

# 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 that entered into force on 1 April 2016 (“2016 Management Agreement”) and under the Management Agreement that entered into force on 1 April 2018, according with the 14 February 2018 General Shareholders Meeting (“GSM”) Resolution (“2018 Management Agreement”). FTIS has delegated the role of Investment Manager as well as certain administrative functions to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML”/ “Investment Manager”) for the entire duration of its mandate as AIFM. FTIML was the previous Sole Director and Fund Manager of Fondul Proprietatea (between 29 September 2010 and 31 March 2016).
- Since 25 January 2011, the Fund’s shares have been listed on the Bucharest Stock Exchange (“BVB”). Since 29 April 2015, the Fund’s global depositary receipts (“GDRs”) issued by The Bank of New York Mellon as GDR Depositary, having the Fund’s shares as support, have been listed on the Specialist Fund Market of the London Stock Exchange (“LSE”).

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

NAV* and share price developments	Notes	H1 2018	H1 2017	YE 2017	Change % H1 2018 vs H1 2017	Change % H1 2018 vs YE 2017
Total shareholders’ equity (RON million)		9,781.0	10,520.3	10,790.2	-7.0%	-9.4%
Total NAV (RON million)	a	9,781.2	10,570.3	10,790.4	-7.5%	-9.4%
NAV per share (RON)	a	1.3294	1.1953	1.2375		
NAV per share change in the period (%)	b	+7.4%	+0.7%	+4.3%		
NAV per share total return in the period (%)	h	+13.1%	+9.2%	+13.1%		
Share price as at the end of the period (RON)		0.8840	0.8300	0.8640		
Share price low (RON)	c	0.8830	0.8000	0.8000		
Share price high (RON)	c	0.9740	0.9250	0.9250		
Share price change in the period (%)	b	+2.3%	+4.4%	+8.7%		
Share price total return in the period (%)	i	+10.0%	+16.7%	+21.5%		
Share price discount to NAV as at the end of the period (%)	e	33.5%	30.6%	30.2%		
Average discount for the period (%)	e	27.3%	26.8%	28.0%		
Average daily share turnover (RON million)	d, k	9.4	8.4	6.9	+11.9%	+36.2%
GDR price as at the end of the period (USD)		11.30	10.40	11.45		
GDR price low (USD)	f	11.20	9.40	9.40		
GDR price high (USD)	f	12.80	11.45	11.45		
GDR price change in the period (%)	b	-1.3%	+10.6%	+21.8%		
GDR price total return in the period (%)	b, j	+5.5%	+23.4%	+35.9%		
GDR price discount to NAV as at the end of the period (%)	e	31.9%	30.5%	28.0%		
Average GDR price discount for the period (%)	e	27.2%	26.0%	27.4%		
Average daily GDR turnover (USD million)	g, l	2.0	1.5	1.0	+33.3	+100.0%

Source: Fondul Proprietatea

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

## Notes:

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

Share capital information	30 June 2018	30 June 2017	31 December 2017
Issued share capital (RON)	4,771,610,196.08	5,238,521,987.92	4,854,034,784.56
Paid in share capital (RON)	4,582,427,774.08	5,049,339,565.92	4,664,852,362.56
Number of shares in issue	9,176,173,454	10,074,080,746	9,334,682,278
Number of paid shares	8,812,361,104	9,710,268,396	8,970,869,928
Nominal value per share (RON)	0.52	0.52	0.52

## Share information

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

## Shareholder Structure (as at 30 June 2018)\*

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights <sup>1</sup>
The Bank of New York Mellon (GDRs) <sup>2</sup>	29.38%	30.57%	37.21%
Foreign institutional shareholders	16.05%	16.70%	20.36%
Romanian private individuals	15.74%	16.38%	19.96%
Romanian institutional shareholders	15.24%	15.86%	19.33%
Foreign private individuals	2.40%	2.50%	3.05%
Romanian State represented by Ministry of Public Finance <sup>3</sup>	0.07%	0.07%	0.09%
Treasury shares <sup>4</sup>	17.22%	17.92%	-
Unpaid shares <sup>5</sup>	3.90%	-	-

Source: Depozitarul Central SA (Romanian central depository)

\*The structure above does not reflect yet the share capital decrease which was effective starting with 29 June 2018, as its implementation with Depozitarul Central SA was ongoing as at the end of June 2018 and was implemented on 18 July 2018.

As at 30 June 2018, the Fund had 6,220 shareholders and the total number of voting rights was 7,359,472,244.

## Largest Shareholders

Shareholder	Latest ownership disclosure	% of voting rights
Elliott Associates	28 February 2018	9.11%
NN Group	27 March 2017	5.02%

Source: ownership disclosures submitted by shareholders

## Contact Details

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

Web: [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro)

E-mail: [office@fondulproprietatea.ro](mailto:office@fondulproprietatea.ro)  
[investor.relations@fondulproprietatea.ro](mailto:investor.relations@fondulproprietatea.ro)

Telephone: +40 21 200 9600

Fax: +40 21 200 9631/32

<sup>1</sup> 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

<sup>2</sup> Fondul Proprietatea held 75,447 global depository receipts as at 30 June 2018 (3,772,350 shares equivalent)

<sup>3</sup> The percentage represents the paid shares; the percentage of subscribed share capital of Romanian State represented by Ministry of Public Finance is 3.97%, including the unpaid shares

<sup>4</sup> 1,607,625,334 treasury shares acquired by the Fund in the seventh, eighth and ninth buy-back programmes, based on settlement date (960,312,834 ordinary shares acquired and 647,312,500 shares corresponding to GDRs acquired, converted into shares), out of which 158,508,824 shares were cancelled starting with 29 June 2018, but the implementation with Depozitarul Central S.A. was ongoing and was implemented on 18 July 2018

<sup>5</sup> 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 six-month period ended 30 June 2018, with an unaudited net profit of RON 789.8 million, as compared to the unaudited net profit for the half-year ended 30 June 2017 of RON 709.3 million.

The main contribution to the profit recorded during the first six months of 2018 was the gross dividend income of RON 532.6 million and the net gain from equity instruments at fair value through profit and loss amounting to RON 293.9 million, principally generated by OMV Petrom SA, as a result of the positive evolution of the share price for this company during the period (RON 195.4 million, share price increase of 12.1% compared to 31 December 2017). For more details, please see the section *Financial Statements Analysis*.

Total shareholders' equity was RON 9,781.0 million as at 30 June 2018, and decreased by 9.4% compared to the value of RON 10,790.2 million as at 31 December 2017.

The Fund reported a Net Asset Value of RON 9,781.2 million as at 29 June 2018 and a Net Asset Value per Share ("NAV per share") of RON 1.3294 (a positive NAV per Share total return of 13.1% compared to 31 December 2017).

In the half year ended 30 June 2018, the BVB outperformed the largest markets in Central Europe, in both local currency and EUR terms, as shown in the table below:

% change in H1 2018	in local currency	in EUR
BET-XT (Romania)	+2.39%	+2.47%
PX (Czech Republic)	-1.29%	-3.01%
ATX (Austria)	-4.80%	-4.80%
BUX (Hungary)	-8.25%	-13.58%
WIG20 (Poland)	-13.23%	-17.22%

Source: Bloomberg

The discount of the Fund's share price to NAV was 33.5% as at 29 June 2018, based on the NAV as at the same date. In the half year ended 30 June 2018, the discount calculated according with the Investment Policy Statement ranged between 23.8% and 32.3%.

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

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

Source: Fondul Proprietatea

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

### Notes:

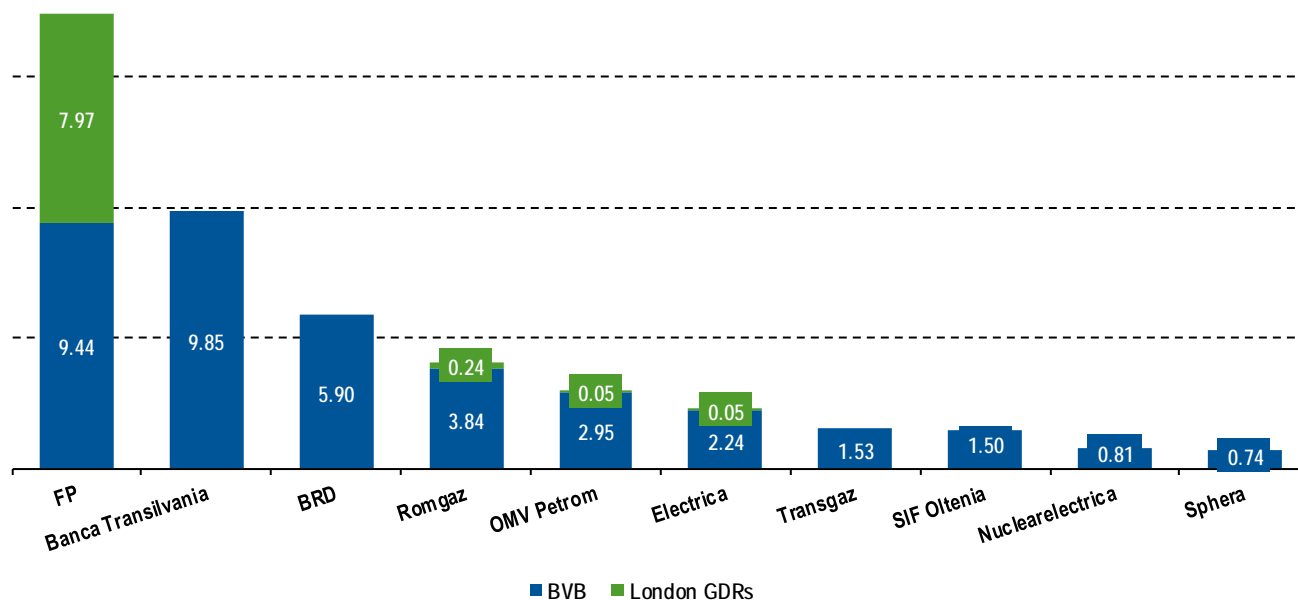
- Prepared on the basis of local rules issued by the Romanian capital market regulator
- Compared to the end of the previous quarter
- Share Price/ GDR Price discount to NAV as at the end of the period (%) is calculated as the discount between FP share closing price on BVB/ FP GDR closing price on LSE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

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

# Significant Events

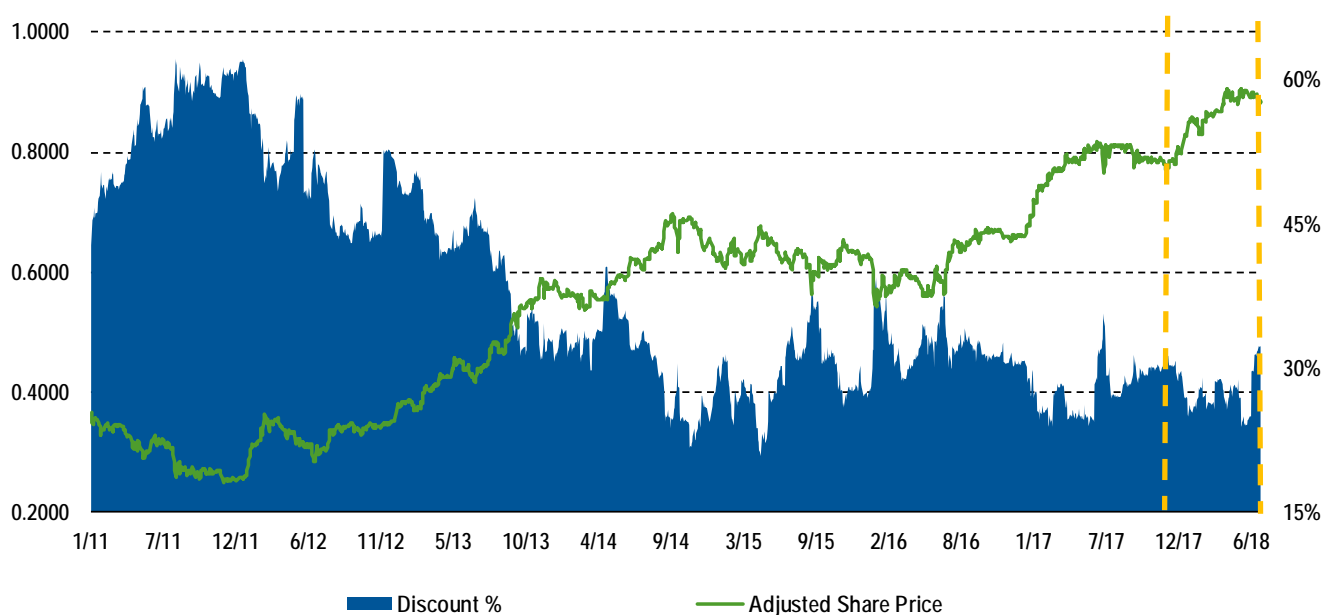
## Regulated Stock Market Trading

Average Daily Turnover in the six-month period ended 30 June 2018 (RON million)



Note: the values include the Fund's tender offer from February 2018, of RON 610.4 million for the 652.8 million shares acquired on BVB and RON 511.1 million for the 547.2 million shares equivalent to the GDRs acquired on LSE, based on the RON/ USD exchange rate at the transaction date, as communicated by the National Bank of Romania  
Source: BVB, Bloomberg

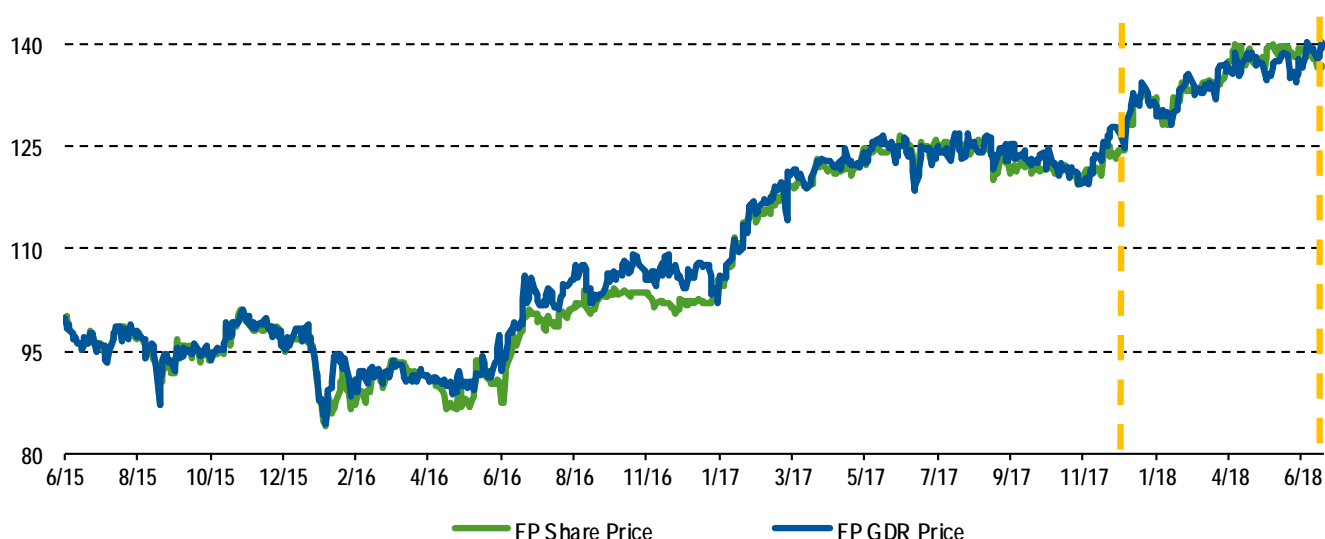
## Fund's Share Price and Discount History (RON per share)



Source: BVB

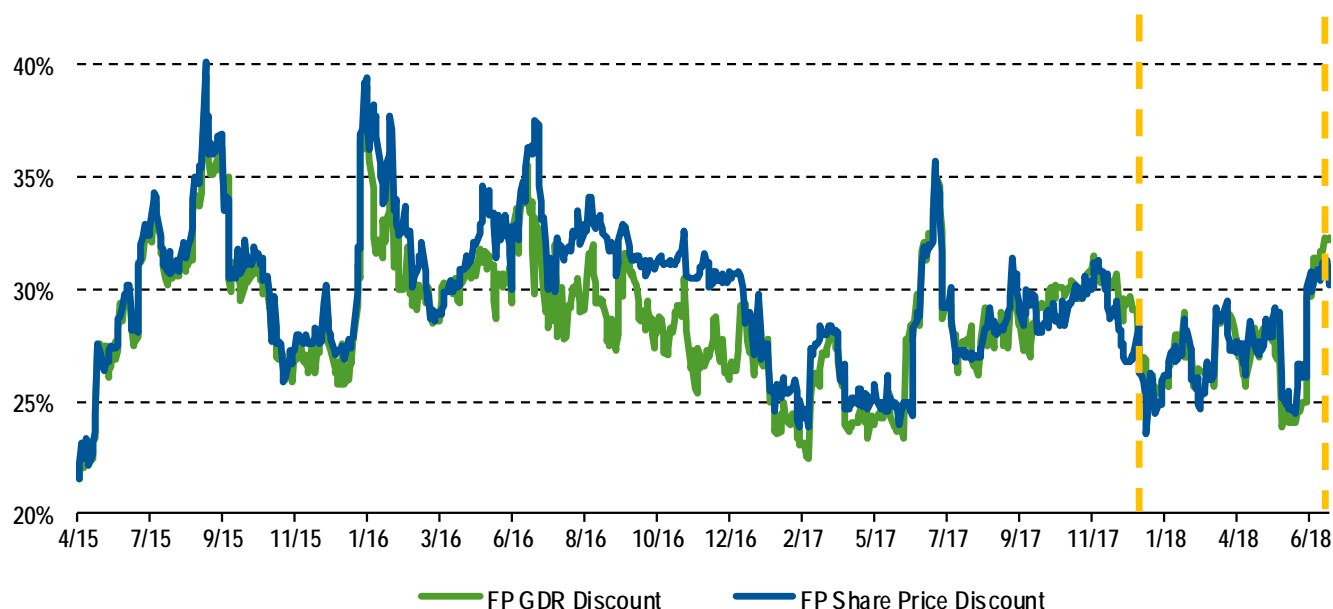
Note: The discount is calculated in accordance with the IPS, i.e. the discount between FP shares closing price on BVB for each trading day and the latest published NAV per share at the date of calculation



**FP Share Price vs. FP GDR price (%)**

Note: As at 29 June 2018, FP GDRs were trading on LSE at a 2.34% premium to FP share price on BVB.

