA, due to the negative evolution of the share price of this company (RON 537.9 million).

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

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

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 Société Générale SA.

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

The **investment management and administration fees** for the first six months ended 30 June 2017 included the base fee of RON 24.1 million (30 June 2016: RON 23.1 million) and the distribution fee of RON 29.9 million (30 June 2016: RON 12.4 million). The higher distribution fee in the six-month period ended 30 June 2017 compared to the same period of the previous year was due to the fees charged for the distributions made available to the Fund's shareholders, respectively through the tender offer within the 7th buy-back programme, finalised on 20 March 2017 and the return of capital in March 2017 of RON 0.05 per share for which the payment started on 27 March 2017.

The **other comprehensive income** mainly comprised the changes in fair value of available for sale equity investments net of related tax and the increase as at 30 June 2017 compared to the same period of the previous year is mainly generated by: Nuclearelectrica SA due to the 33.0% increase in share price, with an impact of RON 43.4 million, BRD Groupe Société Générale SA due to the 13.5% increase in share price, with an impact of RON 40.6 million and Alro SA due to the 44.4% increase in share price, with an impact of RON 37.9 million. n.

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

Other operating expenses

RON million	30 June 2017	30 June 2016
	Unaudited	Unaudited
FSA monthly fees	5.3	5.4
Depository fees	0.4	0.4
Transactions costs	0.1	5.1
Other expenses	6.4	9.9
Other operating expenses	12.2	20.8

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

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 2017, 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
	30 June 2017	31 March 2017	30 June 2017
	Unaudited	Unaudited	Unaudited
Gross dividends	539.9	-	539.9
Net unrealised gain / (loss) from equity investments at fair value through profit or loss	(137.1)	296.1	159.0
Reversal of impairment losses / (Impairment losses) on receivables, net	18.2	18.5	36.7
Interest income	1.2	6.1	7.3
Net gain on disposal of equity investments classified as available for sale	14.7	6.3	21.0
Other (expenses) / income, net*	(5.3)	-	(5.3)
Net operating income	443.2	323.2	766.4
Investment management and administration fees	(20.0)	(34.0)	(54.0)
Other operating expenses	(6.2)	(6.0)	(12.2)
Operating expenses	(26.2)	(40.0)	(66.2)
Finance costs	-	-	-
Profit before income tax	417.0	283.2	700.2
Income tax	(0.7)	9.8	9.1
Profit for the year	416.3	293.0	709.3
Other comprehensive income	31.6	75.3	106.9
Total comprehensive income for the period	447.9	368.3	816.2

* 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 2017	30 June 2016
	Unaudited	Unaudited
Cash flows from operating activities		
Proceeds from sale of equity investments	29.0	1,158.9
Disposals/ maturity of treasury bills and bonds	1,386.9	314.6
Dividends received (net of withholding tax)	185.3	32.5
Interest received	10.9	3.3
Acquisitions of treasury bills and bonds	(355.7)	(320.0)
Suppliers and other taxes and fees paid	(76.9)	(45.4)
Subscriptions to share capital increase of portfolio companies	-	(3.1)
Other (payments) / receipts, net	(1.2)	0.6
Net cash flows from operating activities	1,178.3	1,141.4
Cash flows from financing activities		
Short term bank loans and related costs	237.0	(0.2)
Payments to shareholders related to the return of capital	(871.6)	(482.5)
Guarantee paid for the buy-back tender offer	-	(145.2)

RON million

	30 June 2017 Unaudited	30 June 2016 Unaudited
Acquisition of treasury shares	(711.5)	(104.5)
Net cash flows used in financing activities	(1,346.1)	(732.4)
Net (decrease) / increase in cash and cash equivalents	(167.8)	409.0
Cash and cash equivalents at the beginning of the period	311.1	198.5
Cash and cash equivalents at the end of the period	143.3	607.5
Cash	58.4	34.8
Bank deposits with original maturities of less than three months	84.9	572.7
	143.3	607.5

In the first six months of 2017 **the proceeds from sale of equity investments** were related to the disposal of the entire holdings in Oil Terminal and Banca Transilvania.

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 Société Générale SA.

Payments to shareholders related to the return of capital in the first six months of 2017 and 2016 included the payments related to the two share capital returns to shareholders of RON 0.05 per share each, during 2017 and one return in 2016, in accordance with shareholders approvals.

Short term bank loans and related costs includes RON 237 million drawing from the credit facility from BRD (total commitment: RON 1,000 million), used for the funding of the distributions to shareholders.

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.

Payments to **suppliers and other taxes and fees paid** were higher in the first six months of 2017 compared with the first six months of 2016 mainly as a result of the expenses related to distribution fee for March distribution and Tender offer.

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.

Signatures:

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

Adrian Cighi
Permanent Representative

Prepared by
Catalin Cadaru
Financial Reporting Manager

11 August 2017

Annex 1

FONDUL PROPRIETATEA SA

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

Prepared in accordance with IAS 34 Interim Financial Reporting

(This is a translation from the official Romanian version)

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2017**

(all amounts are in RON unless otherwise stated)

		6 months ended 30 June 2017	6 months ended 30 June 2016
	<i>Note</i>		
Gross dividend income	5	539,932,684	346,915,547
Net gain / (loss) from equity investments at fair value through profit or loss	6	158,981,299	(541,343,829)
Reversal of impairment losses on receivables, net	18(a)	36,725,659	17,917,700
Gain on disposal of equity investments classified as available for sale, net	7	20,975,361	913,067,221
Interest income		7,272,798	2,984,714
Net foreign exchange gain		522,817	294,380
Impairment losses on equity investments classified as available for sale	13	-	(40,716,135)
Other income, net		2,017,172	2,222,640
Net operating income		766,427,790	701,342,238
Operating expenses	8	(66,212,009)	(56,360,126)
Finance costs	16	(21,857)	(312,500)
Profit before income tax		700,193,924	644,669,612
Income tax	9	9,075,518	(103,923,098)
Profit for the period		709,269,442	540,746,514
Other comprehensive income			
Net change in fair value of available for sale equity investments	13	138,418,268	677,823,165
Deferred tax on other comprehensive income	15	(10,903,127)	102,217,728
Decrease in fair value reserve following the disposal of available for sale equity investments		(20,556,873)	(969,131,503)
Total other comprehensive income		106,958,268	(189,090,610)
Total comprehensive income for the period		816,227,710	351,655,904
Basic and diluted earnings per share	10	0.0769	0.0520

These financial statements were authorised for issue on 11 August 2017 by:

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

Adrian Cighi
Permanent RepresentativePrepared by
Catalin Cadaru
Financial Reporting Manager

The notes on pages 42 to 64 are an integral part of these condensed financial statements.

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

	<i>Note</i>	30 June 2017	31 December 2016
Assets			
Cash and current accounts	11	58,377,370	5,781,621
Deposits with banks	11	84,927,288	305,337,134
Treasury bills		69,962,600	781,445,213
Government bonds		-	328,638,303
Dividends receivable	12	353,164,786	-
Equity investments	13	9,381,067,532	9,992,183,244
Non-current assets held for sale	14	877,423,000	-
Other assets		20,525,302	20,728,167
Total assets		10,845,447,878	11,434,113,682
Liabilities			
Short term bank loans	16	237,021,857	-
Payable to shareholders	17 (a)	62,840,509	20,208,049
Other liabilities and provisions	17 (b)	25,246,379	27,953,985
Total liabilities		325,108,745	48,162,034
Equity			
Share capital	18 (a)	5,238,521,988	9,168,314,117
Fair value reserve on available for sale financial assets, net of deferred tax	18 (b)	4,440,495,392	4,333,537,124
Other reserves	18 (c)	443,949,119	585,468,652
Treasury shares	18 (d)	(737,831,198)	(654,145,163)
Retained earnings	18 (f)	1,135,203,832	(2,047,223,082)
Total equity		10,520,339,133	11,385,951,648
Total liabilities and equity		10,845,447,878	11,434,113,682

The notes on pages 42 to 64 are an integral part of these condensed financial statements.