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

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

Source: BVB, Bloomberg, for the period 29 April 2015 – 29 June 2018

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

**Performance Objectives**

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

In accordance with the Fund's IPS, there are two performance objectives that the AIFM is aiming to achieve. The NAV objective refers to a higher adjusted NAV<sup>1</sup> per share in the last day of the Reporting Period, than the

<sup>1</sup> Summarizing the provisions of the IPS, the adjusted NAV for a given date is calculated as the sum of: (i) the reported NAV as at the end of the Reporting Period; (ii) any distributions to shareholders, being either dividend or non-dividend ones (i.e. in the last case following reductions of the par value of the shares and distribution to the shareholders), implemented after the end of the previous Reporting Period, and (iii) any distribution fee and any transaction/ distribution costs relating to either dividend or non-dividend distributions including buy-backs of shares/ GDRs/ depositary interests executed through daily acquisitions or public tenders after the end of the previous Reporting

reported NAV as at the end of the previous Reporting period. For the avoidance of doubt, the term “*previous Reporting Period*”, when applied to the first Reporting Period under 2018 Management Agreement, is to be understood as being the last Reporting Period derived from either the current or the previous management agreement (i.e. 30 June 2017).

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

#### **NAV Objective – First reporting period (interim monitoring)**

As at 29 June 2018, the adjusted NAV per share was 17.3% higher than the 30 June 2017 NAV per share of RON 1.1953.

NAV Objective	Amount RON	Details
<b>Total NAV as at 29 June 2018</b>	<b>9,781,152,530</b>	
Dividend distribution from 2017 profits	499,976,344	Dividend distribution approved by shareholders during 26 April 2018 GSM, based on eligible shares as at dividend record date - 11 June 2018 (total issued shares less unpaid shares less shares bought-back and held by the Fund)
Costs related to buy-backs after 30 June 2017, until 29 June 2018	13,856,790	Fees related to eighth buy-back programme after 30 June 2017; ninth buy-back programme, including the FSA fees of 1% of the tender offer value, and excluding the distribution fees for buy-backs
Distribution fees for buy-backs performed after 30 June 2017	14,109,914	Distribution fees for buy-backs, including the tender offer within the ninth buy-back programme
Distribution fees for dividends after 30 June 2017	4,999,763	Distribution fees for distributions to shareholders in the form of dividends
Costs related to the returns of capital after 30 June 2017, until 29 June 2018	27,097	Fees charged by the Central Depositary and Paying Agent for the payments performed after 30 June 2017
Total Adjusted NAV as at 29 June 2018	10,314,122,438	
Number of Fund's paid shares, less treasury shares and GDRs held as at 29 June 2018	7,357,367,396	
<b>Adjusted NAV per share as at 29 June 2018</b>	<b>1.4019</b>	
<b>NAV per share as at 30 June 2017</b>	<b>1.1953</b>	
<b>Difference</b>	<b>0.2066</b>	
<b>%</b>	<b>17.28%</b>	

Source: Fondul Proprietatea

#### **Discount Objective – First reporting period (interim monitoring)**

In the period between 1 January 2018 and 29 June 2018, the discount to NAV was greater than 15%, for both shares and GDRs.

#### **Discount Evolution<sup>1</sup>**

Discount as at 29 June 2018	Minimum discount in the interim monitoring period	Maximum discount in the interim monitoring period	Average discount for the interim monitoring period
32.2%	23.8%	32.3%	27.3%

Source: Fondul Proprietatea

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

Period. The adjusted NAV per share is equal to the adjusted NAV divided by the total number of the Fund’s paid shares, less FP ordinary shares bought back and less equivalent in FP ordinary shares of FP GDRs acquired and not yet converted into FP ordinary shares, on the last day of the Reporting Period. For more details, please refer to the IPS available on the Fund’s webpage.

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

## Investor Relations Update

In the first six months of the year, in our efforts to increase the visibility and the profile of the Fund, as well as the local capital market, and Romania, to a broader international institutional investor base, the Fund's management team participated in 7 regional emerging and frontier market conferences in the United States, the United Kingdom, Hungary, and Singapore and met with 60 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 9 road-shows in the United Kingdom, Croatia, the United States, and South Africa. During the road-shows, the Investment Manager participated in individual and group meetings with representatives of 78 international institutional investment firms, both current shareholders and potential investors.

On 1 and 2 March we organised in collaboration with WOOD & Company the fifth edition of the "Romania Investor Days in London" event. 83 representatives from 43 international investments firm, with assets under management of over EUR 2,000 billion, and 43 representatives from 17 Romanian companies, listed or candidates for IPOs, participated in the event. During the event, over 244 individual and group meetings were held between the investors and the management teams of the Romanian companies present at the event.

On 16 February, we organised a conference call to present and discuss the 2017 annual results, and on 15 May the conference call to present the Q1 2018 results. Over 20 analysts and investors participated, on average, to the calls, and received information regarding the financial results published on the same days.

Furthermore, during the first half, we organised 22 additional meetings with analysts, brokers, current and prospective investors, and held 17 conference calls with institutional investors and analysts covering Fondul Proprietatea, interested in the latest developments regarding the Fund's corporate actions, and its portfolio companies.

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

## GDR Facility Update<sup>1</sup>

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations, or 62,231,215 GDRs as at 30 June 2018, each GDR representing 50 shares. As at 30 June 2018, 29.38% of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depositary bank, accounting for 37.21% of the voting rights. Out of these, there were 55,052,711 GDRs issued as at 30 June 2018, representing 88.46% of the GDR facility. The difference is represented by shares held by The Bank of New York Mellon that were not converted in GDRs as at 30 June 2018.

## 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, with an availability period of one year, which was extended until 4 July 2018. The purpose of the credit facility was for general corporate use, including share buy-backs and distributions to shareholders, but excluding investments.

On 29 June 2018 the Fund extended the existing credit facility for a two-year period, until 29 June 2020. The permitted use of the credit facility is for general corporate and operational use, and has a new maximum committed amount of RON 400 million; the Fund may access, subject to the Bank's approval and in accordance with the provisions of the credit facility, additional financing in excess of the said committed amount, without exceeding a total amount of RON 600 million at any given time. The Fund did not use the credit facility during the half year ended 30 June 2018 and the outstanding balance is nil.

<sup>1</sup>The structure above does not reflect the share capital decrease effective starting with 29 June 2018, as its implementation with Depozitarul Central S.A. was ongoing as at the end of June 2018 and finalised on 18 July 2018. The new limit of GDR facility after this change is 61,174,489 GDRs

## Changes in Shareholders' Equity

### Share cancellation after the seventh and eight buy-back programmes

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

The FSA endorsed through Endorsement no. 163/ 30 May 2018, the share capital decrease. With effect from 29 June 2018, the Trade Registry registered the Resolution no. 4/ 26 September 2017 of the Fund's Extraordinary General Shareholders' Meeting ("EGM") for approving the share capital decrease.

Consequently, as of 29 June 2018 the new value of the Fund's subscribed share capital is RON 4,771,610,196.08 (divided into 9,176,173,454 shares with a nominal value of RON 0.52 per share), while the value of the paid-up share capital is RON 4,582,427,774.08 (divided into 8,812,361,104 shares with a nominal value of RON 0.52 per share).

Following this decrease, the limit for the ongoing ninth buy-back programme increased to a maximum number of 1,761,024,502 shares. As at 29 June, the Fund may repurchase up to 380,240,982 shares during the ongoing buy-back programme.

### Coverage of the negative reserves

During the 26 April 2018 GSM the shareholders approved the coverage of the negative reserves of RON 256,073,589 resulted from the cancellation of treasury shares as follows:

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

### 2017 Dividend Distribution

On 26 April 2018 shareholders approved the distribution of a gross dividend of RON 0.0678 per share, with Ex-date 8 June 2018 and Registration date 11 June 2018. The Fund started the payment of dividends on 29 June 2018 and by 30 June 2018 shareholders had collected over 90% of the total dividend distribution of RON 500.0 million.

With effect from 2015, for the distributions 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 Central Depository, through BRD Groupe Societe Generale (acting as Payment Agent), for bank transfers when the supporting documentation required by the Central Depository, along with a payment request, have been submitted
  - (ii) by the Payment Agent for cash payments at any of its agencies, or by bank transfer (when the supporting documentation required by the Payment Agent, along with a payment request, have been submitted to the Payment Agent)

**Also, as an important notice to shareholders, this dividend payment is subject to the general statute of limitation. As such, shareholders may request the payments only within a three-year term starting with the Payment Date, namely by 29 June 2021.**

## Buy-back Programmes

### Overview of share buy-backs during the half year ended 30 June 2018

During the first six months of 2018, the Fund bought back a total number of 1,361,624,192 own shares within the ninth buy-back programme (out of which 775,318,592 ordinary shares and 586,305,600 ordinary shares corresponding to GDRs), representing 14.6% of the total issued shares as at 31 December 2017, for a total acquisition value of RON 1,272,552,138, excluding transaction costs.

The total number of own shares (including GDRs) held by the Fund as at 30 June 2018 is 1,454,993,708 shares, having a total nominal value of RON 756,596,728.16 (RON 0.52 per share), which will be proposed for cancellation during the following general meetings of shareholders.

During the first six months of 2018 the Fund converted 11,650,665 of the GDRs acquired during the period into 582,533,250 ordinary shares. As at 30 June 2018, the Fund held 75,447 GDRs.

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

Programme	Description	No of shares	Equivalent shares of GDRs	Total no of shares
7th	Opening balance as at 1 January 2018	90,849,151	-	90,849,151
	Cancelations	(90,849,151)	-	(90,849,151)
	<b>Closing balance as at 30 June 2018</b>	-	-	-
8th	Opening balance as at 1 January 2018	141,869,861	-	141,869,861
	Cancelations	(67,659,673)	-	(67,659,673)
	<b>Closing balance as at 30 June 2018</b>	<b>74,210,188</b>	-	<b>74,210,188</b>
9th	Opening balance as at 1 January 2018	19,159,328	-	19,159,328
	Acquisitions	775,318,592	586,305,600	1,361,624,192
	Conversions during the period	582,533,250	(582,533,250)	-
	<b>Closing balance as at 30 June 2018</b>	<b>1,377,011,170</b>	<b>3,772,350</b>	<b>1,380,783,520</b>
	<b>Weighted average price (RON per share; USD per GDR)</b>	<b>0.9333</b>	<b>12.3551</b>	
	<b>Total shares in balance as at 30 June 2018</b>	<b>1,451,221,358</b>	<b>3,772,350</b>	

### *Tender Offer within the ninth buy-back programme*

On 15 December 2017 the Fund submitted to the FSA an application for endorsement of a tender offer to accelerate the ninth buy-back programme. Under this tender offer the Fund intended to repurchase up to 1,200,000,000 shares from its shareholders, in the form of both shares and GDRs.

The daily execution of the ninth buy-back programme, with respect to the shares on the BVB and GDRs on the LSE was suspended starting with 11 December 2017.

WOOD & Company Financial Services a.s. has been engaged as intermediary in relation to the purchase of shares. Jefferies International Limited and WOOD & Company Financial Services a.s. have been engaged as dealer managers and The Bank of New York Mellon has been appointed as tender agent in relation to the purchase of the GDRs.

On 10 January 2018, the FSA approved the Fund's application for the tender offer. The subscription period was from 18 January until 23 February 2018, and the purchase price was RON 0.9350 per share and the USD equivalent of RON 46.75 per GDR.

On 23 February 2018, the Investment Manager announced the results of the tender offer: total subscriptions of 4,853,201,369 shares representing 404% of the Offer (2,640,228,469 in the form of shares and 2,212,972,900 shares in the form of GDRs, namely 44,259,458 GDRs).

Under this tender offer, the Fund repurchased 1,200,000,000 shares (652,821,500 in the form of shares and 547,178,500 shares in the form of GDRs, namely 10,943,570 GDRs) at a purchase price of RON 0.9350 per share and the USD equivalent of RON 46.75 per GDR, computed in accordance with the terms and conditions of the offer documentation.

The daily execution of the ninth buy-back programme restarted on 7 March.



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

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

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

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

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

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

The table below shows additional details on the negative reserves booked during the period and the estimated negative reserve that will arise upon the cancelation of the treasury shares in balance as at 30 June 2018:

		Buy-back programme 7	Buy-back programme 8	Buy-back programme 9
Number of shares cancelled during H1 2018	(1)	90,849,151	67,659,673	-
Total costs (including transaction costs and other costs) (RON)	(2)	82,852,613	60,077,806	-
Less the impact of the Nominal Value decrease (RON)*	(3)	(4,542,458)	(498,291)	-
<b>Accounting value of the cancelled treasury shares as at cancellation date (RON)</b>	<b>(4)=(2)+(3)</b>	<b>78,310,155</b>	<b>59,579,515</b>	<b>-</b>
Correspondent Nominal Value at the cancelation date (NV = RON 0.52 per share) (RON)	(5) = (1)*NV	47,241,559	35,183,030	-
<b>Negative equity reserve on the cancelation (RON)</b>	<b>(6)=(5)-(4)</b>	<b>(31,068,596)</b>	<b>(24,396,485)</b>	<b>-</b>
<b>Negative reserve that will arise on cancelation of the treasury shares in balance as at 30 June 2018</b>		<b>Buy-back programme 7</b>	<b>Buy-back programme 8</b>	<b>Buy-back programme 9</b>
Number of shares to be cancelled	(1)	-	74,210,188	1,380,783,520
Total costs as at 30 June 2018 (including transaction costs and other costs) (RON)	(2)	-	64,034,586	1,315,392,782
Less the impact of nominal value decrease (RON)**	(3)	-	-	-
<b>Accounting value of the treasury shares to be cancelled in the future, as at 30 June 2018 (RON)</b>	<b>(4)=(2)+(3)</b>	<b>-</b>	<b>64,034,586</b>	<b>1,315,392,782</b>
Correspondent nominal value (NV= RON 0.52 per share) as at 30 June 2018 (RON)	(5)=(1)*NV	-	38,589,298	718,007,430
<b>Estimated negative reserve to be booked on cancelation (RON)</b>	<b>(6)=(5)-(4)</b>	<b>-</b>	<b>(25,445,288)</b>	<b>(597,385,352)</b>

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

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

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

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

## Changes of permanent representatives during the reporting period

The management structure was maintained the same as at 31 December 2017 – the only change operated was the new two-year mandate of Franklin Templeton International Services S.à r.l. as Alternative Investment Fund Manager starting with 1 April 2018.

The permanent representatives of the Fund during reporting period were:

- 1 January – 31 March 2018: Grzegorz Konieczny and Johan Meyer as Portfolio co-Managers and permanent representatives and Craig Blair, Mike Sommer, Oana Truța and Denise Voss as permanent representatives;
- 1 April – 18 June 2018: Johan Meyer as Portfolio Manager and permanent representative and Craig Blair, Mike Sommer, Oana Truța, and Denise Voss, as permanent representatives;
- Starting with 19 June 2018: Johan Meyer as Portfolio Manager and permanent representative and Craig Blair, Dan Gheorghe, Calin Metes, Daniel Naftali, Mike Sommer, Oana Truța and Denise Voss, as permanent representatives.