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

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2017	9,168,314,117	4,333,537,124	585,468,652	(654,145,163)	(2,047,223,082)	11,385,951,648
Comprehensive income for the period						
Profit for the period	-	-	-	-	709,269,442	709,269,442
Other comprehensive income						
Net change in fair value of available for sale equity investments	-	138,418,268	-	-	-	138,418,268
Decrease in fair value reserve following the disposal of available for sale equity investments	-	(20,556,873)	-	-	-	(20,556,873)
Deferred tax on other comprehensive income	-	(10,903,127)	-	-	-	(10,903,127)
Coverage of the cumulated accounting losses	(2,317,038,572)	-	(156,118,900)	-	2,473,157,472	-
Total other comprehensive income	(2,317,038,572)	106,958,268	(156,118,900)	-	2,473,157,472	106,958,268
Total comprehensive income for the period	(2,317,038,572)	106,958,268	(156,118,900)	-	3,182,426,914	816,227,710
Transactions with owners, recorded directly in equity (see Note 18)						
Decrease of the nominal value of the shares	(1,007,408,074)	-	-	46,980,596	-	(960,427,478)
Acquisition of treasury shares	-	-	-	(721,412,747)	-	(721,412,747)
Cancellation of treasury shares	(605,345,483)	-	14,599,367	590,746,116	-	-
Total transactions with owners recorded directly in equity	(1,612,753,557)	-	14,599,367	(83,686,035)	-	(1,681,840,225)
Balance as at 30 June 2017	5,238,521,988	4,440,495,392	443,949,119	(737,831,198)	1,135,203,832	10,520,339,133

The notes on pages 42 to 64 are an integral part of these condensed financial statements.

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

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2016	10,074,080,746	4,232,810,400	527,397,886	(308,039,345)	(2,473,157,472)	12,053,092,215
Comprehensive income for the period						
Profit for the period	-	-	-	-	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 42 to 64 are an integral part of these condensed financial statements.

CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

	6 months ended 30 June 2017	6 months ended 30 June 2016
Cash flows from operating activities		
Disposal/ maturity of treasury bills and bonds	1,386,863,260	314,641,448
Dividends received (net of withholding tax)	185,272,798	32,501,038
Proceeds from disposal of equity investments, net	28,966,209	1,158,921,458
Interest received	10,896,471	3,269,266
Acquisition of treasury bills and bonds	(355,691,547)	(320,034,050)
Suppliers and other taxes and fees paid	(76,911,743)	(45,392,734)
Subscriptions to share capital increase of portfolio companies	-	(3,070,150)
Other (payments) / receipts, net	(1,122,324)	609,152
Net cash flows from operating activities	1,178,273,124	1,141,445,428
Cash flows from financing activities		
Short term bank loans	237,000,000	-
Payments to shareholders related to the return of capital	(871,556,172)	(482,482,318)
Acquisition cost of treasury shares	(711,513,691)	(104,469,267)
Dividends paid (including related taxes)	(5,243)	(47,297)
Guarantee paid for the buy-back tender offer	-	(145,245,000)
Payment of fees related to the short term bank loans	-	(175,000)
Net cash flows used in financing activities	(1,346,075,106)	(732,418,882)
Net increase in cash and cash equivalents	(167,801,982)	409,026,546
Cash and cash equivalents at the beginning of the period	311,105,488	198,467,448
Cash and cash equivalents at the end of the period as per Statement of Cash Flows	143,303,506	607,493,994
	30 June 2017	30 June 2016
Cash and current accounts (see <i>Note 11</i>)	58,377,370	34,834,299
Bank deposits with original maturities of less than three months (see <i>Note 11</i>)	84,926,136	572,659,695
	143,303,506	607,493,994

The notes on pages 42 to 64 are an integral part of these condensed financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

1. General information

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017(all amounts are in RON unless otherwise stated)

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

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates

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

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

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

- Note 13 – Equity investments;
- Note 15 – Deferred tax;
- Note 19 – Contingencies.

3. Significant accounting policies

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(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 financial liabilities at amortised cost	Total carrying amount	Fair value
30 June 2017						
Cash and current accounts	58,377,370	-	-	-	58,377,370	58,377,370
Deposits with banks	84,927,288	-	-	-	84,927,288	84,927,288
Treasury bills	-	-	69,962,600	-	69,962,600	69,962,600
Dividends receivable	353,164,786	-	-	-	353,164,786	353,164,786
Equity investments	-	7,135,129,666	2,245,937,866	-	9,381,067,532	9,381,067,532
Other financial assets	11,780,155	-	-	-	11,780,155	11,780,155
Short term bank loans	-	-	-	(237,021,857)	(237,021,857)	(237,021,857)
Other financial liabilities	-	-	-	(86,255,741)	(86,255,741)	(86,255,741)
	508,249,599	7,135,129,666	2,315,900,466	(323,277,598)	9,636,002,133	9,636,002,133
	Loans and receivables	Available for sale	At fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
31 December 2016						
Cash and current accounts	5,781,621	-	-	-	5,781,621	5,781,621
Deposits with banks	305,337,134	-	-	-	305,337,134	305,337,134
Treasury bills	-	209,958,296	571,486,917	-	781,445,213	781,445,213
Government bonds	-	-	328,638,303	-	328,638,303	328,638,303
Equity investments	-	7,905,226,677	2,086,956,567	-	9,992,183,244	9,992,183,244
Other financial assets	12,078,624	-	-	-	12,078,624	12,078,624
Other financial liabilities	-	-	-	(46,429,231)	(46,429,231)	(46,429,231)
	323,197,379	8,115,184,973	2,987,081,787	(46,429,231)	11,379,034,908	11,379,034,908

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

5. Gross dividend income

	6 months ended 30 June 2017	6 months ended 30 June 2016
Hidroelectrica SA	206,556,210	134,644,266
OMV Petrom SA	106,763,221	-
CN Aeroporturi Bucuresti SA	42,955,766	27,413,948
Electrica Furnizare SA	34,807,451	24,523,212
SDEE Transilvania Nord SA	22,115,641	27,959,790
SDEE Transilvania Sud SA	21,708,184	26,344,928
SDEE Muntenia Nord SA	19,336,883	26,895,798
BRD Groupe Societe Generale SA	18,515,323	8,116,306
Engie Romania SA	13,308,134	-
CN Administratia Porturilor Maritime SA	11,008,410	14,076,910
Nuclearelectrica SA	9,044,766	9,044,766
E-Distributie Banat SA	8,922,810	16,815,211
Conpet SA	8,695,227	-
Alro SA	6,863,554	-
E-Distributie Dobrogea SA	6,604,290	12,044,458
Banca Transilvania SA	-	16,687,884
Enel Energie SA	-	2,089,651
Others	2,726,814	258,419
	539,932,684	346,915,547

The dividend income was subject to 5% withholding tax in 2017 and 2016. 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 date, no withholding tax was due.

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

The unrealised net gain from equity investments at fair value through profit or loss for the first six months of 2017 of RON 158,981,299 (six-month period ended 30 June 2016: unrealised net loss of RON 541,343,829) was mainly generated by the change in fair value for the holding in OMV Petrom SA, as a result of the increase (during the first six months of 2016: decrease) of this company's share price during the respective period. No realised net gain or loss from equity investments at fair value through profit or loss was recorded in the six-month periods ended 30 June 2017 and 30 June 2016 as there were no disposals of equity investments classified at fair value through profit or loss.