## General Shareholders Meeting Resolutions in the first half of 2018

The main resolutions approved by the Fund's shareholders during the **14 February 2018 GSM** were the following:

- The approval of the new IPS in force starting with 1 April 2018;
- The approval of the 2018 Management Agreement – in force starting with 1 April 2018, containing the following key commercial terms:

Commercial terms	Main provisions
Base Fee per Year	<ul style="list-style-type: none"> <li>• 0.60%</li> <li>• Discount 15% – 20%, + 0.05%, i.e. Base Fee Rate = 0.65%</li> <li>• Discount &lt; 15%, + 0.05%, i.e. Base Fee Rate = 0.70%</li> </ul>
Consideration for the Base Fee	<ul style="list-style-type: none"> <li>• Weighted average market capitalisation of the Fund</li> </ul>
Distribution Fee for all cash distributions (including buy-backs)	<ul style="list-style-type: none"> <li>• 1.00% applied to the value of the distributions</li> </ul>
Consideration for the Distribution Fee	<ul style="list-style-type: none"> <li>• Share buy-backs</li> <li>• GDR buy-backs</li> <li>• Public tender buy-backs</li> <li>• Return of share capital</li> <li>• Dividends</li> </ul>
Duration	<ul style="list-style-type: none"> <li>• 2 years</li> </ul>
Continuation vote	<ul style="list-style-type: none"> <li>• Annually, each April</li> </ul>

- The appointment of three members in the Board of Nominees for a 3 years mandate, as follows:
  - Mr. Julian Healy starting with 5 April 2018
  - Mr. Piotr Rymaszewski starting with 5 April 2018 and
  - Mr. Steven Van Groningen starting with 14 April 2018.
- The approval of the increase of the gross monthly remuneration for each member of the Board of Nominees from RON 20,000 per month to RON 24,123 per month as a result of changes in taxation legislation starting with 1 January 2018.

The main resolutions approved by the Fund's shareholders during the **26 April 2018 GSM** were the following:

- the approval of the Annual Activity Report of the AIFM for the financial year 2017, including the financial statements for the year ended on 31 December 2017 prepared in accordance with the IFRS as adopted by the European Union, and the approval of the auditor's report
- the ratification of all legal acts concluded, adopted or issued on behalf of the Fund, as well as of any management/ administration measures adopted, implemented, approved or concluded during the 2017 financial year, along with the discharge of the AIFM for any liability for its administration during the 2017 financial year

- the approval to cover the negative reserves incurred in the 2017 financial year derived from the cancellation of treasury shares
- the approval of the allocation of the net profit registered for the financial year 2017, and the approval of the value of the gross dividend of RON 0.0678 per share; the start of dividends payment on 29 June 2018 to the persons registered as shareholders of the Fund on 11 June 2018.

## Portfolio

In June 2018 the valuations for Hidroelectrica SA, CN Aeroporturi Bucuresti SA and Societatea Nationala a Sarii SA were updated with the assistance of the independent valuer KPMG Advisory, in accordance with International Valuation Standards. The valuation date was 31 March 2018 and the reports also considered certain subsequent corporate actions (such as dividends approved). The overall impact was an increase of RON 7.0 million compared to 31 May 2018. For more details please see section *NAV Methodology*.

During the first six months of 2018 the Fund recorded RON 532.6 million dividend receivables from portfolio companies. Same as in 2017, the Government requested the state owned companies to have a dividend pay-out ratio of 90%.

## Subsequent Events

### Agenda for the 4 September 2018 GSM

The main point on the agenda for the 4 September 2018 GSM refers to the approval of the decrease of the subscribed share capital of Fondul Proprietatea from RON 4,771,610,196.08 to RON 4,733,020,898.32 pursuant to the cancellation of 74,210,188 own shares acquired by Fondul Proprietatea during the eighth buy-back programme.



# Analysis of the Activity of the Fund

## NAV methodology

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

All NAV reports are published on the Fund's website at [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro), together with the share price and discount information.

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

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

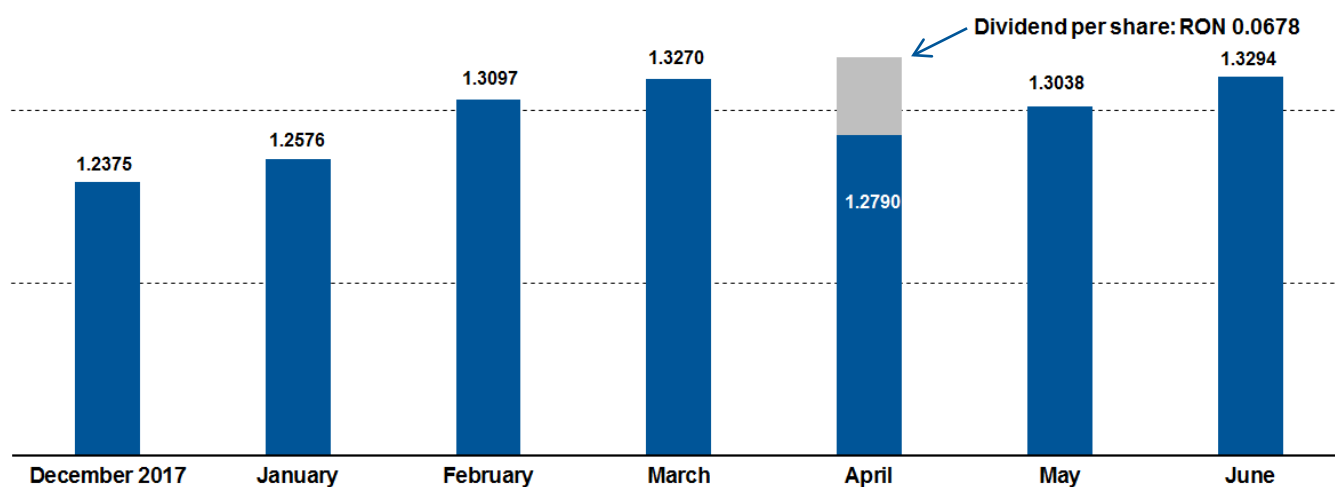
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards which permit fair valuation.

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

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

## NAV per share (RON per share)

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



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

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

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

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

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

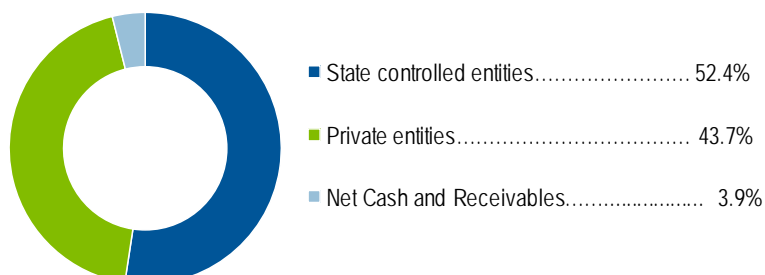
No.	Portfolio company name	Value in 29 June 2018 NAV (RON million)	Value in 31 May 2018 NAV (RON million)	Impact on Total NAV (RON million)	% 29 June 2018 NAV vs. 31 May 2018 NAV	Impact on NAV per share <sup>1</sup> (RON)
1	Hidroelectrica SA	3,531	3,566	(35)	-1.0%	(0.0047)
2	CN Aeroporturi Bucuresti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

\*does not include the impact of dividend distribution

## Investment Strategy and Portfolio Analysis

The Fund's Investment Objective is the maximisation of returns and per-share capital appreciation via investments mainly in Romanian equities and equity-linked securities. The equity exposure amounted to 96.1% of the Fund's NAV as at 29 June 2018. As at that date, the portfolio was composed of holdings in 35 companies (8 listed and 27 unlisted), a combination of privately held and state-controlled entities.

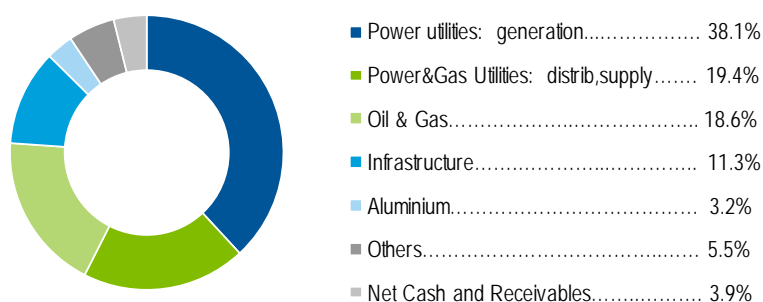
### Portfolio Structure – by Controlling Ownership



Source: Fondul Proprietatea, data as at 29 June 2018, % in total NAV

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

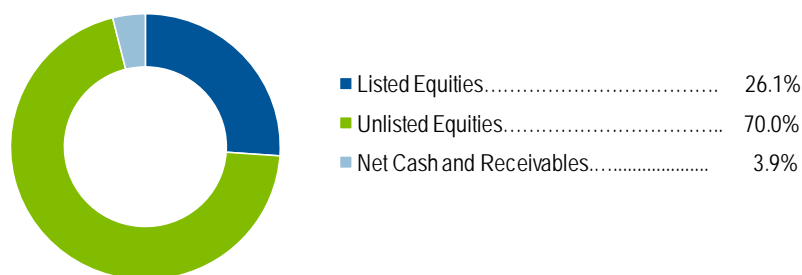
### Portfolio Structure - by Sector



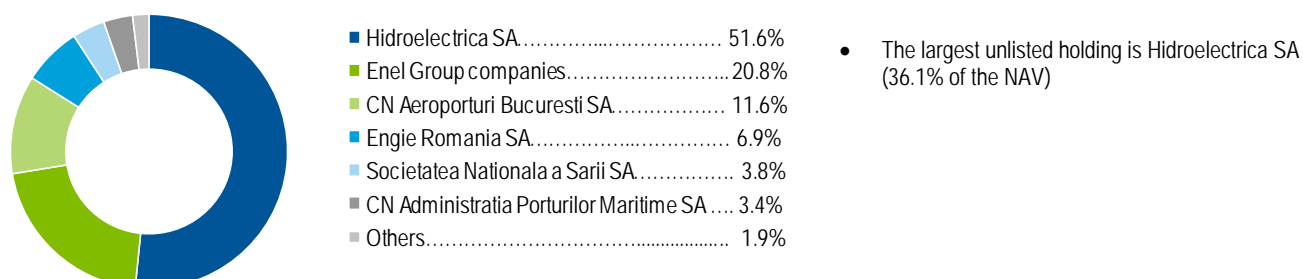
Source: Fondul Proprietatea, data as at 29 June 2018, % in total NAV

- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 76.1% of the NAV), through a number of listed and unlisted Romanian companies

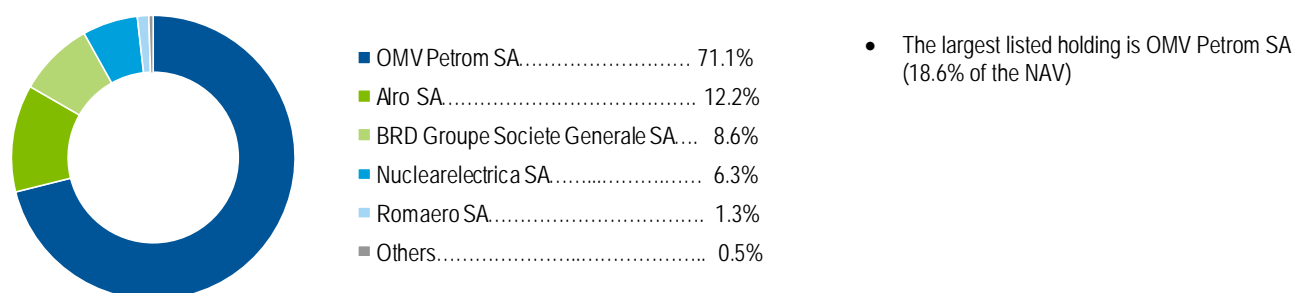
<sup>1</sup> Computed based on the number of shares used in NAV per share computation as at 31 May 2018

**Portfolio Structure – by Asset Type<sup>1</sup>**

Source: Fondul Proprietatea, data as at 29 June 2018, % in total NAV

**Portfolio Structure – Unlisted holdings**

Source: Fondul Proprietatea, data as at 29 June 2018; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

**Portfolio Structure – Listed holdings**

Source: Fondul Proprietatea, data as at 29 June 2018; the chart reflects the company NAV value as a % in total NAV value of listed holdings

<sup>1</sup> Note: the value of total listed shares compared to total assets of the Fund is 25.8%

**Top 10 equity investments**

No	Name	Fund's stake (%)	Value as at 29 June 2018 <sup>1</sup> (RON million)	% of NAV as at 29 June 2018 <sup>1</sup>
1	Hidroelectrica SA	19.94%	3,531.0	36.1%
2	OMV Petrom SA	9.99%	1,815.2	18.6%
3	CN Aeroporturi Bucuresti SA	20.00%	791.0	8.1%
4	E-Distributie Banat SA	24.12%	545.0	5.6%
5	Engie Romania SA	11.99%	472.0	4.8%
6	E-Distributie Muntenia SA	12.00%	419.0	4.3%
7	E-Distributie Dobrogea SA	24.09%	342.0	3.5%
8	Alro SA	10.21%	311.2	3.2%
9	Societatea Nationala a Sarii SA	48.99%	258.0	2.6%
10	CN Administratia Porturilor Maritime SA	19.99%	230.0	2.4%
<b>Top 10 equity holdings</b>			<b>8,714.4</b>	<b>89.2%</b>
<b>Total equity holdings</b>			<b>9,402.9</b>	<b>96.1%</b>
<b>Net cash and receivables</b>			<b>378.3</b>	<b>3.9%</b>
<b>Total NAV</b>			<b>9,781.2</b>	<b>100.0%</b>

Source: Fondul Proprietatea, based on NAV reports submitted to FSA (29 June 2018 NAV report)

<sup>1</sup>Rounded to one decimal

**Key Portfolio Developments in the Period****Dividends**

During the first six months of 2018, a number of 14 companies in the Fund's portfolio declared dividends for financial year 2017. The total amount booked during the period is RON 532.6 million and the most significant amounts relate to OMV Petrom SA and Hidroelectrica SA.

For more details regarding dividend income, please refer to section *Financial Statement Analysis*.

**Acquisitions and disposals****Disposals**

During the first six months of 2018 the Fund sold part of the holdings in Nuclearelectrica SA and BRD Societe Generale and the entire holdings in Conpet SA and Palace SA.

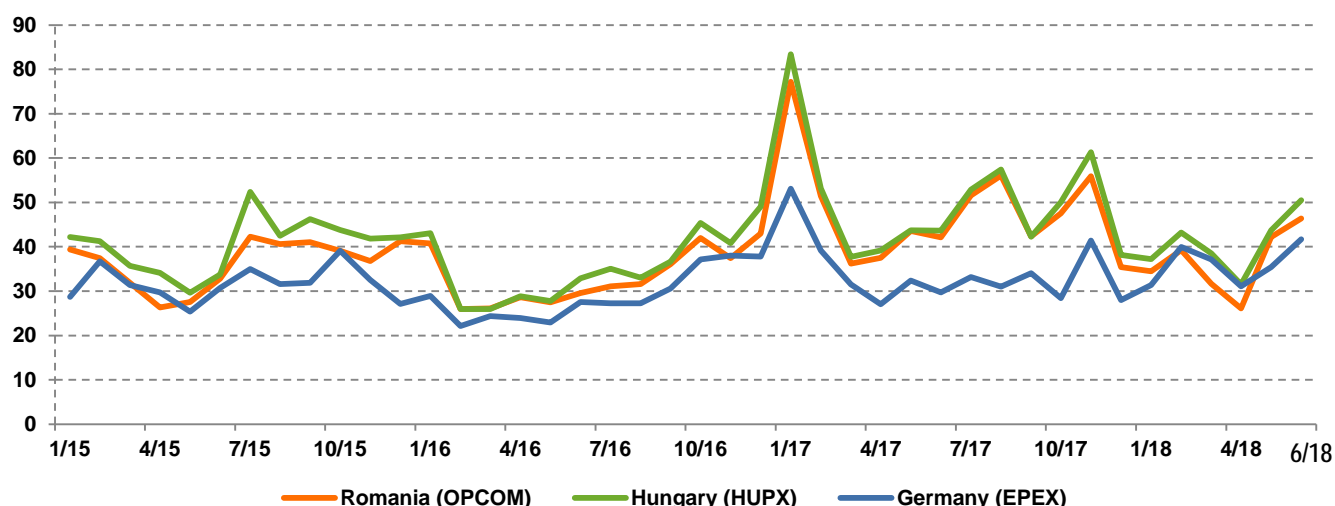
**Participation in share capital increases**

In February 2018 the Fund subscribed to the share capital increase of Hidroelectrica SA with a cash contribution of RON 148,120, which became effective on 21 May 2018, at the registration with the Romanian Trade Register.

In May 2018 the Fund subscribed to the share capital increase of Zirom SA with a cash contribution of RON 2,350,000, which became effective on 22 May 2018, the registration with the Romanian Trade Register.

## Energy sector updates

### 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 2018			January - May 2017			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	1,919.3	1,739.0	180.3	2,020.8	1,866.0	154.8	(5.0)	(6.8)	16.5
Crude oil	4,855.1	1,394.4	3,460.7	4,277.2	1,436.6	2,840.6	13.5	(2.9)	21.8
Usable natural gas	4,113.9	3,495.6	618.3	3,987.4	3,442.2	545.2	3.2	1.6	13.4
Hidro, nuclear, and import energy	2,250.3	2,151.0	99.3	2,185.7	2,058.4	127.3	3.0	4.5	(22.0)
Import oil products	992.5	-	992.5	1,105.4	-	1,105.4	(10.2)	-	(10.2)
Others	174.1	-	174.1	203.3	-	203.3	(14.4)	-	(14.4)
<b>Total resources</b>	<b>14,305.2</b>	<b>8,780.0</b>	<b>5,525.2</b>	<b>13,779.8</b>	<b>8,803.2</b>	<b>4,976.6</b>	<b>3.8</b>	<b>(0.3)</b>	<b>11.0</b>

Source: National Institute of Statistics webpage

## Update on the largest 10 portfolio holdings

### Alro SA

RON million	2016	2017	H1 2017	H1 2018	Budget 2017*	Budget 2018*
Turnover	2,302.8	2,726.3	1,378.2	1,563.6	2,417.2	2,595.8
Operating profit	166.7	438.9	227.6	211.1	270.2	280.4
Net profit/ (loss)	71.5	391.1	186.8	154.2	167.9	199.8
Dividends	67.2	317.7	-	-	-	-

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. 23 March 2017/22 December 2017)

March: On a consolidated basis, Alro reported an audited net profit of RON 391.1 million for 2017, as compared to RON 71.5 million in 2016, while consolidated sales advanced by 18.4% y.o.y. to RON 2.73 billion, on the back of a strong LME environment and higher volumes. Sales volumes of primary aluminium products decreased by 3.3% y.o.y. to approximate 122.6 thousand tonnes (vs. 126.7 thousands tonnes in 2016) while sales volumes of processed aluminium products advanced 6.8% y.o.y. to 107.5 thousands tonnes (vs 100.6 thousands tonnes in 2016).

April: Based on the Board's recommendation, shareholders approved a gross dividend per share of RON 0.53523, out of unconsolidated, distributable net profit.

June: On 26 June the Company announced that its major shareholders, Vimetco N.V. and Conef S.A., intend to proceed with a public offering for up to 383.8 million shares (approximately 53.8% of the share capital of the company) during 2 – 16 July 2018.

July: On 20 July the company announced that the conditions for successfully closing the secondary public offering by Vimetco N.V. and Conef S.A. were not met.

August: the company reported consolidated financial results for the first half of 2018. Net profit during the period reached RON 154.2 million, down 17.5% y.o.y. while operating profit decreased by only 7.3% y.o.y. to RON 211.1 million and turnover advanced by 13.5% y.o.y. to RON 1.6 billion. During the first half of 2018 total volume of primary aluminium sales reached 67,000 tonnes, up 8.1% y.o.y. while the volume of processed aluminium sales stood at 56,000 tonnes, similar to the first half of 2017. During the period, the company benefitted from higher benchmark LME aluminium prices (average aluminium London Metal Exchange prices of USD 2,209 per tonne over the first half of 2018, up 17.5% y.o.y.), but was negatively affected by the depreciation of the USD against the RON.

### CN Administratia Porturilor Maritime SA

RON million	2016	2017	Budget 2017	Budget 2018
Operating revenue	314.0	330.5	315.0	325.9
Operating profit	54.8	93.8	64.0	75.1
Net profit	36.8	79.7	50.1	61.9
Dividends	55.0	20.3	25.1	16.5

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

April: The shareholders appointed Mr Dan Tivilichi, Ms Gabriela Murgeanu and Mr Daniel Naftali as board members for a 4 year period. Mr. Dan Tivilichi has been General Manager of the company since September 2016, first with an interim mandate and as of October 2017 with a 4 year mandate. Ms. Gabriela Murgeanu is a civil servant with the Ministry of Transport with responsibilities related to the naval sector, while Mr. Naftali has been proposed by Fondul Proprietatea.

June: The company reported for 2017 financial year a turnover of RON 302.5 million compared to RON 289.8 million in 2016 and a net profit of RON 79.7 million compared to RON 36.8 million in 2016. Total annual through put in 2017 was 58.4 million tones, slightly down compared to RON 59.4 million tones in 2016. The shareholders approved the distribution of a total gross dividend of RON 20.3 million.

### CN Aeroporturi Bucuresti SA

RON million	2016	2017	Budget 2017	Budget 2018
Total revenue	910.3	1,076.5	983.2	1,215.3
Operating profit	276.6	393.3	225.7	428.3
Net profit	234.5	337.5	185.9	368.3
Dividends	214.8	305.9	95.9	187.6

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

June: In H1 2018 the passenger traffic increased by 7.1% up to 6.34 million passengers, while aircraft movements increased by 4.76% to 57,800. The board of directors and the CEO are appointed with interim mandates and the selection process according with Government Emergency Ordinance no. 109/2011 was not started yet.

August: the company reported the financial results for H1 2018. The highlights include: operating revenues of RON 458.2 million (+11.7% y.o.y.), operating profit of RON 225.4 million (+51.2% y.o.y.) and net profit of RON 192.3 million (+56.8% y.o.y.). The good financial results were on the back of the increase in passengers number that reached 6.3 million (+ 7.1% y.o.y.).

### E-Distributie Banat SA

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

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

\*Revenue from operating activity

\*\*Electrical business revenue

January: Starting 1 January 2018, the regulated electricity distribution tariffs decreased on average by 0.9% (based on ANRE Order no. 113 published on 12 December 2017).

April: ANRE issued for public consultation the decision related to the regulatory framework for the next 5 years starting 2019. The proposal is for the regulated rate of the return to be reduced to 5.07% from the current level of

7.7%. A final decision related to the entire regulatory framework under which the distribution companies will operate in the next 5 years is expected to be taken by the end of the year.

### E-Distributie Dobrogea SA

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

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

\*Revenue from operating activity

\*\*Electrical business revenue

January: Starting 1 January 2018, the regulated electricity distribution tariffs increased on average by 2.0% (based on ANRE Order no. 111 published on 12 December 2017).

February: Company appointed two new board members proposed by SAPE, Valerica Draniceanu and Alexandru Iulian Bocai, following the expiration of the board member mandates for Elena Voicu and Cornel Bobalca.

April: ANRE issued for public consultation the decision related to the regulatory framework for the next 5 years starting 2019. The proposal is for the regulated rate of the return to be reduced to 5.07% from the current level of 7.7%. A final decision is expected to be taken by the end of the year.

### E-Distributie Muntenia SA

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

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

\*Revenue from operating activity

\*\*Electrical business revenue

January: Starting 1 January 2018, the regulated electricity distribution tariffs increased on average by 0.8% (based on ANRE Order no. 112 published on 12 December 2017).

April: ANRE issued for public consultation the decision related to the regulatory framework for the next 5 years starting 2019. The proposal is for the regulated rate of the return to be reduced to 5.07% from the current level of 7.7%. A final decision is expected to be taken by the end of the year.

### Engie Romania SA

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

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

Budgeted figures are on a consolidated basis

\*Dividends are based on the separate financial statements

January: According to ANRE Order no. 1/2018, with effect from 10 January 2018 the regulated supply tariffs for households were increased on average by approximately 6.1%.

April: According to ANRE Order no. 60/2018, with effect from 1 April 2018 the regulated supply tariffs for households were increased on average by approximately 9.8%.

May: ANRE issued for public consultation the methodological principles of the regulatory framework for the distribution business for the next 5 years. The proposal is for the regulated rate of the return to be reduced to 5.07% (same as for electricity) from the current level of 8.52%. A final decision is expected to be taken by the end of the year.



**Hidroelectrica SA**

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

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

March: Total revenues increased by 9% in Q1 2018 versus Q1 2017 to RON 987 million while net profit increased by 23.1% to RON 485 million vs. RON 394 million for the same period last year.

May: During the general shareholders' meeting held on 5 May 2018, the Government approved the extension of the interim Board for an additional 4 month period. The Ministry of Energy mandated the Board to implement the selection of a Board according to Law's 111/2016 provisions.

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

**OMV Petrom SA**

RON million	2016*	2017	H1 2017	H1 2018	Budget 2017	Budget 2018
Sales	16,646.6	19,435.1	9,261.1	9,850.7	13,487.0	13,680.0
Operating profit/ (loss)	1,476.2	3,270.4	1,577.3	1,781.3	1,851.0	2,936.0
Net profit/ (loss)	1,037.7	2,489.3	1,210.3	1,288.1	1,827.0	2,582.0
Dividends**	849.7	1,132.9	-	-	-	-

Source: Consolidated IFRS financial statements

\*Restated figures

\*\*Based on separate IFRS financial statements

January: on 9 January 2018 the Supervisory Board of OMV Petrom decided to appoint Christina Verchere as the new President of the Executive Board and CEO. She replaced Mariana Gheorghe for the remaining term of the mandate granted to Mariana Gheorghe which was until 16 April 2019.

February: the Executive Board made an initial proposal regarding gross dividend distribution for the 2017 financial year of RON 0.02 per share.

March: Mr. Johann Pleininger has notified the waiver of his mandate as member of the Supervisory Board of OMV Petrom, effective starting 26 April 2018.

April: Lacramioara Diaconu-Pintea waived her mandate as Executive Board Member responsible for Downstream Gas of OMV Petrom SA. Her waiver shall become effective on the date when her successor, Franck Neel, takes office, but in any event on 1 August 2018, at the latest.

Starting with 17 April, the Supervisory Board of OMV Petrom SA appointed Alina-Gabriela Popa as the new CFO, following the finalisation of the mandate as CFO of Stefan Waldner. The appointment will be effective starting 16 April 2019.

May: the company reported the financial results for the first quarter of 2018. The highlights include: sales increase by 4.8% compared to the same period of 2017 to RON 4,874.8 million, operating profit increased by 35.3% compared to the same period of 2017 to RON 1,080.0 million and net profit increased by 38.2% compared with the same period of 2017, to RON 854.1 million. The increase of Q1 2018 operating result was mainly due to higher sales revenue and cost optimisation.

June: Mr Radu-Sorin Caprau was appointed as the new Executive Board Member responsible for Downstream Oil Activity, replacing Mr Neil Anthony Morgan who has communicated his resignation on 30 May. The appointment will become effective starting 1 October 2018.

July: the company reported the financial results for the first half of 2018. The highlights include: sales increased by 6.4% compared to the same period of 2017 to RON 9,850.7 million, operating profit increase by 12.9% compared to the same period of 2017 to RON 1,781.3 million and net profit increase by 6.4%. The increase of sales was generated by higher crude oil and natural gas prices and higher electricity volumes sold, which compensated for the lower quantities of petroleum products and natural gas sold and lower selling prices for electricity.



**Societatea Nationala a Sarii SA (Salrom)**

RON million	2016	2017*	Budget 2017	Budget 2018
Operating revenue	315.0	386.3	338.4	373.5
Operating profit	43.3	89.1	57.5	53.2
Net profit	30.1	74.3	48.2	42.3
Dividends	28.1	-	48.2	42.3

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

\*unaudited figures

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

**Key Financial Highlights of the Fund****Summary of net cash and cash equivalents**

RON million	30 Jun 2018	31 Mar 2018	31 Dec 2017
Current accounts*	62.7	17.4	19.2
Bank deposits	68.7	292.4	1,276.6
Treasury bills and short-term government bonds	36.4	13.3	242.2
Total liabilities**	(103.3)	(44.2)	(35.6)
<b>Net cash and cash equivalents</b>	<b>64.5</b>	<b>278.9</b>	<b>1,502.4</b>
<b>Net Assets Value</b>	<b>9,781.2</b>	<b>9,839.0</b>	<b>10,790.4</b>
<b>Net cash and cash equivalents in NAV (%)</b>	<b>0.7%</b>	<b>2.8%</b>	<b>13.9%</b>

\*Current accounts include also the cash blocked for distributions (2016, 2017 and 2018 distribution amounts)

\*\*Total liabilities less provisions

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 **bank deposits** and **treasury bills and short-term government bonds** and the increase of **total liabilities** during the six-month period ended 30 June 2018, please see section *Financial Statements Analysis*.

**Total Expense Ratio**

The annualised total expense ratio of the Fund as at 30 June 2018 was 0.74% (31 December 2017: 0.92%) and excluding transaction related expenses this would be 0.72% (31 December 2017: 0.84%). This figure represents the annualised expenses of the Fund divided by the period average NAV. For the purpose of this calculation, expenses do not include foreign exchange losses, value of equity investments disposed of, impairment adjustments, interest expenses and commitment fees, fair value adjustments, expenses with amortisation and provisions and income tax expenses.

The difference between total annualised expense ratio as at 30 June 2018 and the total expense ratio at the end of 2017 was mainly due to lower level of management and administration fees and transaction related expenses in 2018. 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 gains/ losses from transactions with financial instruments. The changes in fair value of the equity investments in the Fund portfolio are recognised in profit or loss.

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 2018, the Fund's exposure to Romanian equities accounted for 96.1% of the NAV, the positive difference of 3.9% being represented by the net cash and receivables.

The BET-XT index, which reflects the performance of the top 25 most liquid stocks listed on the Tier 1 of the BVB, increased by 2.4% during the first half of 2018 and by 5.4% compared to 30 June 2017.

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 capitalisation weighted index of the most liquid companies listed on 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-BK decreased by 1.8% during the first half of 2018 and increased by 5.4% compared to 30 June 2017.

### 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.

### Risks and Uncertainties

The following section presents details of the main risks and uncertainties that might affect the activity of the Fund and its liquidity during the next six months:

- *Risks related to the oil, gas and electricity sectors* – the Fund's performance is highly correlated to the performance of companies, and their respective industries and markets within the Fund's portfolio. The Fund has a significant exposure to companies in the oil, gas and electricity sectors and as such the Fund's performance and liquidity will be correlated to the performance of those industries. These risk factors also affected the activity of the Fund during the six months ended 30 June 2017.
- *New royalty scheme for energy sector*

The new Offshore Law was adopted by the Parliament on 9 July 2018. Initial industry reactions are negative due to higher taxation compared to previous drafts discussed, with a direct impact on the profitability of the entities in scope. The main provisions of the law are:

- fiscal credit was eliminated
- a tax on additional income was reintroduced: 30% for the gas price difference from RON 45.71 per MWh to RON 85 per MWh and a progressive 5%, up to 50%, for a gas price of over RON 85 per MWh
- fiscal deductions are capped at 60% for all upstream investments
- sale restrictions: 50% of the gas must be sold on the gas trading exchange (not via bilateral contracts) and 50% of the gas quantity must be sold in Romania
- royalties remain the same, between 3.5% and 13%, depending on the size of the hydrocarbon deposits
- *New regulatory framework* – the new regulatory framework for the distribution companies operating in the energy sector (electricity & gas) is currently being discussed with the aim to be implemented starting 2019. According to a draft regulation issued by ANRE the new regulated rate of return (RRR) is supposed to decrease from 7.7% to 5.07%. The regulation is expected to be passed later in 2018. RRR is used in energy tariff calculation and together with the other elements of the regulatory framework affect significantly the activity of distribution companies and the profitability of these companies
- *Corporate governance legislation* – there is a risk of delays and omissions in the implementation of the corporate governance legislation for state owned companies (Government Emergency Ordinance no. 109/2011), in the context of the current attempts from the Parliamentary majority to cut down the already fragile corporate governance legislation. The proposed changes are, in our opinion, a significant backward step, while the risks of corruption and value destruction in these companies are expected to grow significantly. This risk factor also affected the activity of the Fund during the six months ended 30 June 2017, when there were similar discussions in Parliament.
- *Risks related to poor performance of poorly managed companies in the Fund's portfolio* - the Fund owns significant holdings in companies that are controlled by Romanian State. Past experience indicates that the management of these companies, often replaced after government changes, is politically appointed as opposed to being named on the basis of professional skills, and it is often the case that their experience in the industry in which the company operates is severely limited, if not, non-existent.
- *Private pension funds legislation* – there are discussions in the public space related to a potential change of the legislation related to private pension funds. Potential new reductions in the contributions to the pre-funded second pillar pension funds or similar legislative measures could have negative implications for the liquidity of the Fund's shares and generally on the capital markets. The discussions on the private pension funds legislation were initiated in 2017 and also affected the activity of the Fund during the six months ended 30 June 2017.