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

In the first six months of 2017, the Fund sold its entire holdings in Oil Terminal SA and Banca Transilvania SA. The net gain on disposal of these equity investments was RON 20,975,361, representing the difference between the gross proceeds from disposals (RON 29,047,542) and the carrying values of the equity investments as at disposal date (RON 28,629,054), plus the net unrealised gain related to these investments disposed, recycled from other comprehensive income to profit or loss upon their derecognition (RON 20,556,873). 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

8. Operating expenses

	6 months ended 30 June 2017	6 months ended 30 June 2016
Investment management and administration fees	54,033,776	35,537,219
FSA monthly fees	5,301,183	5,361,410
Third party services	4,763,889	7,886,561
Remunerations and related taxes	719,075	715,433
Depository bank fee	382,734	414,616
Intermediaries and other fees related to disposal of portfolio holdings	81,333	5,097,444
Other operating expenses	930,019	1,347,443
	66,212,009	56,360,126

The total investment management and administration fees in the six-month period ended 30 June 2017 included the base fee of RON 24,068,901 (six-month period ended 30 June 2016: RON 23,124,145) and the distribution fee of RON 29,964,875 (six-month period ended 30 June 2016: RON 12,413,074). The higher distribution fee in the six-month period ended 30 June 2017 compared to the six-month period ended 30 June 2016 was due to the fees invoiced for the distributions made available to the Fund's shareholders in the six-month period ended 30 June 2017, respectively through the tender offer carried within the seventh buy-back programme and the special return of capital performed in March 2017 of RON 0.05 per share for which the payment started on 27 March 2017.

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

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 2017	6 months ended 30 June 2016
Members of the Board of Nominees	600,000	600,000
Special administrator appointed in portfolio companies in insolvency	-	7,531
Contributions to social security fund	89,590	76,248
Contributions to health insurance fund	29,485	31,654
	719,075	715,433

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

9. Income tax

	6 months ended 30 June 2017	6 months ended 30 June 2016
Current tax expense		
Current tax (16%)	-	-
Dividend withholding tax	(1,827,608)	(1,705,369)
	(1,827,608)	(1,705,369)
Deferred tax related to:		
Fiscal loss	10,903,126	(102,217,729)
	10,903,126	(102,217,729)
Income tax / (expense)	9,075,518	(103,923,098)

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

	6 months ended 30 June 2017	6 months ended 30 June 2016
Reconciliation of effective tax rate		
Net Profit for the period	709,269,442	540,746,514
Income tax / (expense)	9,075,518	(103,923,098)
Profit excluding income tax	700,193,924	644,669,612
Income tax using the standard tax rate (16%)	(112,031,028)	(103,147,138)
<i>Impact on the income tax expense of:</i>		
Taxation applied on dividend income	(1,827,608)	(1,705,368)
Elements similar to revenues (taxable equity items)	(9,852,794)	(3,892,973)
Non-taxable income	293,152,001	528,747,574
Non-deductible expenses	(185,700,885)	(496,148,582)
Fiscal result impact in the current period	14,432,706	74,441,117
Deferred tax movement during the period	10,903,126	(102,217,728)
Income tax / (expense)	9,075,518	(103,923,098)

The net deferred tax liability on equity investments recorded through the equity reserve during the six-month period ended 30 June 2017 was of RON 10,903,127 (six-month period ended 30 June 2016: net deferred tax asset recorded through the equity reserve of RON 102,217,728).

See *Note 15 Deferred tax* for details regarding the deferred tax computation and recognition.

10. Basic and diluted earnings per share

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

10. Basic and diluted earnings per share (continued)

	6 months ended 30 June 2017	6 months ended 30 June 2016
Profit for the period	709,269,442	540,746,514
Weighted average number of ordinary shares	9,221,332,191	10,392,435,554
Basic and diluted earnings per share	0.0769	0.0520

11. Cash and current accounts and deposits with banks

	30 June 2017	31 December 2016
Petty cash	973	984
Current accounts with banks	83,600	77,514
Distributions bank accounts	58,292,797	5,703,123
Cash and current accounts	58,377,370	5,781,621

	30 June 2017	31 December 2016
Overnight deposit related to the distribution bank account	2,354,003	4,562,078
Bank deposits with original maturities of less than three months	82,572,133	300,761,789
Interest accrued on bank deposits	1,152	13,267
Deposits with banks	84,927,288	305,337,134

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

12. Dividends receivable

	30 June 2017	31 December 2016
Dividends receivable		
Hidroelectrica SA	176,640,359	-
CN Aeroporturi Bucuresti SA	42,955,766	-
Electrica Furnizare SA	34,807,451	-
SDEE Transilvania Nord SA	22,115,641	-
SDEE Transilvania Sud SA	21,708,184	-
SDEE Muntenia Nord SA	19,336,883	-
CN Administratia Porturilor Maritime SA	11,008,410	-
E-Distributie Banat SA	8,922,810	-
Conpet SA	8,260,466	-
E-Distributie Dobrogea SA	6,604,290	-
Other dividends receivable	1,440,532	968,515
	353,800,792	968,515
Impairment loss allowance	(636,006)	(968,515)
	353,164,786	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

13. Equity investments

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

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

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

	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
1 January 2017	2,086,956,567	7,905,226,677	9,992,183,244
Subscriptions to share capital increase of portfolio companies	-	33,580	33,580
Disposals	-	(28,629,054)	(28,629,054)
Reclassification to non-current assets held for sale	-	(877,423,000)	(877,423,000)
Net change in fair value of available for sale equity investments (recorded in other comprehensive income)	-	135,921,463	135,921,463
Net gain from equity investments at fair value through profit or loss	158,981,299	-	158,981,299
30 June 2017	2,245,937,866	7,135,129,666	9,381,067,532
	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

Disposals

During the six-month period ended 30 June 2017, the Fund sold its entire holding in Oil Terminal SA and its holding in Banca Transilvania SA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

13. Equity investments (continued)
Impairment losses

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

During the six-month period ended 30 June 2016, the Fund recorded impairment losses in amount of RON 40,716,135, the most important one being the impairment loss for the Fund's holding in Nuclearelectrica SA, in amount of RON 38,371,733.

Portfolio structure

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

	30 June 2017	31 December 2016
Equity investments at fair value through profit or loss		
OMV Petrom SA	2,017,824,880	1,857,680,048
Societatea Nationala a Sarii SA	181,000,000	181,000,000
Zirom SA	25,512,000	25,512,000
Primcom SA	9,537,239	10,225,757
Other	12,063,746	12,538,762
	2,245,937,866	2,086,956,567
Equity investments available for sale	30 June 2017	31 December 2016
Hidroelectrică SA	3,384,000,000	3,384,000,000
CN Aeroporturi București SA	761,000,000	761,000,000
E-Distributie Banat SA	599,900,000	599,900,000
Engie Romania SA	453,400,000	453,400,000
E-Distributie Muntenia SA	449,400,000	449,400,000
E-Distributie Dobrogea SA	380,200,000	380,200,000
BRD Groupe Societe Generale SA	341,899,387	301,317,857
SDEE Muntenia Nord SA	255,200,000	255,200,000
SDEE Transilvania Sud SA	246,200,000	246,200,000
Administratia Porturilor Maritime SA	216,000,000	216,000,000
SDEE Transilvania Nord SA	208,300,000	208,300,000
Electrica Furnizare SA	167,723,000	167,723,000
Nuclearelectrica SA	175,139,555	131,697,271
Alro SA	123,175,167	85,275,115
Enel Energie SA	75,500,000	75,500,000
Enel Energie Muntenia SA	70,300,000	70,300,000
Posta Romana SA	45,000,000	43,000,000
Romaero SA	30,168,893	21,708,486
Banca Transilvania SA	-	20,563,646
Other	30,046,664	34,541,302
Reclassification to non-current assets held for sale (see Note 14)	(877,423,000)	-
	7,135,129,666	7,905,226,677
Total equity investments	9,381,067,532	9,992,183,244