## Financial Statements Analysis

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

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

### Statement of Financial Position

RON million	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Jun 2017	30 Jun 2018 vs 31 Dec 2017 (%)	30 Jun 2018 vs 30 Jun 2017 (%)
	Unaudited	Unaudited	Audited	Unaudited		
Cash and current accounts	62.7	17.4	19.2	58.4		
Deposits with banks	68.7	292.4	1,276.7	84.9		
Treasury bills	-	13.3	46.3	70.0		
Government bonds	36.5	-	195.9	-		
Dividend receivables	300.2	-	-	353.1		
Equity investments	9,402.9	9,549.7	9,278.2	9,381.1		
Non-current assets held for sale	-	-	-	877.4		
Other assets	14.3	11.2	10.7	20.5		
<b>Total assets</b>	<b>9,885.3</b>	<b>9,884.0</b>	<b>10,827.0</b>	<b>10,845.4</b>	-8.7%	-8.9%
Payables	37.9	25.3	15.2	24.4		
Borrowings	-	-	-	237.0		
Other liabilities	66.4	19.8	21.6	63.7		
<b>Total liabilities</b>	<b>104.3</b>	<b>45.1</b>	<b>36.8</b>	<b>325.1</b>	+183.4%	-67.9%
Total equity	9,781.0	9,838.9	10,790.2	10,520.3	-9.4%	-7.0%
<b>Total liabilities and equity</b>	<b>9,885.3</b>	<b>9,884.0</b>	<b>10,827.0</b>	<b>10,845.4</b>	-8.7%	-8.9%

### Overview

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

The decrease in liquid assets by 89% during the six-month period ended 30 June 2018 was mainly due to the cash outflow for funding the Public Tender Offer settled during February (RON 1,134.8 million, including transaction costs) and the dividend distribution in June (RON 433.0 million net dividends paid until 30 June 2018), netted off by the inflows from the dividends collected from portfolio companies (RON 224.1 million) and by the proceeds from disposal of equity instruments (RON 171.6 million).

The increase in **equity investments** of RON 124.7 million in the six-month period ended 30 June 2018 is mainly due to the increase in OMV Petrom SA share price (RON 195.4 million) and Alro SA share price (RON 72.9 million), netted off by the disposal of portfolio companies (partial disposal of shares in BRD Groupe Societe Generale SA and Nuclearelectrica SA and disposal of entire holdings in Conpet SA and Palace SA, total impact RON 171.6 million).

### Equity investments

#### Classification and measurement of equity investments

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

Starting 1 January 2018 the Fund adopted IFRS 9 and classified all its equity investments (other than subsidiaries and associates) as equity investments at fair value through profit or loss (the default option under IFRS 9). Additional disclosures and detailed analysis and comparison between the measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 are included in the Fund's Condensed Interim IFRS Financial Statements for the six-month period ended 30 June 2018.

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

### Valuation

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

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

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

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

### Capital Expenditure

Capital expenditure comprises the costs for the acquisition and upgrade of the intangible assets of the Fund, which include the value of the licences, the implementation costs and the updates of the Fund's accounting and reporting software, net of the accumulated amortisation. In the first six months of 2018 the Fund incurred costs of RON 65,014 representing updates of the accounting and reporting software (in the first six months of 2017: nil).

### Statement of Comprehensive Income

RON million	Q1 2018 Unaudited	Q2 2018 Unaudited	H1 2018 Unaudited	H1 2017 Unaudited
Gross dividend income	-	532.6	532.6	539.9
Net gain/ (loss) from equity investments at fair value through profit or loss	309.8	(15.9)	293.9	159.0
Interest income	2.6	1.9	4.5	7.3
Reversal of impairment losses on receivables, net	-	0.1	0.1	36.7
Net gain on disposal of equity investments available for sale	n.a.	n.a.	n.a.	21.0
Other (expenses)/ income, net*	(0.7)	7.7	7.0	2.5
<b>Net operating income</b>	<b>311.7</b>	<b>526.4</b>	<b>838.1</b>	<b>766.4</b>
Administration fees recognised in profit and loss	(11.2)	(15.4)	(26.6)	(54.0)
Other operating expenses	(6.9)	(6.3)	(13.2)	(12.2)
<b>Operating expenses</b>	<b>(18.1)</b>	<b>(21.7)</b>	<b>(39.8)</b>	<b>(66.2)</b>
<b>Profit before income tax</b>	<b>293.6</b>	<b>504.7</b>	<b>798.3</b>	<b>700.2</b>
Income tax	-	(8.5)	(8.5)	9.1
<b>Profit for the period</b>	<b>293.6</b>	<b>496.2</b>	<b>789.8</b>	<b>709.3</b>
Other comprehensive income	-	-	-	106.9
<b>Total comprehensive income for the period</b>	<b>293.6</b>	<b>496.2</b>	<b>789.8</b>	<b>816.2</b>

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

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

The **net gain from equity investments at fair value through profit or loss** of RON 293.9 million in the first six months of 2018 was mainly generated by OMV Petrom SA and Alro SA, as a result of the positive share price evolution for these companies (RON 195.4 million, share price increase of 12.1% for OMV Petrom SA and RON 72.9 million, share price increase of 30.6% for Alro SA). The gain for the first six months of 2017 was also generated by OMV Petrom SA, as a result of the positive evolution of the share price for this company (RON 160.1 million, share price increase of 8.6%).

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

The **reversal of impairment losses** for the six-months ended 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 recorded in March 2017 and from RON 0.57 to RON 0.52 recorded in June 2017, the receivable for the unpaid amounts and the related impairment adjustments decreased accordingly, generating a positive impact in profit or loss of RON 36.4 million.

**Administration fees** recognised in profit and loss in the first six months of 2018 included the base fee of RON 21.6 million and distribution fee of RON 5.0 million (first six months of 2017: base fee of RON 24.1 million and distribution fee of RON 29.9 million). Starting with the financial statements for the year ended 31 December 2017, the distribution fee related to buy-backs is recognised directly in equity together with the value of the underlying shares. This change was not applied to the comparative amounts for the six months ended 30 June 2017, as the effect is not significant.

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

RON million	H1 2018	H1 2017
<b>Recognised in profit or loss</b>	<b>26.6</b>	<b>54.0</b>
Base fee	21.6	24.1
Distribution fee for buy-back programmes	-	13.7
Distribution fee for return of capital/ dividends	5.0	16.3
<b>Recognised in other comprehensive income</b>	<b>12.8</b>	<b>-</b>
Distribution fee for buy-back programmes	12.8	-
<b>Total administration fees</b>	<b>39.4</b>	<b>54.0</b>

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

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

### Other operating expenses

RON million	Q1 2018	Q2 2018	H1 2018	H1 2017
	Unaudited	Unaudited	Unaudited	Unaudited
FSA monthly fees	2.4	2.2	4.6	5.3
Transactions costs	0.5	0.5	1.0	0.1
Depository fees	0.2	0.1	0.3	0.4
Other expenses	3.8	3.5	7.3	6.4
<b>Total other operating expenses</b>	<b>6.9</b>	<b>6.3</b>	<b>13.2</b>	<b>12.2</b>

In the first six months of 2018 and of 2017 **other expenses** caption comprised mainly legal and litigation assistance expenses, Board of Nominees remuneration and related expenses, portfolio valuation expenses, external audit expenses (which include also auditor fees charged for the reports performed according with the FSA requirements), PR and investor relation expenses.

## Statement of Cash Flows

RON million	H1 2018 Unaudited	H1 2017 Unaudited
<b>Cash flows from operating activities</b>		
Disposal/ maturity of treasury bills and bonds	94.6	1,386.9
Dividends received (net of withholding tax)	224.1	185.3
Proceeds from disposal of equity investments	171.6	29.0
Interest received	6.1	10.9
Amounts collected from the depository Bank of the Fund's GDRs	4.5	-
Suppliers and other taxes and fees paid	(63.6)	(76.9)
Acquisition of treasury bills and bonds	(36.5)	(355.7)
Other payments, net	(3.2)	(1.2)
<b>Net cash flows from operating activities</b>	<b>397.6</b>	<b>1,178.3</b>
<b>Cash flows from financing activities</b>		
Short term bank loans	-	237.0
Payments to shareholders related to the return of capital	(3.6)	(871.6)
Acquisition of treasury shares	(1,270.8)	(711.5)
Dividends paid (net of withholding tax)	(433.0)	-
<b>Net cash flows used in financing activities</b>	<b>(1,707.4)</b>	<b>(1,346.1)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,309.8)</b>	<b>(167.8)</b>
Cash and cash equivalents at the beginning of the period	1,441.2	311.1
<b>Cash and cash equivalents at the end of the period</b>	<b>131.4</b>	<b>143.3</b>
Cash and current accounts	62.7	58.4
Bank deposits with original maturities of less than three months	68.7	84.9
	<b>131.4</b>	<b>143.3</b>

In the first six months of 2018 **the proceeds from disposal of equity investments** were related to the disposal of the entire holdings in Palace SA and Conpet SA and partial disposals of BRD Groupe Societe Generale SA and Nuclearelectrica SA (in the first six months of 2017 - the entire holdings in Oil Terminal SA and Banca Transilvania SA).

**Dividends paid** included the net payments to shareholders regarding the dividend distribution of RON 0.0678 per share approved by shareholders during the 26 April 2018 GSM, with payment date 29 June 2018.

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

**Short term bank loans** in the first six months of 2017 include the RON 237 million drawing from the credit facility from BRD, used for funding the distributions to shareholders.

**Acquisition of treasury shares** represent the acquisition cost and the brokerage fees 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 2018 mainly as a result of the expenses related to distribution fee for March 2017 distribution.

## Related Party Transactions

The transactions with related parties were performed in the normal course of business of the Fund and there were no significant transactions during the first half year of 2018. For more details, please see *Annex 1 “Condensed Interim Financial Statements”*.

## Signatures:

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

Calin Metes  
Permanent Representative  
13 August 2018

Prepared by  
Catalin Cadaru  
Financial Reporting Manager



## **Annex 1**

### **FONDUL PROPRIETATEA SA**

#### **CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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

(This is a translation from the official Romanian version)

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD  
ENDED 30 JUNE 2018**

(all amounts are in RON unless otherwise stated)

		<b>6 months ended 30 June 2018</b>	<b>6 months ended 30 June 2017</b>
	<i>Note</i>		
Gross dividend income	5	532,636,085	539,932,684
Net gain from equity investments at fair value through profit or loss	12	293,862,281	158,981,299
Interest income		4,455,013	7,272,798
Net gain/ (loss) from other financial instruments at fair value through profit or loss		2,925,195	(5,329,463)
Other income, net		4,583,392	7,346,635
Reversal of impairment losses on receivables, net		120,846	36,725,659
Net foreign exchange gain/ (loss)		(516,489)	522,817
Gain on disposal of equity investments classified as available for sale, net		n/a	20,975,361
<b>Net operating income</b>		<b>838,066,323</b>	<b>766,427,790</b>
<b>Operating expenses</b>	6	<b>(39,782,642)</b>	<b>(66,212,009)</b>
<b>Finance costs</b>	7	<b>(3,556)</b>	<b>(21,857)</b>
<b>Profit before income tax</b>		<b>798,280,125</b>	<b>700,193,924</b>
Income tax	8	(8,451,863)	9,075,518
<b>Profit for the period</b>		<b>789,828,262</b>	<b>709,269,442</b>
<b>Other comprehensive income</b>			
Net change in fair value of available for sale equity investments		n/a	138,418,268
Deferred tax on other comprehensive income		n/a	(10,903,127)
Decrease in fair value reserve following the disposal of available for sale equity investments		n/a	(20,556,873)
<b>Total other comprehensive income</b>		<b>-</b>	<b>106,958,268</b>
<b>Total comprehensive income for the period</b>		<b>789,828,262</b>	<b>816,227,710</b>
<b>Basic and diluted earnings per share</b>	9	<b>0.1009</b>	<b>0.0769</b>

These condensed interim financial statements were authorised for issue on 13 August 2018 by:

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

Calin Metes  
Permanent Representative

Prepared by  
Catalin Cadaru  
Financial Reporting Manager

The notes on pages 39 to 61 are an integral part of these condensed interim financial statements.

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

	<i>Note</i>	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Assets</b>			
Cash and current accounts	10	62,701,836	19,173,567
Deposits with banks	10	68,733,693	1,276,669,452
Treasury bills		-	46,277,947
Government bonds		36,453,246	195,923,820
Dividends receivable	11	300,190,447	-
Equity investments	12	9,402,932,360	9,278,201,345
Other assets		14,266,475	10,710,812
<b>Total assets</b>		<b>9,885,278,057</b>	<b>10,826,956,943</b>
<b>Liabilities</b>			
Payable to shareholders	14 (a)	65,464,608	20,705,311
Other liabilities and provisions	14 (b)	38,778,910	16,007,479
<b>Total liabilities</b>		<b>104,243,518</b>	<b>36,712,790</b>
<b>Equity</b>			
Share capital	15 (a)	4,582,427,774	4,664,852,363
Other reserves related to the unpaid share capital	15 (a)	189,182,422	189,182,422
Fair value reserve on available for sale financial assets, net of deferred tax	15 (b)	n/a	4,248,175,069
Other reserves	15 (c)	275,113,721	254,954,179
Treasury shares	15 (d)	(1,379,427,368)	(218,255,507)
Retained earnings		6,113,737,990	1,651,335,627
<b>Total equity</b>		<b>9,781,034,539</b>	<b>10,790,244,153</b>
<b>Total liabilities and equity</b>		<b>9,885,278,057</b>	<b>10,826,956,943</b>

The notes on pages 39 to 61 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

(all amounts are in RON unless otherwise stated)

	Share capital	Other reserves related to the unpaid share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
<b>Balance as at 1 January 2018</b>	<b>4,664,852,363</b>	<b>189,182,422</b>	<b>4,248,175,069</b>	<b>254,954,179</b>	<b>(218,255,507)</b>	<b>1,651,335,627</b>	<b>10,790,244,153</b>
Changes on initial application of IFRS 9 (see Note 3)	-	-	(4,248,175,069)	-	-	4,248,175,069	-
<b>Restated balance as at 1 January 2018</b>	<b>4,664,852,363</b>	<b>189,182,422</b>	<b>-</b>	<b>254,954,179</b>	<b>(218,255,507)</b>	<b>5,899,510,696</b>	<b>10,790,244,153</b>
Profit for the period	-	-	-	-	-	789,828,262	<b>789,828,262</b>
Coverage of losses from cancellation of treasury shares	-	-	-	75,624,623	-	(75,624,623)	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,624,623</b>	<b>-</b>	<b>714,203,639</b>	<b>789,828,262</b>
<b>Transactions with owners, recorded directly in equity</b>							
Dividends declared	-	-	-	-	-	(499,976,345)	<b>(499,976,345)</b>
Acquisition of treasury shares	-	-	-	-	(1,299,061,531)	-	<b>(1,299,061,531)</b>
Cancellation of treasury shares	(82,424,589)	-	-	(55,465,081)	137,889,670	-	-
<b>Total transactions with owners recorded directly in equity</b>	<b>(82,424,589)</b>	<b>-</b>	<b>-</b>	<b>(55,465,081)</b>	<b>(1,161,171,861)</b>	<b>(499,976,345)</b>	<b>(1,799,037,876)</b>
<b>Balance as at 30 June 2018</b>	<b>4,582,427,774</b>	<b>189,182,422</b>	<b>-</b>	<b>275,113,721</b>	<b>(1,379,427,368)</b>	<b>6,113,737,990</b>	<b>9,781,034,539</b>

The notes on pages 39 to 61 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

(all amounts are in RON unless otherwise stated)

	Share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
<b>Balance as at 1 January 2017</b>	<b>9,168,314,117</b>	<b>4,333,537,124</b>	<b>585,468,652</b>	<b>(654,145,163)</b>	<b>(2,047,223,082)</b>	<b>11,385,951,648</b>
<b>Comprehensive income for the period</b>						
Profit for the period	-	-	-	-	709,269,442	709,269,442
<b>Other comprehensive income</b>						
Net change in fair value of available for sale equity investments	-	138,418,268	-	-	-	138,418,268
Decrease in fair value 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	-
<b>Total other comprehensive income</b>	<b>(2,317,038,572)</b>	<b>106,958,268</b>	<b>(156,118,900)</b>	<b>-</b>	<b>2,473,157,472</b>	<b>106,958,268</b>
<b>Total comprehensive income for the period</b>	<b>(2,317,038,572)</b>	<b>106,958,268</b>	<b>(156,118,900)</b>	<b>-</b>	<b>3,182,426,914</b>	<b>816,227,710</b>
<b>Transactions with owners, recorded directly in equity</b>						
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	-	-
<b>Total transactions with owners recorded directly in equity</b>	<b>(1,612,753,557)</b>	<b>-</b>	<b>14,599,367</b>	<b>(83,686,035)</b>	<b>-</b>	<b>(1,681,840,225)</b>
<b>Balance as at 30 June 2017</b>	<b>5,238,521,988</b>	<b>4,440,495,392</b>	<b>443,949,119</b>	<b>(737,831,198)</b>	<b>1,135,203,832</b>	<b>10,520,339,133</b>

The notes on pages 39 to 61 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED****30 JUNE 2018**

(all amounts are in RON unless otherwise stated)

	<b>6 months ended 30 June 2018</b>	<b>6 months ended 30 June 2017</b>
<b>Cash flows from operating activities</b>		
Disposal/ maturity of treasury bills and bonds	94,636,651	1,386,863,260
Dividends received (net of withholding tax)	224,066,552	185,272,798
Proceeds from disposal of equity investments	171,553,473	28,966,209
Interest received	6,096,335	10,896,471
Amounts collected from the depository Bank of the Fund's GDRs	4,518,246	-
Suppliers and other taxes and fees paid	(63,613,639)	(76,911,743)
Acquisition of treasury bills and bonds	(36,480,654)	(355,691,547)
Other payments, net	(3,147,613)	(1,122,324)
<b>Net cash flows from operating activities</b>	<b>397,629,351</b>	<b>1,178,273,124</b>
<b>Cash flows from financing activities</b>		
Short term bank loans	-	237,000,000
Payments to shareholders related to the return of capital	(3,573,590)	(871,556,172)
Acquisition cost of treasury shares	(1,270,832,418)	(711,513,691)
Dividends paid (net of withholding tax)	(432,991,286)	(5,243)
<b>Net cash flows used in financing activities</b>	<b>(1,707,397,294)</b>	<b>(1,346,075,106)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,309,767,943)</b>	<b>(167,801,982)</b>
Cash and cash equivalents at the beginning of the period	1,441,188,216	311,105,488
<b>Cash and cash equivalents at the end of the period as per the Statement of Cash Flows</b>	<b>131,420,273</b>	<b>143,303,506</b>

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

	<b>30 June 2018</b>	<b>30 June 2017</b>
Cash and current accounts (see Note 10)	62,701,836	58,377,370
Bank deposits with original maturities of less than three months (see Note 10)	68,718,437	84,926,136
	<b>131,420,273</b>	<b>143,303,506</b>
Interest accrued on bank deposits (see Note 10)	15,256	1,152
Treasury bills and government bonds with original maturities of more than three months and less than one year	36,453,246	69,962,600
<b>Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position</b>	<b>167,888,775</b>	<b>213,267,258</b>

The notes on pages 39 to 61 are an integral part of these condensed interim financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

(all amounts are in RON unless otherwise stated)

**1. General information**

Fondul Proprietatea SA (referred to as “Fondul Proprietatea” or “the Fund”) was incorporated as a joint stock company and is operating as an undertaking for collective investment, in the form of a closed end investment company, established in accordance with Law no. 247/2005 on the reform in the field of property and justice and other adjacent measures, as subsequently amended (“Law 247/2005”) and registered in Bucharest on 28 December 2005. The address of the Fund’s registered office is 78 - 80, Buzzești 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. The initial FTIS’ mandate for a period of two years commenced on 1 April 2016 and expired on 31 March 2018. On 14 February 2018, the Fund’s shareholders approved the renewal of FTIS’ mandate for another 2 years starting with 1 April 2018 under a new Management Agreement which became effective starting with the same date (i.e. 1 April 2018). Under both agreements FTIS has delegated the role of Investment Manager as well as certain administrative functions to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML” or “Investment Manager”) for the entire duration of its mandate as AIFM.

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



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

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

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

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

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

#### (d) Use of estimates

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

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

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

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

### 3. Significant accounting policies

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

#### Adoption of IFRS 9

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

(all amounts are in RON unless otherwise stated)

**3. Significant accounting policies (continued)**

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

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

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

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

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

(all amounts are in RON unless otherwise stated)

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

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

	<b>Other financial assets at amortised cost</b>	<b>Fair value through profit or loss</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
<b>30 June 2018</b>					
Cash and current accounts	62,701,836	-	-	62,701,836	62,701,836
Deposits with banks	68,733,693	-	-	68,733,693	68,733,693
Government bonds	-	36,453,246	-	36,453,246	36,453,246
Dividends receivable	300,190,447	-	-	300,190,447	300,190,447
Equity investments	-	9,402,932,360	-	9,402,932,360	9,402,932,360
Other financial assets	1,695,852	3,502,419	-	5,198,271	5,198,271
Other financial liabilities	-	-	(83,988,121)	(83,988,121)	(83,988,121)
	<b>433,321,828</b>	<b>9,442,888,025</b>	<b>(83,988,121)</b>	<b>9,792,221,732</b>	<b>9,792,221,732</b>

	<b>Loans and receivables</b>	<b>Available for sale</b>	<b>Fair value through profit or loss</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
<b>31 December 2017</b>						
Cash and current accounts	19,173,567	-	-	-	19,173,567	19,173,567
Deposits with banks	1,276,669,452	-	-	-	1,276,669,452	1,276,669,452
Treasury bills	-	-	46,277,947	-	46,277,947	46,277,947
Government bonds	-	-	195,923,820	-	195,923,820	195,923,820
Equity investments	-	7,386,690,849	1,891,510,496	-	9,278,201,345	9,278,201,345
Other financial assets	1,647,570	-	-	-	1,647,570	1,647,570
Other financial liabilities	-	-	-	(35,000,138)	(35,000,138)	(35,000,138)
	<b>1,297,490,589</b>	<b>7,386,690,849</b>	<b>2,133,712,263</b>	<b>(35,000,138)</b>	<b>10,782,893,563</b>	<b>10,782,893,563</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 5. Gross dividend income

	6 months ended 30 June 2018	6 months ended 30 June 2017
Hidroelectrica SA	226,245,815	206,556,210
OMV Petrom SA	113,270,962	106,763,221
CN Aeroporturi Bucuresti SA	61,193,113	42,955,766
Alro SA	39,010,085	6,863,554
BRD Groupe Societe Generale SA	36,314,743	18,515,323
Engie Romania SA	20,232,568	13,308,134
Nuclearelectrica SA	19,451,565	9,044,766
E-Distributie Banat SA	7,694,517	8,922,810
E-Distributie Dobrogea SA	4,269,700	6,604,290
CN Administratia Porturilor Maritime SA	4,054,314	11,008,410
Electrica Furnizare SA	-	34,807,451
SDEE Transilvania Nord SA	-	22,115,641
SDEE Transilvania Sud SA	-	21,708,184
SDEE Muntenia Nord SA	-	19,336,883
Conpet SA	-	8,695,227
Others	898,703	2,726,814
	<b>532,636,085</b>	<b>539,932,684</b>

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

### 6. Operating expenses

	6 months ended 30 June 2018	6 months ended 30 June 2017
Administration fees	26,586,807	54,033,776
Third party services	5,621,284	4,763,889
FSA monthly fees	4,641,174	5,301,183
Intermediaries and other fees related to disposal of portfolio holdings	983,433	81,333
BON remunerations and related taxes	723,690	719,075
Depository bank fee	317,879	382,734
Other operating expenses	908,375	930,019
	<b>39,782,642</b>	<b>66,212,009</b>

The total administration fees for the six-month period ended 30 June 2018 included the base fee of RON 21,587,043 (six-month period ended 30 June 2017: RON 24,068,901) and the distribution fee of RON 17,769,034 out of which RON 12,769,270 was related to the buybacks and thus recognised directly in equity as buybacks acquisition cost (six-month period ended 30 June 2017: RON 29,964,875 out of which RON 13,701,463 represented distribution fee related to the buybacks). Starting with the financial statements for the year ended 31 December 2017, the distribution fee related to buybacks is recognised directly in equity together with the underlying shares. This change was not applied on the comparative amounts as at 30 June 2017 as the effect is not significant. The administration fees are invoiced and paid on a quarterly basis.

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 6. Operating expenses (continued)

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

### 7. Finance cost

On 4 July 2016, the Fund contracted a revolving committed credit facility for a maximum amount of RON 1 billion from BRD - Groupe Societe Generale SA. The initial availability period of the facility was for one year and on 10 May 2017 it was extended for a subsequent year, respectively until 4 July 2018. On 29 June 2018, the Fund extended the existing credit facility concluded with BRD - Groupe Societe Generale SA for a period of two years, until 29 June 2020.

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

The finance costs of RON 3,556 for the six-month period ended 30 June 2018 comprised the commitment fee on undrawn amounts from the credit facility.

The finance costs of RON 21,857 for the six-month period ended 30 June 2017 comprise the accrued interest expense on the amount of RON 237,000,000 drawn from the credit facility on 27 June 2017 and repaid on 25 July 2017. The amount drew was used for the funding of June 2017 return of capital to shareholders.

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

### 8. Income tax

There was no current profit tax recorded during the six-month period ended 30 June 2018 and the six-month period ended 30 June 2017. The income tax recorded during the six-month period ended 30 June 2018 of RON 8,451,863 relates to the withholding tax on the Fund's dividends received from portfolio companies (six-month period ended 30 June 2017: RON 1,827,608 was related to the Fund's dividends received from portfolio companies).

There was no deferred tax recognised in profit or loss during the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: net deferred income tax of RON 10,903,126 related to the fiscal loss).

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 8. Income tax (continued)

	6 months ended 30 June 2018	6 months ended 30 June 2017
<b>Reconciliation of effective tax rate</b>		
Net profit for the period	789,828,262	709,269,442
Income tax	(8,451,863)	9,075,518
<b>Profit excluding income tax</b>	<b>798,280,125</b>	<b>700,193,924</b>
 <b>Income tax using the standard tax rate (16%)</b>	 <b>(127,724,820)</b>	 <b>(112,031,028)</b>
<i>Impact on the income tax expense of:</i>		
Taxation applied on dividend income	(8,451,863)	(1,827,608)
Elements similar to revenues (taxable equity items)	(33,615,519)	(9,852,794)
Non-taxable income	148,399,852	293,152,001
Non-deductible expenses	(51,889,624)	(185,700,885)
Fiscal result impact in the current period	64,830,111	14,432,706
Deferred tax movement during the period	-	10,903,126
<b>Income tax</b>	<b>(8,451,863)</b>	<b>9,075,518</b>

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

### 9. Basic and diluted earnings per share

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

	6 months ended 30 June 2018	6 months ended 30 June 2017
Profit for the period	789,828,262	709,269,442
Weighted average number of ordinary shares	7,829,747,139	9,217,472,993
<b>Basic and diluted earnings per share</b>	<b>0.1009</b>	<b>0.0769</b>

### 10. Cash and current accounts and deposits with banks

	30 June 2018	31 December 2017
Petty cash	83	973
Current accounts with banks	1,238,073	80,094
Distributions bank accounts	61,463,680	19,092,500
<b>Cash and current accounts</b>	<b>62,701,836</b>	<b>19,173,567</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

(all amounts are in RON unless otherwise stated)

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

	<b>30 June 2018</b>	<b>31 December 2017</b>
Bank deposits with original maturities of less than three months	68,718,437	1,275,849,317
Interest accrued on bank deposits	15,256	820,135
<b>Deposits with banks</b>	<b>68,733,693</b>	<b>1,276,669,452</b>

The cash held with the distributions bank accounts can only be used for payments to shareholders. As at 30 June 2018, distributions bank accounts comprises an amount of RON 1,585,362 for which the payment invalidation date was on 2 July 2018. Such payments are subject to a general statute of limitation, respectively the shareholders may request the payments only within a three-year term starting with the distribution payment date.

**11. Dividends receivable**

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Dividends receivable</b>		
Hidroelectrica SA	226,245,815	-
CN Aeroporturi Bucuresti SA	61,193,113	-
E-Distributie Banat SA	7,694,517	-
E-Distributie Dobrogea SA	4,269,700	-
Other dividends receivable	1,873,046	1,158,522
	<b>301,276,191</b>	<b>1,158,522</b>
<b>Impairment loss allowance</b>	<b>(1,085,744)</b>	<b>(1,158,522)</b>
	<b>300,190,447</b>	<b>-</b>

**12. Equity investments**

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

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

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

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



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

(all amounts are in RON unless otherwise stated)

**12. Equity investments (continued)**

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

	Equity investments at fair value through profit or loss	Equity investments available for sale	Total equity investments
<b>1 January 2018</b>	<b>1,891,510,496</b>	<b>7,386,690,849</b>	<b>9,278,201,345</b>
Reclassification following the adoption of IFRS 9 (see Note 3)	7,386,690,849	(7,386,690,849)	-
Net gain from equity investments at fair value through profit or loss (i)	293,862,281	-	<b>293,862,281</b>
Subscriptions to share capital increase of portfolio companies	2,498,120	-	<b>2,498,120</b>
Disposals (ii)	(171,629,386)	-	<b>(171,629,386)</b>
<b>30 June 2018</b>	<b>9,402,932,360</b>	<b>-</b>	<b>9,402,932,360</b>

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

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

The net gain from equity investments at fair value through profit or loss for the six-month period ended 30 June 2018 of RON 293,862,281 (for the six-month period ended 30 June 2017: RON 158,981,299) was mainly generated by the change in fair value for the holding in OMV Petrom SA, as a result of the increase of this company's share price during the respective period.

**(ii) Disposals**

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

During the 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 2018

(all amounts are in RON unless otherwise stated)

### 12. Equity investments (continued)

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

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

As at 30 June 2017, based on the assessment made by the Fund, all the criteria for classifying as held-for-sale the holdings in SDEE Muntenia Nord SA, SDEE Transilvania Sud SA, SDEE Transilvania Nord SA and Electrica Furnizare SA required by IFRS 5 were met and consequently these holdings were reclassified from equity investments available for sale category to non-current assets held for sale.

#### Portfolio

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

	30 June 2018	31 December 2017
Hidroelectrica SA	3,531,000,000	3,566,000,000
OMV Petrom SA	1,815,167,159	1,619,774,750
CN Aeroporturi Bucuresti SA	791,000,000	774,000,000
E-Distributie Banat SA	545,000,000	545,000,000
Engie Romania SA	472,000,000	472,000,000
E-Distributie Muntenia SA	419,000,000	419,000,000
E-Distributie Dobrogea SA	342,000,000	342,000,000
Alro SA	311,217,729	238,333,015
Societatea Nationala a Sarii SA	258,000,000	233,000,000
Administratia Porturilor Maritime SA	230,000,000	230,000,000
BRD Groupe Societe Generale SA	219,778,316	285,646,454
Nuclearelectrica SA	160,960,125	197,340,343
Enel Energie Muntenia SA	61,000,000	61,000,000
Enel Energie SA	57,000,000	57,000,000
Posta Romana SA	35,000,000	35,000,000
Romaero SA	33,841,628	30,168,893
Complexul Energetic Oltenia SA	32,000,000	32,000,000
Zirom SA	26,839,000	26,839,000
Conpet SA	-	52,121,980
Other	62,128,403	61,976,910
<b>Total equity investments</b>	<b>9,402,932,360</b>	<b>9,278,201,345</b>

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

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

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 12. 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 2018:

	Level 1	Level 2	Level 3	Total
Equity investments	2,507,123,328	-	6,895,809,032	9,402,932,360
Government bonds	36,453,246	-	-	36,453,246
	<b>2,543,576,574</b>	<b>-</b>	<b>6,895,809,032</b>	<b>9,439,385,606</b>

#### As at 31 December 2017:

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

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

	6 months ended 30 June 2018	6 months ended 30 June 2017
<b>Opening balance</b>	<b>6,884,984,802</b>	<b>7,592,183,120</b>
Net unrealised gain/(loss) recognised in profit or loss	11,009,052	(1,163,533)
Net change in fair value recorded in other comprehensive income	-	9,398,377
Subscriptions to share capital increase of portfolio companies	2,498,120	33,580
Disposals	(2,682,942)	-
Transfers in/ (out) of Level 3	-	-
<b>Closing balance</b>	<b>6,895,809,032</b>	<b>7,600,451,544</b>

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.

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 12. Equity investments (continued)

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

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

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

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

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

As at 30 June 2018, unlisted equity investments and listed illiquid equity investments with a total carrying amount of RON 6,895,809,032 (31 December 2017: RON 6,884,984,802 out of which RON 3,908,505,337 represented the total net change in fair value recognised in equity), were classified as Level 3 of the fair value hierarchy. Out of the total value of the equity investments classified as Level 3 of the fair value hierarchy, 99% were assessed with the assistance of an independent valuer, using valuation methods in accordance with the International Valuation Standards and 1% were determined based on values used in the calculation of the net asset value of the Fund as at that date, calculated in accordance with the regulations issued by the FSA/CNVM.

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 12. Equity investments (continued)

Financial assets	Fair value as at 30 June 2018	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
<b>Total</b>	<b>6,895,809,032</b>			
Unlisted equity instruments	6,470,000,000	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.46 - 10.92 (8.06)  Discount for lack of marketability: 15% (15%)	The higher the EBITDA multiple, the higher the fair value.  The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	286,829,000	Income approach - discounted cash flow method	Weighted average cost of capital: 12.69% or 13.50% or 13.82% (13.52%)  Discount for lack of marketability: 12% or 15% or 17% (15.17%)  Discount for lack of control: 0% or 18% or 26% (24%)  Long-term revenue growth rate: 1.5% or 2% (1.95%)	The lower the weighted average cost of capital, the higher the fair value.  The lower the discount for the lack of marketability, the higher the fair value.  The lower the discount for the lack of control, the higher the fair value.  The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	35,000,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 13.34 (13.34)  Discount for lack of marketability: 24.4% (24.4%)	The higher the Price /Earnings multiple, the higher the fair value.  The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	32,000,000	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.78 (0.78)  Discount for lack of marketability: 15% (15%)	The higher the Revenue multiple, the higher the fair value.  The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	2,441,000	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.46 (0.46)  Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value.  The lower discount for lack of marketability, the higher the fair value.
Listed illiquid equity instruments	47,472,570	Bucharest Stock Exchange reference price - Average price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM.	
Unlisted equity instruments	22,066,462	Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA/ CNVM, primarily based on the value of the shareholders' equity of the issuer extracted from its latest annual financial statements.		