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

13. Equity investments (continued)
Fair value hierarchy

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

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

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

As at 30 June 2017:

	Level 1	Level 2	Level 3	Total
Equity investments	2,658,038,988	-	6,723,028,544	9,381,067,532
Treasury bills	69,962,600	-	-	69,962,600
Non-current assets held for sale	-	-	877,423,000	877,423,000
	2,728,001,588	-	7,600,451,544	10,328,453,132

As at 31 December 2016:

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

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

	6 months ended 30 June 2017
1 January 2017	7,592,183,120
Net change in fair value recorded in other comprehensive income	9,398,377
Net loss from equity investments at fair value through profit or loss	(1,163,533)
Subscriptions to share capital increase of portfolio companies	33,580
Transfers in/(out) of Level 3	-
30 June 2017	7,600,451,544

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

13. Equity investments (continued)

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

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

As the valuation reports were prepared as at 30 September 2016, except the valuation report for the holding in Posta Romana SA which was prepared as at 31 December 2016 (for 30 June 2016: as at 31 August 2015, in case of the holdings in SDEE Muntenia Nord SA, SDEE Transilvania Sud SA, SDEE Transilvania Nord SA and Electrica Furnizare SA, and as at 30 September 2015 for the rest of the holdings subject to valuation), based on financial information available for the companies under valuation at the respective date, the Fund's management has analysed the period between the date of the valuation reports and the reporting date. There was no information known or available to the Fund's management which may have significant impact on the fair values of the equity investments as at the reporting date, as they are presented in these financial statements.

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

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

For the equity investments classified as Level 1, the Fund had adequate information available with respect to active markets, with sufficient trading volume, for obtaining accurate prices.

As at 30 June 2017, unlisted equity investments and listed illiquid equity investments with a total carrying amount of RON 7,600,451,544 (31 December 2016: RON 7,592,183,120), were classified as Level 3 of the fair value hierarchy. Out of this, an amount of RON 4,252,578,302 represents the total net change in fair value recognised in equity (other comprehensive income) as at 30 June 2017 (31 December 2016: RON 4,243,179,925). Out of the total value of the equity investments classified as Level 3 of the fair value hierarchy, 99% were assessed with the assistance of independent valuers, using valuation methods in accordance with the International Valuation Standards and 1% were determined based on values used in the calculation of the net asset value of the Fund as at that date, calculated in accordance with the regulations issued by the FSA/CNVM.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

13. Equity investments (continued)

Financial assets	Fair value as at 30 June 2017	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	7,600,451,544			
Unlisted equity instruments	7,270,749,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.22 to 11.4 (7.77) Discount for lack of marketability: 15% (15%)	The higher the EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	208,669,000	Income approach - discounted cash flow method	Weighted average cost of capital: 11.29% or 12.05% or 12.18% (12.06%) Discount for lack of marketability: 12% or 14.6% or 17% (14.87%) Discount for lack of control: 0% or 18% or 26.50% (23%) Long-term revenue growth rate: 1.5% (1.5%)	The lower the weighted average cost of capital, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. The lower the discount for the lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	45,000,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 14.22 (14.22) Discount for lack of marketability: 24.4% (24.4%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	1,696,000	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.48 (0.48) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Listed illiquid equity instruments	53,669,346	Bucharest Stock Exchange reference price - Average price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM.	
Unlisted equity instruments	20,668,198	Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM, primarily based on the value of the shareholders' equity of the issuer extracted from its latest annual financial statements.		

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

13. Equity investments (continued)

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

Significant unobservable inputs are the following:

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

13. Equity investments (continued)

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

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

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

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

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

14. Non-current assets held for sale

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

15. Deferred tax

	Deductible temporary differences	Related deferred tax asset/(liability), out of which:	Recognised deferred tax asset/(liability)	Not recognised deferred tax asset
30 June 2017				
Equity investments	(1,581,482,685)	(253,037,230)	(253,037,230)	-
Fiscal loss carried forward	2,679,669,377	428,747,100	253,037,230	175,709,870
	1,098,186,692	175,709,870	-	175,709,870

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

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

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

6 months ended 30 June 2017	Balance at 1 January 2017	Recognised in profit or loss	Recognised in equity (other comprehensive income)	Balance at 30 June 2017
Equity investments	(242,134,103)	-	(10,903,127)	(253,037,230)
Fiscal loss carried forward	242,134,103	10,903,127	-	253,037,230
	-	10,903,127	(10,903,127)	-

6 months ended 30 June 2016	Balance at 1 January 2016	Recognised in profit or loss	Recognised in equity (other comprehensive income)	Balance at 30 June 2016
Equity investments	(109,323,376)	-	102,217,728	(7,105,648)
Fiscal loss carried forward	109,323,376	(102,217,728)	-	7,105,648
	-	(102,217,728)	102,217,728	-

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

16. Short term bank loans

On 4 July 2016, the Fund contracted a revolving committed credit facility for a maximum amount of RON 1 billion from BRD - Groupe Societe Generale SA. The initial availability period of the facility was for one year and on 10 May 2017 it has decided to extend it for a subsequent year, respectively until 4 July 2018. The purpose of this credit facility is for general corporate use, including share buy-backs, but excluding the purchase of investments.

On 27 June 2017 the Fund drew for the first time an amount of RON 237,000,000 from the total credit facility which was used for the funding of June 2017 return of capital to shareholders. The finance costs included in the Statement of Comprehensive Income for the six-month period ended 30 June 2017 comprise the accrued interest expense on the amount drawn from this credit facility, of RON 21,857.

For details regarding the repayment of the amount drew from the credit facility concluded with BRD - Groupe Societe Generale SA please see *Note 21 Subsequent Events*.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

16. Short term bank loans (continued)

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 which was terminated on 8 July 2016 with the mutual consent of both parties.

17. Liabilities
(a) Payable to shareholders

The payable to shareholders caption comprises the amounts due to shareholders related to the returns of capital in total amount of RON 62,840,509 (31 December 2016: RON 20,208,049).

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

	Returns of capital
1 January 2017	20,208,049
Distributions started during the period	924,046,244
Payments performed during the period	(871,556,172)
Payments related to 2015 return of capital performed directly by Central Depositary from the amount transferred by the Fund in their account in 2015	(9,857,612)
30 June 2017	62,840,509

(b) Other liabilities and provisions

	30 June 2017	31 December 2016
Investment management and administration fees	20,037,765	12,907,804
Other fees related to disposal of portfolio holdings	1,159,456	11,654,707
Payables related to treasury shares under settlement	1,803,192	287,824
Financial Supervisory Authority fees	885,764	861,361
Provision for litigations	856,247	856,247
Other liabilities	503,955	1,386,042
	25,246,379	27,953,985

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

18. Shareholders' equity
(a) Share capital

The following changes in the share capital were recorded during the first six months of 2017:

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

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

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

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

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

The movements in the share capital components are presented below:

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

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

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

Shareholder categories	% of subscribed share capital	% of paid-in share capital
The Bank of New York Mellon (depository bank for the Fund's GDRs)	33.35%	34.60%
Foreign institutional shareholders	20.73%	21.51%
Romanian private individuals	16.57%	17.19%
Romanian institutional shareholders	14.25%	14.78%
Foreign private individuals	2.98%	3.09%
Ministry of Public Finance	0.06%	0.06%
Treasury shares	8.45%	8.77%
Unpaid shares	3.61%	-
Total	100%	100%

Source: Depozitarul Central SA

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

The fair value reserve of RON 4,440,495,392 as at 30 June 2017 (31 December 2016: RON 4,333,537,124) is comprised of the cumulative net change in the fair value of the available for sale financial assets recognised in other comprehensive income, until the investments are derecognised or impaired, net of the related deferred tax recognised through equity. The fair value reserve balance as at 30 June 2017 includes RON 470,525,302 (31 December 2016: nil) relating to the cumulative net change in the fair value of the non-current assets classified as held for sale, recognised in other comprehensive income.

(c) Other reserves

	30 June 2017	31 December 2016
Legal reserve	266,084,000	266,084,000
Other reserves	177,865,119	319,384,652
	443,949,119	585,468,652

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

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

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

(d) Treasury shares

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

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

The table below summarises the buy-back programmes valid in 2017:

Programme	GSM date approving the buy-back programme	Starting date	Completion date	Acquisition price range as approved by GSM
Seventh buy-back	29-Oct-2015	29-Sep-16	26 May 2017 ongoing (valid until 19 April 2018)	0.2 - 2 RON per share
Eighth buy-back	11-Oct-2016	30-May-17	April 2018)	0.2 - 2 RON per share

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

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

	Treasury shares number - opening balance	Acquisitions during the period	Cancellations during the period	Treasury shares number - closing balance
Sixth buy-back	712,171,156	-	712,171,156	-
Seventh buy-back	79,336,721	750,910,898	-	830,247,619
Eighth buy-back	-	37,174,313	-	37,174,313
	791,507,877	788,085,211	712,171,156	867,421,932

The sixth buy-back programme

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

The seventh buy-back programme

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

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

The eighth buy-back programme

The eighth buy-back programme started on 30 May 2017 and as at 30 June 2017 the total number of shares repurchased by the Fund (either in form of ordinary shares or GDRs) within the eighth buy-back programme was 37,174,313 (based on the transaction trade date) for a total acquisition value of RON 32,696,636 (excluding transaction costs). The average acquisition price for shares was RON 0.8784 and the average acquisition price for GDRs was 10.7985 USD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

18. Shareholders' equity (continued)

(e) Return of capital to shareholders

Return of capital from March 2017

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

The shareholders registered in the shareholders' registry with the Central Depository on 7 March 2017 (the Registration Date) have the right to receive RON 0.05 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 27 March 2017 and by 30 June 2017, shareholders had collected almost 97% of the total distribution of RON 480,543,496.

Return of capital from June 2017

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

The shareholders registered in the shareholders' registry with the Central Depository on 12 June 2017 have the right to receive RON 0.05 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 30 June 2017 and by the end of 30 June 2017, shareholders had collected over 91% of the total distribution of RON 443,502,747.

(f) Coverage of the cumulated accounting losses

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

19. Contingencies

1. Litigations

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

2. Other contingencies

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

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

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

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

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

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

The file started by the Fund against the Ministry of Public Finance for recovering the contributions of the Ministry of Public Finance to the share capital of the Fund is currently suspended until a final Court decision is taken in relation with the file mentioned above.

20. Related parties
(a) Key management

	6 months ended 30 June 2017	6 months ended 30 June 2016
Remunerations		
Members of the Board of Nominees	600,000	600,000

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 2017 or first six months of 2016.

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

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

Transactions	6 months ended 30 June 2017	6 months ended 30 June 2016
Investment management and administration fees	54,033,776	22,969,372

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(all amounts are in RON unless otherwise stated)

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

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

Transactions	6 months ended 30 June 2017	6 months ended 30 June 2016
Investment management and administration fees	-	12,567,847
Rental expense	33,251	33,010
Operating cost	12,027	11,736
	45,278	12,612,593

During the first six months of 2017, the Fund also recorded RON 746,091 representing expenses incurred by the FTIML on its behalf (six-month period ended 30 June 2016: RON 1,006,326). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the management agreements and was subject to Board of Nominees' approval.

The outstanding liabilities owed by the Fund were as follows:

Amounts due to:	30 June 2017	31 December 2016
FTIS	20,037,765	12,907,804
FTIML	-	193,120
	20,037,765	13,100,924

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

(b) Subsidiaries

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

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

During the first six months of 2017, the Fund did not carry out any transaction with its subsidiaries.

During the first six months of 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 fair value of investments in subsidiaries is presented in the table below:

	30 June 2017	31 December 2016
Zirom SA	25,512,000	25,512,000
Primcom SA	9,537,239	10,225,757
Alcom SA	9,906,746	10,133,492
Comsig SA	-	248,269
	44,955,985	46,119,518

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

 (all amounts are in RON unless otherwise stated)

20. Related parties (continued)
(c) Associates

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

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

The Fund did not carry out any transaction with its associates during the first six months of 2017 or the first six months of 2016.

21. Subsequent events
Repayment of the amount drew from the credit facility

On 25 July 2017, the Fund reimbursed the entire amount drew from the credit facility contracted from BRD-Groupe Société Generale SA and the related interest.