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 12. Equity investments (continued)

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

Significant unobservable inputs are the following:

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 12. Equity investments (continued)

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

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

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

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

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

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

### 13. Deferred tax

	Deductible temporary differences	Related deferred tax asset, out of which:	Recognised deferred tax asset	Not recognised deferred tax asset
<b>30 June 2018</b>				
Fiscal loss carried forward	3,509,568,069	561,530,891	-	561,530,891
	Deductible temporary differences	Related deferred tax asset/ (liability), out of which:	Recognised deferred tax asset/ (liability)	Not recognised deferred tax asset
<b>31 December 2017</b>				
Equity investments	(210,096,993)	(33,615,519)	(33,615,519)	-
Fiscal loss carried forward	3,914,756,220	626,360,995	33,615,519	592,745,476
	<b>3,704,659,227</b>	<b>592,745,476</b>	<b>-</b>	<b>592,745,476</b>

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



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 13. Deferred tax (continued)

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

<b>6 months ended 30 June 2018</b>	<b>Balance at 1 January 2018</b>	<b>Reversed through profit or loss</b>	<b>Balance at 30 June 2018</b>
Equity investments	(33,615,519)	33,615,519	-
Fiscal loss carried forward	33,615,519	(33,615,519)	-
	-	-	-

<b>6 months ended 30 June 2017</b>	<b>Balance at 1 January 2017</b>	<b>Recognised in profit or loss</b>	<b>Recognised in equity (other comprehensive income)</b>	<b>Balance at 30 June 2017</b>
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)	-

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

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

### 14. Liabilities

#### (a) Payable to shareholders

The payable to shareholders as at 30 June 2018 in amount of RON 65,464,608 (31 December 2017: RON 20,705,311) comprises the amounts due to shareholders related to the returns of capital of RON 17,099,399 (31 December 2017: RON 20,705,311) and to the dividends due to shareholders in total amount of RON 48,365,209 (31 December 2017: nil).

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

	<b>6 months ended 30 June 2018</b>	<b>6 months ended 30 June 2017</b>
<b>Opening balance</b>	<b>20,705,311</b>	<b>20,208,049</b>
Gross distributions payable to shareholders started during the period	499,976,345	924,046,244
Less the withholding tax due to State Budget for the distributions paid during the period	(18,619,848)	-
Payments related to the distributions to shareholders performed from the Fund's dedicated bank accounts	(436,564,876)	(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	(32,324)	(9,857,612)
<b>Closing balance</b>	<b>65,464,608</b>	<b>62,840,509</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

(all amounts are in RON unless otherwise stated)

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

	30 June 2018	31 December 2017
Dividend withholding tax due to State Budget	18,619,848	-
Administration fees	15,935,714	11,752,658
Payables related to treasury shares under settlement	1,862,027	-
Provision for litigations	856,247	856,247
Financial Supervisory Authority fees	750,274	829,634
Intermediaries and other transactions fees related to disposal of portfolio holdings	481,363	1,236,632
Other liabilities	273,437	1,332,308
	<b>38,778,910</b>	<b>16,007,479</b>

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

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

The movements in the share capital components are presented below:

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

Unpaid share capital represents the nominal value of certain contributions due to the Fund by the Romanian State, represented by the Ministry of Public Finance as shareholder, 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. Due to the fact that there are no clear provisions regarding the unpaid share capital in the special legislation related to the Fund and that according to the general framework provided by the Companies' Law the deadline for the payment by the Romanian State represented by Ministry of Public Finance of the unpaid share capital expired, the Fund recorded a presentation adjustment as at 31 December 2017 for the entire balance of unpaid share capital against other reserves.



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 15. Shareholders' equity (continued)

#### (a) Share capital (continued)

This adjustment was recorded in the financial statements only for presentation purpose, while the actual cancellation of the unpaid share capital in the accounting will follow the legal requirements and will be booked only after the successful completion of the necessary legal steps and only if the cancelation of shares will be the solution agreed with the Romanian State represented by the Ministry of Public Finance.

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

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

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

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

Shareholder categories*	% of subscribed share capital	% of paid-in share capital
The Bank of New York Mellon (depository bank for the Fund's GDRs)	29.38%	30.57%
Foreign institutional investors	16.05%	16.70%
Romanian institutional investors	15.24%	15.86%
Romanian private individuals	15.74%	16.38%
Foreign private individuals	2.40%	2.50%
Romanian State	0.07%	0.07%
Treasury shares	17.22%	17.92%
Unpaid shares	3.90%	-
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: Depozitarul Central SA

\* this structure does not reflect the share capital decrease which was effective starting with 29 June 2018, because its implementation with Depozitarul Central SA was finalised on 18 July 2018

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

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

#### (c) Other reserves

	30 June 2018	31 December 2017
Legal reserve	330,578,802	330,578,802
Losses from cancellation of treasury shares	(55,465,081)	(256,073,589)
Gains from cancellation of treasury shares	-	177,865,119
Distributions for which the statute of limitation occurred	-	2,583,847
	<b>275,113,721</b>	<b>254,954,179</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 15. Shareholders' equity (continued)

#### (c) Other reserves (continued)

The legal reserve cannot be used for distributions to shareholders.

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

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

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

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

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

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

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

#### (d) Treasury shares

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

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

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

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

(all amounts are in RON unless otherwise stated)

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

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

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

	Opening balance 1 Jan 2018	Acquisitions during the period	Cancellations during the period	Closing balance 30 June 2018
Seventh buy-back	90,849,151	-	90,849,151	-
Eighth buy-back	141,869,861	-	67,659,673	74,210,188
Ninth buy-back	19,159,328	1,361,624,192	-	1,380,783,520
	<b>251,878,340</b>	<b>1,361,624,192</b>	<b>158,508,824</b>	<b>1,454,993,708</b>

	Opening balance 1 Jan 2017	Acquisitions during the period	Cancellations during the period	Closing balance 30 June 2017
Sixth buy-back	712,171,156	-	712,171,156	-
Seventh buy-back	79,336,721	750,910,898	-	830,247,619
Eighth buy-back	-	37,174,313	-	37,174,313
	<b>791,507,877</b>	<b>788,085,211</b>	<b>712,171,156</b>	<b>867,421,932</b>

The movement in the treasury shares carrying amounts during the first six months of 2018 and the first six months of 2017 is presented in the table below:

	Opening balance 1 Jan 2018	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 30 June 2018
Seventh buy-back	78,310,155	-	(78,310,155)	-
Eighth buy-back	123,615,960	-	(59,579,515)	64,036,445
Ninth buy-back	16,329,392	1,299,061,531	-	1,315,390,923
	<b>218,255,507</b>	<b>1,299,061,531</b>	<b>(137,889,670)</b>	<b>1,379,427,368</b>

	Opening balance 1 Jan 2017	Cost of treasury shares acquired	Cancellation of treasury shares	Decrease of the nominal value of the shares	Closing balance 30 June 2017
Sixth buy-back	590,746,116	-	(590,746,116)	-	-
Seventh buy-back	63,399,047	688,691,681	-	(46,482,304)	705,608,424
Eighth buy-back	-	32,721,065	-	(498,291)	32,222,774
	<b>654,145,163</b>	<b>721,412,746</b>	<b>(590,746,116)</b>	<b>(46,980,595)</b>	<b>737,831,198</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 15. Shareholders' equity (continued)

#### (e) Dividend distribution

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

The shareholders registered in the shareholders' registry with the Central Depository on 11 June 2018 have the right to receive a gross dividend of RON 0.0678 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 29 June 2018 and by 30 June 2018, shareholders had collected over 90% of the total distribution.

### 16. Contingencies

#### Litigations

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

#### Other contingencies

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

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

During 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 on receipt basis 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 the 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 Romanian State to the share capital of the Fund, decreasing the receivable related to the unpaid capital.

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

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 above decision but the Court rejected it, making the decision irrevocable.

The related file started by the Fund against the Romanian State being represented by Ministry of Public Finance for recovering the contributions of the Romanian State to the share capital of the Fund was initially suspended, waiting the Court's final decision in relation with the file mentioned above. Considering the above decision the Court reactivated this file and the next hearing will be on 18 September 2018.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

(all amounts are in RON unless otherwise stated)

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

	<b>6 months ended 30 June 2018</b>	<b>6 months ended 30 June 2017</b>
<b>Remunerations</b>		
Members of the Board of Nominees	723,690	600,000

Following the taxation changes regarding salaries and other income assimilated to salaries starting 1 January 2018, respectively the transfer of the social contributions from employers to employees, the Fund's shareholders approved during 14 February 2018 GSM, the increase starting with 1 January 2018 of the gross remuneration paid to the Board of Nominees in order that the level of net remuneration per each member of the Board of Nominees to remain the same as in December 2017.

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in the first six months of 2018 or in the first six months of 2017.

FTIS is the Sole Director and Alternative Investment Fund Manager of the Fund starting with 1 April 2016. The role of investment manager as well as certain administrative functions have been delegated by FTIS to FTIML.

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

	<b>6 months ended 30 June 2018</b>	<b>6 months ended 30 June 2017</b>
<b>Transactions</b>		
Administration fees	39,356,076	54,033,776

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

	<b>6 months ended 30 June 2018</b>	<b>6 months ended 30 June 2017</b>
<b>Transactions</b>		
Rental expense	41,397	33,251
Operating cost	13,056	12,027
	<b>54,453</b>	<b>45,278</b>

During the first six months of 2018, the Fund also recorded RON 534,592 representing expenses incurred by FTIML on its behalf (six-month period ended 30 June 2017: RON 746,091). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the management agreement in place at the respective moment and was subject to Board of Nominees' approval.

The outstanding liabilities owed by the Fund were as follows:

<b>Amounts due to:</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
FTIS	15,935,714	11,752,658
FTIML	-	69,752
	<b>15,935,714</b>	<b>11,822,410</b>

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(all amounts are in RON unless otherwise stated)

### 17. Related parties (continued)

#### (b) Subsidiaries

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

	30 June 2018	31 December 2017
<b>Ownership interest</b>		
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	70%	70%

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

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

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

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

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

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

#### (c) Associates

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

	30 June 2018	31 December 2017
<b>Ownership interest</b>		
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

The Fund did not carry out any transaction with its associates in the first six months of 2018 or in the first six months of 2017.

### 18. Subsequent events

#### Convening the Extraordinary General Shareholders' Meeting for 4 September 2018

On 19 July 2018 the Fund published the convening notice for the Extraordinary General Shareholders' Meeting to be held on 4 September 2018 having on the agenda the approval of the decrease of the subscribed share capital from RON 4,771,610,196.08 to RON 4,733,020,898.32 as a result of the cancelation of 74,210,188 own shares repurchased during the eighth buy-back programme.



# Annex 2

## Statement of Assets and Obligations of Fondul Proprietatea SA as at 29 June 2018, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	29 December 2017				29 June 2018				Differences Lei
	% of the net asset	% of the total asset	Currency	Lei	% of the net asset	% of the total asset	Currency	Lei	
<b>I. Total assets</b>	<b>100.3372%</b>	<b>100.0000%</b>		<b>10,826,827,868.09</b>	<b>101.0643%</b>	<b>100.0000%</b>		<b>9,885,263,261.73</b>	<b>(941,564,606.36)</b>
1 <b>Securities and money market instruments, out of which:</b>	24.3997%	24.3177%		2,632,840,979.68	26.4901%	26.2112%		2,591,043,774.59	(41,797,205.09)
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	24.3997%	24.3177%	-	2,632,840,979.68	26.4901%	26.2112%	-	2,591,043,774.59	(41,797,205.09)
1.1.1 listed shares traded in the last 30 trading days	22.4907%	22.4152%	-	2,426,855,059.71	25.9803%	25.7067%	-	2,541,174,737.94	114,319,678.23
1.1.2 listed shares not traded in the last 30 trading days	0.0936%	0.0932%	-	10,095,916.20	0.1372%	0.1358%	-	13,421,160.97	3,325,244.77
1.1.3 Government bonds	1.8154%	1.8093%	-	195,890,003.77	0.3726%	0.3687%	-	36,447,875.68	(159,442,128.09)
1.1.4 allotment rights not admitted at trading on a regulated market	-	-	-	-	-	-	-	-	-
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-	-	-	-	-	-	-	-
1.2.1 listed shares traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.2.2 listed shares not traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.3. securities and money market instruments admitted on a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the Financial Supervisory Authority ("FSA").	-	-	-	-	-	-	-	-	-
2 New issued securities	-	-	-	-	-	-	-	-	-
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	63.4009%	63.1879%	-	6,841,241,262.82	70.0154%	69.2782%	-	6,848,328,945.43	7,087,682.61
- shares not admitted at trading on a regulated market	63.4009%	63.1879%	-	6,841,241,262.82	70.0154%	69.2782%	-	6,848,328,945.43	7,087,682.61
4 Bank deposits, out of which:	11.8307%	11.7910%		1,276,587,197.95	0.7026%	0.6954%		68,729,172.97	(1,207,858,024.98)
4.1. bank deposits made with credit institutions from Romania	11.8307%	11.7910%	-	1,276,587,197.95	0.7026%	0.6954%	-	68,729,172.97	(1,207,858,024.98)
- in RON	11.8307%	11.7910%	-	1,276,587,197.95	0.7026%	0.6954%	-	68,729,172.97	(1,207,858,024.98)
- in euro	-	-	-	-	-	-	-	-	-
4.2. bank deposits made with credit institutions from an EU state	-	-	-	-	-	-	-	-	-
4.3. bank deposits made with credit institutions from an non-EU state	-	-	-	-	-	-	-	-	-
5 Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	-	-	-
6 Current accounts and petty cash out of which:	0.1777%	0.1771%		19,173,642.78	0.6410%	0.6342%		62,701,911.92	43,528,269.14
- in RON	0.1777%	0.1771%	-	19,167,497.50	0.6291%	0.6225%	-	61,537,394.43	42,369,896.93
- in euro	0.0000%	0.0000%	EUR 671.64	3,129.64	0.0000%	0.0000%	EUR 453.68	2,114.65	(1,014.99)
- in USD	0.0000%	0.0000%	USD 331.35	1,289.45	0.0119%	0.0117%	USD 289,964.48	1,160,814.80	1,159,525.35
- in GBP	0.0000%	0.0000%	GBP 328.61	1,726.19	0.0000%	0.0000%	GBP 301.76	1,588.04	(138.15)
7 Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	0.4289%	0.4274%	-	46,273,974.68	0.0000%	0.0000%	-	-	(46,273,974.68)
- Treasury bills with original maturities of less than 1 year	0.4289%	0.4274%	-	46,273,974.68	0.0000%	0.0000%	-	-	(46,273,974.68)
8 Participation titles of OCIU and/or of UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.0993%	0.0989%		10,710,810.18	3.2152%	3.1810%		314,459,456.82	303,748,646.64
- net dividend receivable from Romanian companies	-	-	-	-	3.0691%	3.0367%	-	300,190,447.35	300,190,447.35
- receivable representing the amount transferred to Central Depository for 2015 return of capital and not yet paid to / collected by shareholders until the end of the period	0.0150%	0.0149%	-	1,612,518.00	0.0162%	0.0160%	-	1,580,193.80	(32,324.20)
- receivables related to transactions under settlement	-	-	-	-	0.0012%	0.0011%	-	112,275.00	112,275.00
- tax on dividends to be recovered from the State Budget	0.0068%	0.0067%	-	730,314.00	0.0075%	0.0074%	-	730,314.00	-
- tax on profit to be recovered from the State Budget	0.0679%	0.0677%	-	7,330,440.00	0.0749%	0.0742%	-	7,330,440.00	-
- intangible assets	0.0070%	0.0070%	-	756,603.69	0.0061%	0.0059%	-	591,622.27	(164,981.42)
- advance payments for intangible assets	0.0002%	0.0002%	-	19,332.26	0.0002%	0.0002%	-	19,332.26	-
- other receivables out of which:	0.0001%	0.0001%	-	15,720.00	0.0359%	0.0355%	-	3,508,678.85	3,492,958.85
- in RON	0.0001%	0.0001%	-	15,720.00	0.0359%	0.0355%	-	3,508,678.85	3,492,958.85
- prepaid expenses	0.0023%	0.0023%	-	245,882.23	0.0041%	0.0040%	-	396,153.29	150,271.06
<b>II. Total liabilities</b>	<b>0.3372%</b>	<b>0.3363%</b>		<b>36,409,534.29</b>	<b>1.0643%</b>	<b>1.0532%</b>		<b>104,110,731.66</b>	<b>67,701,197.37</b>
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1066%	0.1063%	-	11,506,104.96	0.1618%	0.1601%	-	15,828,770.19	4,322,665.23
2 Liabilities related to the fees payable to the depositary bank	0.0004%	0.0004%	-	50,031.96	0.0005%	0.0005%	-	49,125.02	(906.94)
3 Liabilities related to the fees payable to intermediaries	0.0111%	0.0111%	-	1,197,286.95	0.0049%	0.0049%	-	481,363.20	(715,923.75)
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
5 Interest payable	-	-	-	-	-	-	-	-	-
6 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-
7 Liabilities in relation with the fees/commissions to FSA	0.0072%	0.0072%	-	776,109.30	0.0074%	0.0073%	-	725,265.03	(50,844.27)
8 Liabilities related to audit fees	-	-	-	-	-	-	-	-	-
9 Other Liabilities, out of which:	0.2119%	0.2113%	-	22,880,001.12	0.8897%	0.8804%	-	87,026,208.22	64,146,207.10
- liabilities to the Fund's shareholders related to the dividend distribution	-	-	-	-	0.4945%	0.4893%	-	48,365,209.12	48,365,209.12