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 June 2017, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	30 December 2016				30 June 2017				Differences
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
I. Total assets	100.4201%	100.0000%		11,475,358,724.04	103.0756%	100.0000%		10,895,360,152.31	(579,998,571.73)
1 Securities and money market instruments, out of which:*	24.6421%	24.5389%		2,815,929,874.99	26.1263%	25.3468%		2,761,627,976.94	(54,301,898.05)
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	24.6421%	24.5389%	-	2,815,929,874.99	26.1263%	25.3468%	-	2,761,627,976.94	(54,301,898.05)
1.1.1 listed shares traded in the last 30 trading days	21.6780%	21.5873%	-	2,477,213,080.14	26.0326%	25.2559%	-	2,751,721,230.84	274,508,150.70
1.1.2 listed shares not traded in the last 30 trading days	0.0887%	0.0883%	-	10,133,492.11	0.0937%	0.0909%	-	9,906,746.10	(226,746.01)
1.1.3 government bonds	2.8754%	2.8633%	-	328,583,302.74	0.0000%	0.0000%	-	-	(328,583,302.74)
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:	66.0359%	65.7595%	-	7,546,147,063.97	71.3964%	69.2662%	-	7,546,774,831.47	627,767.50
- shares not admitted at trading on a regulated market	66.0359%	65.7595%	-	7,546,147,063.97	71.3964%	69.2662%	-	7,546,774,831.47	627,767.50
4 Bank deposits, out of which:	2.6721%	2.6609%		305,335,161.21	0.8034%	0.7794%		84,927,287.93	(220,407,873.28)
4.1. bank deposits made with credit institutions from Romania	2.6721%	2.6609%	-	305,335,161.21	0.8034%	0.7794%	-	84,927,287.93	(220,407,873.28)
- in RON	2.6721%	2.6609%		305,335,161.21	0.8034%	0.7794%		84,927,287.93	(220,407,873.28)
- 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:	0.0506%	0.0504%		5,781,686.46	0.5523%	0.5357%		58,377,370.31	52,595,683.85
- in RON	0.0506%	0.0504%	-	5,778,094.78	0.5522%	0.5357%	-	58,369,541.64	52,591,446.86
- in EUR	0.0000%	0.0000%	EUR 222.45	1,010.17	0.0000%	0.0000%	EUR 622.22	2,833.53	1,823.36
- in USD	0.0000%	0.0000%	USD 232.92	1,002.32	0.0000%	0.0000%	USD 451.13	1,800.69	798.37
- in GBP	0.0000%	0.0000%	GBP 298.18	1,579.19	0.0000%	0.0000%	GBP 616.07	3,194.45	1,615.26
7 Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	6.8382%	6.8099%	-	781,436,770.50	0.6619%	0.6422%	-	69,962,599.90	(711,474,170.60)
- Treasury bills with discount, with original maturities of less than 1 year	6.8382%	6.8099%	-	781,436,770.50	0.6619%	0.6422%	-	69,962,599.90	(711,474,170.60)
8 Participation titles of OCIU and/or of UCITS (A.O.P.C./O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.1812%	0.1804%		20,728,166.91	3.5353%	3.4297%		373,690,085.76	352,961,918.85
- net dividend receivable from Romanian companies	-	-	-	-	3.3411%	3.2414%	-	353,164,786.44	353,164,786.44
- receivable representing the amount transferred to Central Depository for 2015 return of capital and not yet paid to / collected by shareholders until the end of the period	0.1053%	0.1049%	-	12,042,812.70	0.0207%	0.0200%	-	2,185,201.15	(9,857,611.55)
- tax on dividends to be recovered from the State Budget	0.0061%	0.0060%	-	692,489.00	0.0066%	0.0064%	-	697,732.00	5,243.00
- tax on profit to be recovered from the State Budget	0.0641%	0.0639%	-	7,330,440.00	0.0693%	0.0672%	-	7,330,440.00	-
- intangible assets	0.0048%	0.0047%	-	548,806.76	0.0039%	0.0038%	-	411,605.06	(137,201.70)
- other receivables, out of which:	0.0003%	0.0003%	-	35,811.24	0.0908%	0.0881%	-	9,594,953.64	9,559,142.40
- in RON	0.0003%	0.0003%	-	35,811.24	0.0237%	0.0230%	-	2,505,964.02	2,470,152.78
- in USD	-	-	-	-	0.0671%	0.0651%	USD 1,776,021.45	7,088,989.62	7,088,989.62
- prepaid expenses	0.0006%	0.0006%	-	77,807.21	0.0029%	0.0028%	-	305,367.47	227,560.26
II. Total liabilities	0.4201%	0.4184%		48,007,343.57	3.0758%	2.9839%		325,108,743.87	277,101,400.30
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1119%	0.1114%	-	12,782,412.56	0.1896%	0.1839%	-	20,037,764.80	7,255,352.24
2 Liabilities related to the fees payable to the depositary bank	0.0006%	0.0006%	-	66,204.54	0.0006%	0.0006%	-	62,234.61	(3,969.93)
3 Liabilities related to the fees payable to intermediaries	0.0561%	0.0558%	-	6,406,659.99	0.0110%	0.0106%	-	1,159,455.75	(5,247,204.24)
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
5 Interest payable	-	-	-	-	0.0002%	0.0002%	-	21,856.67	21,856.67
6 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-
7 Liabilities in relation with the fees/commissions to FSA	0.0073%	0.0073%	-	833,574.93	0.0084%	0.0081%	-	885,763.74	52,188.81
8 Liabilities related to audit fees	-	-	-	-	-	-	-	-	-
9 Other liabilities, out of which:	0.2442%	0.2433%	-	27,918,491.55	2.8658%	2.7805%	-	302,941,668.30	275,023,176.75
- short term credit facility	-	-	-	-	2.2420%	2.1751%	-	237,000,000.00	237,000,000.00

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Item	30 December 2016				30 June 2017				Differences
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
- liabilities related to the return of capital	0.1768%	0.1761%	-	20,208,048.75	0.5945%	0.5768%	-	62,840,508.54	42,632,459.79
- provisions	0.0075%	0.0075%	-	856,247.22	0.0080%	0.0079%	-	856,247.22	-
- liabilities related to buybacks under settlement	0.0025%	0.0025%	-	287,823.53	0.0171%	0.0166%	-	1,803,192.25	1,515,368.72
- remunerations and related contributions	0.0003%	0.0003%	-	31,950.00	0.0004%	0.0004%	-	40,065.00	8,115.00
- VAT payable to State Budget	-	-	-	-	0.0005%	0.0005%	-	49,783.75	49,783.75
- other liabilities, out of which:	0.0571%	0.0569%	-	6,534,422.05	0.0033%	0.0032%	-	351,871.54	(6,182,550.51)
- in RON	0.0557%	0.0555%	-	6,374,591.32	0.0005%	0.0005%	-	56,159.32	(6,318,432.00)
- in USD	0.0009%	0.0009%	USD 25,007.00	107,612.62	0.0009%	0.0009%	USD 25,007.00	99,815.44	(7,797.18)
- in EUR	0.0005%	0.0005%	EUR 11,499.00	52,218.11	0.0018%	0.0017%	EUR 40,000.00	182,156.00	129,937.89
- in GBP	-	-	-	-	0.0001%	0.0001%	GBP 2,650.00	13,740.78	13,740.78
III. Net Asset Value (I - II)	100.0000%	99.5816%		11,427,351,380.47	100.0000%	97.0161%		10,570,251,408.44	(857,099,972.03)

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

Unitary Net Asset Value

Item	30 June 2017	30 December 2016	Differences
Net Asset Value	10,570,251,408.44	11,427,351,380.47	(857,099,972.03)
Number of outstanding shares	8,842,846,464	9,630,931,675	(788,085,211)
Unitary net asset value	1.1953	1.1865	0.0088

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alro Slatina SA	ALR	30/Jun/2017	72,884,714	0.5	1.6900	123,175,166.66	10.21%	1.1305%	1.1653%	Closing price
BRD-Groupe Societe Generale SA	BRD	30/Jun/2017	25,363,456	1	13.4800	341,899,386.88	3.63%	3.1380%	3.2345%	Closing price
Conpet SA	COTE	30/Jun/2017	524,366	3.3	95.2000	49,919,643.20	6.05%	0.4582%	0.4723%	Closing price
IOR SA	IORB	9/Jun/2017	2,622,273	0.1	0.4400	1,153,800.12	2.81%	0.0106%	0.0109%	Reference price - Average price
Mecon SA	MECP	26/Jun/2017	60,054	11.6	4.6300	278,050.02	12.51%	0.0026%	0.0026%	Reference price - Average price
OMV Petrom SA	SNP	30/Jun/2017	7,117,548,078	0.1	0.2835	2,017,824,880.11	12.56%	18.5200%	19.0897%	Closing price
Palace SA	PACY	26/Jun/2017	5,832,482	0.1	0.4500	2,624,616.90	15.42%	0.0241%	0.0248%	Reference price - Average price
Primcom SA	PRIB	26/Jun/2017	1,275,032	0.1	7.4800	9,537,239.36	75.48%	0.0875%	0.0902%	Reference price - Average price
Romaero SA	RORX	28/Jun/2017	1,311,691	2.5	23.0000	30,168,893.00	20.99%	0.2769%	0.2854%	Reference price - Average price
Nuclearelectrica SA	SNN	30/Jun/2017	27,408,381	10	6.3900	175,139,554.59	9.09%	1.6075%	1.6569%	Closing price
Total						2,751,721,230.84		25.2559%	26.0326%	

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	10/Feb/2017	89,249	2.5	111.0012	9,906,746.10	71.89%	0.0909%	0.0937%	Shareholders' equity as of 31 December 2016
Total						9,906,746.10		0.0909%	0.0937%	

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

Issuer	No. of shares held	Date of acquisition *	Acquisition price (total price of acquisition of shares)	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19/Jul/2005	1,490,898	73.2328	1,695,998.42	20.00%	0.0156%	0.0160%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	113.2558	3,625,997.69	20.00%	0.0333%	0.0343%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
BAT Service SA	194,022	19/Jul/2005	656,686	0.0000	0.00	33.00%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Cetatea SA	354,468	19/Jul/2005	118,840	0.9855	349,328.21	20.43%	0.0032%	0.0033%	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	77.0272	15,648,845.95	20.00%	0.1436%	0.1480%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2016 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	127.5586	3,514,749.66	20.00%	0.0323%	0.0333%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2016 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Maritime SA	56,675	19/Jul/2005	1,706,051	20.3842	1,155,274.54	7.70%	0.0106%	0.0109%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2016 adjusted with dividends declared/ share)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	65,511,444	81.2601	215,999,747.09	19.99%	1.9825%	2.0435%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
CN Aeroporturi Bucuresti SA ***	2,875,443	5/Feb/2010	131,168,263	264.6548	760,999,792.08	20.00%	6.9846%	7.1994%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Complexul Energetic Oltenia SA*****	27,387,940	31/May/2012	670,353,852	0.0000	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Cornisig SA	75,655	19/Jul/2005	132,633	0.0000	0.00	69.94%	0.0000%	0.0000%	Unlisted companies, in function	Fair value/share (zero value)
E-Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	65.0605	599,899,708.96	24.12%	5.5060%	5.6754%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
E-Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	56.2998	380,199,699.47	24.09%	3.4896%	3.5969%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
E-Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	138.0053	449,399,906.90	12.00%	4.1247%	4.2516%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Electrica Furnizare SA ****	1,366,412	22/Jul/2011	17,819,672	122.7470	167,722,973.76	22.00%	1.5394%	1.5867%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	158.3140	70,299,964.96	12.00%	0.6452%	0.6651%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	44.9404	75,499,872.00	12.00%	0.6930%	0.7143%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	189.6517	453,399,939.89	11.99%	4.1614%	4.2894%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,381,593	19/Jul/2005	3,107,701,576	37.8601	3,383,996,049.14	19.94%	31.0591%	32.0143%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Plafar SA	132,784	28/Jun/2007	3,160,329	16.2444	2,156,996.41	48.99%	0.0198%	0.0204%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	3.0258	44,999,537.23	25.00%	0.4130%	0.4257%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 December 2016)
Romplumb SA	1,595,520	28/Jun/2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Salubriserv SA	43,263	19/Jul/2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
SDEE Muntenia Nord SA	7,796,022	19/Jul/2005	165,221,141	32.7346	255,199,661.76	21.99%	2.3423%	2.4143%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
SDEE Transilvania Nord SA	8,167,813	19/Jul/2005	113,299,904	25.5025	208,299,651.03	22.00%	1.9118%	1.9706%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
SDEE Transilvania Sud SA	9,327,282	19/Jul/2005	125,918,629	26.3956	246,199,204.76	21.99%	2.2597%	2.3292%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	90.2345	180,999,939.80	48.99%	1.6613%	1.7124%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	0.0000	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero
World Trade Hotel SA	17,912	19/Jul/2005	17,912	0.0000	0.00	19.90%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (lack of annual financial statements for the year-ended 31 December 2015)
Zirom SA	5,405,083	28/Jun/2007	53,838,072	4.7200	25,511,991.76	100.00%	0.2342%	0.2414%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2016)
Total					7,546,774,831.47		69.2662%	71.3964%		

Legend:

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

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

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

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**** = company resulting from the merger of Electrica Furnizare Transilvania Nord S.A., Electrica Furnizare Transilvania Sud S.A. and Electrica Furnizare Muntenia Nord S.A.

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

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
RO1717CTN023	10,000	6/Feb/2017	2/Aug/2017	49,844,043.50	886.12	127,600.78	49,971,644.28	0.4587%	0.4728%	ING BANK	Acquisition price cumulated with the related interest since the acquisition date
RO1717CTN023	4,000	9/Feb/2017	2/Aug/2017	19,950,821.20	282.64	40,134.42	19,990,955.62	0.1835%	0.1891%	Banca Comerciala Romana	
Total							69,962,599.90	0.6422%	0.6619%		

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
BRD Groupe Societe Generale	28/Jun/2017	5/Jul/2017	17,000,000.00	94.44	283.33	17,000,283.33	0.1560%	0.1608%	Bank deposit value cumulated with the daily related interest for the period since starting date
ING BANK	28/Jun/2017	5/Jul/2017	17,000,000.00	94.44	283.33	17,000,283.33	0.1560%	0.1608%	
Banca Comerciala Romana	28/Jun/2017	12/Jul/2017	17,000,000.00	113.33	340.00	17,000,340.00	0.1560%	0.1608%	
Unicredit Tiriac Bank	30/Jun/2017	3/Jul/2017	22,200,000.00	154.17	154.17	22,200,154.17	0.2038%	0.2100%	
BRD Groupe Societe Generale	30/Jun/2017	3/Jul/2017	9,372,132.80	54.67	54.67	9,372,187.47	0.0860%	0.0887%	
BRD Groupe Societe Generale	30/Jun/2017	3/Jul/2017	2,354,003.01	36.62	36.62	2,354,039.63	0.0216%	0.0223%	
Total						84,927,287.93	0.7794%	0.8034%	

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

	31 December 2015	30 December 2016	30 June 2017
Net Asset	12,093,456,192.73	11,427,351,380.47	10,570,251,408.44
NAV/share	1.1570	1.1865	1.1953

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

Adrian Cighi
Legal representative

Marius Nechifor
Compliance Officer

BRD Groupe Societe Generale

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 2017 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, Adrian Cighi, Permanent Representative with Franklin Templeton International Services S à r l as Sole Director, and Cadaru Catalin, Financial reporting manager, undertake the responsibility for the preparation of the semi-annual financial statements as at 30 June 2017 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.Ă.R.L regarding the management and administration of Fondul Proprietatea SA for the first half of year 2017, 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.ă r.l acting in the capacity of Sole Director of Fondul Proprietatea SA

Adrian Cighi
Permanent Representative

Catalin Cadaru
Financial Reporting Manager

Annex 4

Constitutive Act in force updated as at 30 June 2017

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 5,238,521,987.92, divided in 10,074,080,746 ordinary, nominative shares, having a nominal value of RON 0.52 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 0.52.
- (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) the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;
 - i) change of the management system of Fondul Proprietatea;
 - j) limitation or cancellation of the preference right of the shareholders;
 - k) approves the Investment Policy Statement;
 - l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general meeting of the shareholders, according to applicable law or to this Constitutive Act.

ARTICLE 13

Summoning the general meeting of the shareholders

- (1) The general meeting of the shareholders is called by the Alternative Investment Fund Manager whenever required. Prior to the convocation of the general meeting of the shareholders, the Alternative Investment Fund Manager shall communicate to the Board of Nominees the intention to call the general meeting and shall introduce on the list of matters for the meeting all matters requested by the Board of Nominees.
- (2) The ordinary general meeting of the shareholders meets at least once a year, within 4 months from the end of the financial year.
- (3) The date of the meeting may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.
- (4) The general meeting of the shareholders, either ordinary or extraordinary, shall be called whenever required, according to the legal provisions in force and with the dispositions of the constitutive act, by publication of the calling notice in the Official Gazette of Romania, Part IV, and a national daily newspaper or in a local

newspaper largely read in the locality where the HQ of the company resides at least 30 days prior to the proposed date of meeting.

- (5) One or more shareholders, individually or jointly, representing at least 5% of the share capital of Fondul Proprietatea, may request the Alternative Investment Fund Manager by a written address signed by the holder(s) to introduce in the agenda new matters, within 15 days of the publication of the calling notice.
- (6) The calling notice, any other matter added to the agenda at the request of the shareholders or of the Board of Nominees, the annual financial statements, the annual report of the Alternative Investment Fund Manager, the report of the Board of Nominees as well as the proposal to distribute dividends are made available to the shareholders, at the headquarters of Fondul Proprietatea at the date of convocation of the general meeting, and are also published on the internet page, for free access to information by the shareholders. Upon request, copies of these documents shall be issued to the shareholders.
- (7) The calling notice includes the place, hour and date of the general meeting of the shareholders, as well as the agenda, expressly mentioning all matters that will be subject to debate and all matters required by the applicable law.
- (8) In case the agenda includes proposals to amend the constitutive act, the notice shall include the full text of the proposals. In case the agenda includes the appointment of the members of the Board of Nominees, the notice shall mention that the list including information regarding the name, the residence and professional training of the persons proposed for the position of member of the Board of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.
- (9) The notice for the first general meeting of the shareholders may provide also the day and hour of the second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting cannot take place if the quorum is not being met.
- (10) The general meeting of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.
- (11) The Board of Nominees may request to the Alternative Investment Fund Manager the calling of the general meeting, and if the Fund Manager does not observe the written request of the Board of Nominees within 5 working days from receiving it, the Board of Nominees may call upon the general meeting of the shareholders by following the same procedures as set out in this Article.
- (12) The chairperson of Board of Nominees may request to the Alternative Investment Fund Manager the calling of the general meeting according to article 16 paragraph (4) second sentence.
- (13) The Alternative Investment Fund Manager immediately call the general meeting of the shareholders, upon written request of the shareholders, individually or jointly, representing at least 5% of the share capital, in case the request includes dispositions that fall under the responsibility of the general meeting of shareholders.
- (14) In the case provided by paragraph (13), the general meeting of the shareholders shall be called within at most 30 calendar days and shall meet within at most 60 calendar days as of the date when the Alternative Investment Fund Manager received the request of the shareholders.
- (15) In the situation provided by paragraphs (13) and (14), in case the Alternative Investment Fund Manager does not call the general meeting of shareholders, the shareholders who requested the calling of the general meeting may request the same to the Board of Nominees. Should the Board of Nominees is also not responding to their request in 10 working days from the receipt of the request, the court of law from the headquarters of Fondul Proprietatea, by summoning the Alternative Investment Fund Manager, may authorize the calling of the general meeting by the shareholders which formulated the request

ARTICLE 14

Organization of the general meeting of the shareholders

I. Quorum and voting rights

- (1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is required that the shareholders representing at least a fourth of the total shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with the majority of votes.

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

II. Procedure of the meetings

- (7) On the day and hour established in the convocation, the general meeting of the shareholders shall be opened by the permanent representative of the Alternative Investment Fund Manager or, in its absence, by the one holding its place. A legal representative of the Alternative Investment Fund Manager or a person appointed by the legal representative of the Fund Manager shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.
- (8) The general meeting shall elect, from amongst the attending shareholders, 1 up to 3 secretaries, who will check the attendance list of the shareholders, indicating the share capital represented by each of them, the minutes drawn up by the technical secretary to determine the number of the submitted shares and the fulfillment of the formalities requested by law and by the constitutive act for holding the general meeting of the shareholders.
- (9) A minute of the meeting, signed by the president and by Secretaries, shall determine the fulfillment of the calling formalities, the date and place of the general meeting of the shareholders, attending shareholders, the members of the Board of Nominees present, the number of shares, a summary of the debates, the decisions taken, and upon request of the shareholders, the statements made thereby in the meeting.
- (10) The documents referring to the convocation and the shareholders' attending list shall be attached to each minute.
- (11) The permanent representative of the Alternative Investment Fund Manager may appoint, from amongst the employees of the Alternative Investment Fund Manager, one or more technical secretaries, to fulfill their duties according to the legal provisions.
- (12) The decisions of the general meetings of the shareholders are drawn-up based on the minutes and is signed by the permanent representative of the Alternative Investment Fund Manager or by a person appointed thereby. The minutes shall be recorded in the general meetings of the shareholders' register.

- (13) Considering the extremely large number of shareholders of Fondul Proprietatea the shareholders may participate in person, by proxy with a special power of attorney or may express their voting right by correspondence or by electronic voting; the procedures and forms for the proxy, correspondence and electronic voting shall be set by the Alternative Investment Fund Manager, in accordance with the applicable legislation and are made available to the shareholders at least by the date of publishing of convening notice for general meeting of shareholders.
- (14) Considering the introduction of the voting right by correspondence, which right may be exercised and it is recommended to be exercised by any of the shareholders, the statutory quorum that needs to be met for the valid holding of any type of general meeting of the shareholders is calculated by including the votes deemed validly sent by correspondence.
- (15) Also in the case of the vote by correspondence, each shareholder is entitled to pronounce himself in writing, with respect to the issues included in the agenda, casting a vote "for", "against" or "abstained". The expressed votes that are not cancelled are considered.
- (16) All shareholders who, at the reference date, are registered in the shareholders' register, kept according to the law, have the right to participate to the general meetings of the shareholders.
- (17) In order to ensure the effective and real possibility of all shareholders to be informed on the contents of the documents and the proposals of the ones requiring the organization of the general meeting of the shareholders, by care of the Alternative Investment Fund Manager, such will be available, at the headquarters of Fondul Proprietatea, as well as on the internet page of Fondul Proprietatea, at least 30 days prior to the date provided for holding the meeting. In the case the calling of the general meeting is made by the Board of Nominees, the Alternative Investment Fund Manager has the obligation to fulfil all the above-mentioned formalities at the request of the Board of Nominees. In case the communication with the shareholder is not realized in this way, for objective reasons, the Board of Nominees may announce in the calling notice a different address than the registered address of Fondul Proprietatea, where the above-mentioned documents will be made public on the website of Fondul Proprietatea, in accordance with the applicable legislation.
- (18) In the ads informing on the convocation of the general meeting of shareholders of Fondul Proprietatea it will be indicated, by the Alternative Investment Fund Manager the reference date in relation to which the shareholders will be entitled to participate and vote. Also, the date by when the shareholders may send their votes, as well as the procedure for voting by correspondence, regarding any of the issues subject to approval shall also be set. If the calling of the general meeting is made at the request of the Board of Nominees the above mentioned duties shall be fulfilled by the Board of Nominees. The deadline by when votes by correspondence may be registered at least 5 working days subsequent to the date of publication of the informative material and is prior to the convocation date of the general meeting of the shareholder by at least 48 hours.
- (19) The votes of the shareholders will be sent electronically or by letter to the headquarters of Fondul Proprietatea, in a clear and precise form, noting "for", "against" or "abstained" in relation to each issue subject to approval for which the shareholder intends to cast a vote.
- (20) The votes transmitted electronically shall be cancelled if they do not observe the procedure set by the Alternative Investment Fund Manager drawn up according to the Financial Supervisory Authority regulations and such votes will not be taken into consideration in calculating the attending quorum.

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

- (21) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.
- (22) The decisions of the general meetings of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.
- (23) Only the shareholders registered in the company shareholders' register at the reference date established by the Alternative Investment Fund Manager or the Board of Nominees, as the case may be, when calling the general meeting of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.
- (24) Secret vote is compulsory for electing and revoking the Alternative Investment Fund Manager, the members of the Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Alternative Investment Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.

- (25) The procedures referring to the secret vote, where applicable will be approved by the Alternative Investment Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.
- (26) The decisions of the general meeting of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.
- (27) The shareholders who do not have capacity to act, as well as the legal entities may be represented by their legal representatives who, in their turn, may grant power of attorney to other persons for that particular general meeting of the shareholders.

CHAPTER V

The Board of Nominees

ARTICLE 15

Organisation

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

ARTICLE 16

Functioning

- (1) The meetings of the Board of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Board of Nominees is made by the chairman, any of its members or upon the request of the Alternative Investment Fund Manager. The Board of Nominees shall meet in at most 7 days as of the calling.
- (2) The Chairperson of the Board of Nominees or, during his/her absence, a member of the Board of Nominees appointed through vote by the other members to chair the meeting, ensures the proper unfolding 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 or by means of electronic communications (e.g. telephone, videoconference).
- (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 shareholders the prior approval or rejection of the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less 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 shareholders the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;

x) execute contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value does not exceed, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less 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.



FONDUL
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