**FONDUL PROPRIETATEA SA**

Item	29 December 2017				29 June 2018				Differences Lei
	% of the net asset	% of the total asset	Currency	Lei	% of the net asset	% of the total asset	Currency	Lei	
- liabilities related to the return of capital	0.1918%	0.1912%	-	20,705,310.85	0.1748%	0.1730%	-	17,099,398.50	(3,605,912.35)
- provisions	0.0079%	0.0079%	-	856,247.22	0.0088%	0.0087%	-	856,247.22	-
- liabilities related to buybacks under settlement	0.0000%	0.0000%	-	-	0.0190%	0.0188%	-	1,862,027.48	1,862,027.48
- remunerations and related contributions	0.0004%	0.0004%	-	40,065.00	0.0004%	0.0004%	-	42,215.00	2,150.00
- VAT payable to State Budget	-	-	-	-	0.0000%	0.0000%	-	1,057.31	1,057.31
- tax on dividends payable to State Budget	-	-	-	-	0.1904%	0.1884%	-	18,619,848.30	18,619,848.30
- other liabilities out of which:	0.0118%	0.0118%	-	1,278,378.05	0.0018%	0.0018%	-	180,205.29	(1,098,172.76)
- in RON	0.0070%	0.0070%	-	762,042.01	0.0015%	0.0015%	-	149,081.48	(612,960.53)
- in USD	0.0009%	0.0009%	USD 25,007.00	97,314.74	-	-	-	-	(97,314.74)
- in GBP	0.0039%	0.0039%	GBP 79,768.00	419,021.30	0.0003%	0.0003%	GBP 5,914.15	31,123.81	(387,897.49)
<b>III. Net Asset Value (I - II)</b>	<b>100.0000%</b>	<b>99.6637%</b>		<b>10,790,418,333.80</b>	<b>100.0000%</b>	<b>98.9468%</b>		<b>9,781,152,530.07</b>	<b>(1,009,265,803.73)</b>

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

**Unitary Net Asset Value**

Item	29 June 2018	29 December 2017	Differences
<b>Net Asset Value</b>	9,781,152,530.07	10,790,418,333.80	(1,009,265,803.73)
Number of outstanding shares	7,357,367,396	8,718,991,588	(1,361,624,192)
Unitary net asset value	1.3294	1.2375	0.0919

**DETAILED STATEMENT OF INVESTMENTS AS AT 29 JUNE 2018**
**Securities admitted or traded on a regulated market in Romania, out of which:**
**1.1 listed shares traded in the last 30 trading days**

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alro Slatina SA	ALR	29/Jun/2018	72,884,714	0.5	4.2700	311,217,728.78	10.21%	3.1483%	3.1818%	Closing price
BRD-Groupe Societe Generale SA	BRD	29/Jun/2018	16,751,396	1	13.1200	219,778,315.52	2.40%	2.2233%	2.2470%	Closing price
IOR SA	IORB	26/Jun/2018	2,622,273	0.1	0.0800	209,781.84	2.51%	0.0021%	0.0021%	Reference price - Average price
OMV Petrom SA	SNP	29/Jun/2018	5,663,548,078	0.1	0.3205	1,815,167,159.00	9.99%	18.3624%	18.5578%	Closing price
Romaero SA	RORX	18/Jun/2018	1,311,691	2.5	25.8000	33,841,627.80	20.03%	0.3423%	0.3460%	Reference price - Average price
Nuclearelectrica SA	SNN	29/Jun/2018	21,461,350	10	7.5000	160,960,125.00	7.11%	1.6283%	1.6456%	Closing price
<b>Total</b>						<b>2,541,174,737.94</b>		<b>25.7067%</b>	<b>25.9803%</b>	

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	10/Feb/2017	89,249	2.5	143.7846	12,832,631.77	71.89%	0.1298%	0.1312%	Shareholders' equity as of 31 December 2017
Mecon SA	MECP	27/Apr/2018	60,054	11.6	9.8000	588,529.20	12.51%	0.0060%	0.0060%	Fair value (Last trading price)
<b>Total</b>						<b>13,421,160.97</b>		<b>0.1358%</b>	<b>0.1372%</b>	



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

Issuer	No. of shares held	Date of acquisition *	Acquisition price (total price of acquisition of shares)**	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19/Jul/2005	1,490,898	105.4017	2,440,997.97	20.00%	0.0247%	0.0250%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19-iul.-2005	2,652,588	687.1564	21,999,999.30	20.00%	0.2226%	0.2249%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
BAT Service SA	194,022	19-iul.-2005	656,686	0.0000	0.00	33.00%	0.0000%	0.0000%	Bankruptcy	Priced at zero
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	78.9335	16,036,129.86	20.00%	0.1622%	0.1639%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2017 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	133.3266	3,673,681.14	20.00%	0.0372%	0.0376%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2017 adjusted with dividends declared/ share)
CN Administratia Porturilor Dunarii Maritime SA	21,237	19/Jul/2005	1,351,671	110.9691	2,356,650.78	20.00%	0.0238%	0.0241%	Unlisted companies, in function	Fair value / share (Shareholders' equity as of 31 December 2017 adjusted with dividends declared/ share)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	65,511,444	86.5270	229,999,841.46	19.99%	2.3267%	2.3515%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
CN Aeroporturi Bucuresti SA ***	2,875,443	5/Feb/2010	131,168,263	275.0880	790,999,863.98	20.00%	8.0018%	8.0870%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 March 2018)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	1.1683	31,997,330.30	21.55%	0.3237%	0.3271%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Comsig SA	75,655	19/Jul/2005	132,633	0.0000	0.00	69.94%	0.0000%	0.0000%	Liquidation	Priced at zero
E-Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	59.1065	544,999,994.59	24.12%	5.5133%	5.5719%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
E-Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	50.6432	341,999,961.29	24.09%	3.4597%	3.4965%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
E-Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	128.6698	418,999,822.04	12.00%	4.2386%	4.2837%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	137.3706	60,999,964.41	12.00%	0.6171%	0.6236%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	33.9285	56,999,880.00	12.00%	0.5766%	0.5828%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	197.4318	471,999,809.40	11.99%	4.7748%	4.8256%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,396,405	19/Jul/2005	3,107,849,696	39.4982	3,530,997,083.97	19.94%	35.7198%	36.1000%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 March 2018)
Plafar SA	132,784	28/Jun/2007	3,160,329	14.9867	1,989,993.97	48.99%	0.0201%	0.0203%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	2.3534	34,999,640.07	25.00%	0.3541%	0.3578%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
Romplumb SA	1,595,520	28/Jun/2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Salubriserv SA	43,263	19/Jul/2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	128.6215	257,999,808.91	48.99%	2.6099%	2.6377%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 31 March 2018)
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	0.0000	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero
World Trade Hotel SA	17,912	19/Jul/2005	17,912	0.0000	0.00	19.90%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (lack of annual financial statements for the year-ended 31 December 2016)
Zirom SA	5,912,083	28/Jun/2007	58,908,072	4.5396	26,838,491.99	100.00%	0.2715%	0.2744%	Unlisted companies, in function	Fair value / share (Value as per independent valuator's report as at 30 September 2017)
<b>Total</b>			<b>4,698,221,925</b>		<b>6,848,328,945.43</b>		<b>69.2782%</b>	<b>70.0154%</b>		

**Legend:**

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

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

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

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

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

## Government bonds

Issuer	ISIN code	No. of instruments	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Cumulated discount/premium	Market price / Reference composite price	Current value	Stake in FP total assets	Stake in FP net asset	Evaluation method
Ministry of Finance	RO1318DBN034	3,500	23/Apr/2018	28/Nov/2018	28/Nov/2018	35,000,000.00	5,369.86	1,149,150.68	0.00	100.8535%	36,447,875.68	0.3687%	0.3726%	Fair value (reference composite price published by Reuters, including the cumulated interest)
<b>Total</b>											<b>36,447,875.68</b>	<b>0.3687%</b>	<b>0.3726%</b>	

## Bank deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
ING BANK	26/Jun/2018	11/Jul/2018	9,750,000.00	636.45	2,545.83	9,752,545.83	0.0987%	0.0997%	Bank deposit value cumulated with the daily related interest for the period from starting date
Unicredit Tiriac Bank	26/Jun/2018	11/Jul/2018	9,750,000.00	731.25	2,925.00	9,752,925.00	0.0987%	0.0997%	
Banca Comerciala Romana	26/Jun/2018	3/Jul/2018	9,750,000.00	704.17	2,816.67	9,752,816.67	0.0987%	0.0997%	
BRD Groupe Societe Generale	29/Jun/2018	2/Jul/2018	25,600,000.00	1,564.44	1,564.44	25,601,564.44	0.2590%	0.2617%	
BRD Groupe Societe Generale	29/Jun/2018	2/Jul/2018	3,800,000.00	232.22	232.22	3,800,232.22	0.0384%	0.0389%	
BRD Groupe Societe Generale	29/Jun/2018	2/Jul/2018	10,068,437.16	651.65	651.65	10,069,088.81	0.1019%	0.1029%	
<b>Total</b>						<b>68,729,172.97</b>	<b>0.6954%</b>	<b>0.7026%</b>	

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

	30 December 2016	29 December 2017	29 June 2018
Net Asset	11,427,351,380.47	10,790,418,333.80	9,781,152,530.07
NAV/share	1.1865	1.2375	1.3294

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

Calin Metes  
Legal representativeMarius Nechifor  
Compliance Officer

BRD Groupe Societe Generale

Claudia Ionescu  
DirectorVictor Strâmbei  
Manager Depositary Department

## Annex 3

### Statement of persons responsible

Provisions of Art.30 of Accounting Law no. 82/1991 and  
FSA Regulation no. 5/2018, Art.223, par. B (1), letter c

The semi-annual financial statements as at 30 June 2018 prepared for:

Entity: Fondul Proprietatea SA

Address: Bucharest, District 1, 78–80, Buzzești 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 “Mutual funds and similar financial entities”

Sole Registration Code: 18253260

The undersigned, Calin Metes, Permanent Representative with Franklin Templeton International Services S.à r.l as Sole Director of Fondul Proprietatea SA, and Cadaru Catalin, Financial reporting manager, undertake the responsibility for the preparation of the semi-annual financial statements as at 30 June 2018 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 assets, liabilities, financial position, profit and loss account of the issuer;
- c) The company is conducting its business on the going concern basis;
- d) The Semi-Annual Report of Franklin Templeton International Services S.à r.l regarding the management of Fondul Proprietatea SA for the first half of year 2018 presents the information on the issuer in a correct and complete manner.

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

Calin Metes

Permanent Representative

Catalin Cadaru

Financial Reporting Manager

## Annex 4

### Investment Management Agreement in force as at 30 June 2018

MANAGEMENT AGREEMENT  
DATED \_\_\_\_ FEBRUARY 2018

FONDUL PROPRIETATEA S.A.  
and  
FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L  
THIS AGREEMENT is made on \_\_\_\_ February 2018

#### BETWEEN:

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

**FONDUL PROPRIETATEA S.A.** of Buzesti St. 78-80, 1st District, Bucharest municipality, Romania (the “Customer”/ the “Fund”/ “FP”) duly represented by Mr. Sorin Mîndruțescu.

#### WHEREAS:

- (A) The Customer wishes to appoint the Fund Manager as the AIFM of the Customer on the terms and subject to the conditions of this Management Agreement.
- (B) The Fund Manager wishes to accept such appointment, on the terms and subject to the conditions of this Management Agreement.
- (C) The Customer is set up as an undertaking for collective investment (A.O.P.C.) of the closed-end type, as defined under Article 114(1) letter b) of the Law 297/2004 qualifies as an alternative investment fund within the meaning of the Directive 2011/61/EU of the EU Parliament and of the Council on Alternative Investment Fund Managers, as amended (the “AIFMD”) and Law 74/2015 on managers of alternative investment funds in Romania (“AIFM Law”). The Customer wishes to appoint the Fund Manager as its AIFM in the meaning of the AIFM Law and to entrust it with certain functions accordingly, including, without limitation, all functions relating to risk management and portfolio management.
- (D) The Fund Manager qualifies as an AIFM under Chapter 2 of the Luxembourg law of 12 July 2013 on alternative investment fund managers (the “AIFM Act”), and is entitled to carry out services in Romania in accordance with the AIFM Law being registered with the registry kept by the Romanian Financial Supervisory Authority and is authorised to carry out the management of a fund such as the Customer (including, without limitation, risk management and portfolio management).
- (E) The general assembly of shareholders of the Customer approved on 26 September 2017 and 14 February 2018 the appointment of the Fund Manager as the external alternative investment manager and sole director of the Customer subject to the terms and conditions of this Management Agreement.

## 1. INTERPRETATION

- 1.1 In this Management Agreement, unless the context otherwise requires, it is agreed that:
- (a) words in the singular include the plural, words in the plural include the singular, words importing the masculine gender include the feminine, and words importing the feminine gender include the masculine;
  - (b) headings and paragraphs are for the purpose of organization only and shall not be used to interpret this Management Agreement;
  - (c) references to “this Management Agreement” include its Recitals and Annexes (which are incorporated herein by reference and are integrated within the body of this Management Agreement) and this Management Agreement, unless otherwise stated;
  - (d) references in this Management Agreement to Recitals, Sections, Articles, Clauses, Sub-Clauses and Annexes are to the preamble, recitals, sections, articles, clauses and sub-clauses of, and Annexes to, this Management Agreement, unless otherwise stated; and
  - (e) references to any provisions of legislation, delegated legislation, regulations or rules shall be construed as references to such provisions as replaced, re-enacted, extended or amended from time to time (whether before or after the date hereof).
- 1.2 Notwithstanding anything to the contrary in this Management Agreement, the Parties agree that none of the limitations of liability or responsibility which the Parties may agree vis-à-vis each other pursuant to this Management Agreement or otherwise may be construed as a limitation of the obligations, liabilities or responsibilities imposed by the Compulsory Rules.

## 2. DEFINITIONS

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

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

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

**AIFM** means an alternative investment fund manager.

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

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

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

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

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

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

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

**Calculation Period** means a calendar quarter, each consisting of a three-month period; the four calendar quarters that make up the year shall be: January, February and March (the first quarter, or Q1); April, May and June

(the second quarter, or Q2); July, August and September (the third quarter, or Q3); and October, November and December (the fourth quarter, or Q4);

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

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

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

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

**Constitutive Act** means the Articles of Incorporation of the Customer;

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

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

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

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

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

**Data Protection Laws** mean the set of rules formed by (a) the Data Protection Directive 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data, (b) Law 677/2001 on protection of individuals with regard to the processing of personal data and on the free movement of such data implementing in Romania Directive 95/46/EC, (c) any binding guideline or other delegated act and regulation issued from time to time by the EU relevant authorities or competent national authorities pursuant to any national laws and regulations (such as Law 677/2001) and (d) any national laws and regulations enacted in connection with the implementation of the rules listed under (a) to (c) above or other legislation which replaces or amends the same, which are applicable to this Management Agreement including, without limitation, and as of the date of its application, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (the "General Data Protection Regulation");

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

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

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

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

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

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

**EU Markets in Financial Instruments Rules** means:

- (a) Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC;
- (b) Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive; and
- (c) Commission Regulation (EC) No 1287/2006 of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading, and defined terms for the purposes of that Directive,

and, as of their application date:

- (i) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II);
- (ii) the Commission Delegated Directive 2017/593 of 7 April 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to the safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits; and
- (iii) Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (MIFIR);

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

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

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

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

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

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

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

**Investment Manager** means a member of the Fund Manager's Group qualified or capable of undertaking the functions with which it has been entrusted pursuant to the delegation agreement including investment management.

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

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

**Law no. 24/2017** means Law no. 24/2017 on issuers of financial instruments and market operations;

**Law no. 247/2005** means the Law no. 247/2005 regarding the property and judicial reform, as well as adjacent measures;

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

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

**MiFID II Directive 2014/65/EU** of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU;

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

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

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

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

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

**Party** means any of the Customer or the Fund Manager;

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

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

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

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

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

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

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

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

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

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

### 3. SCOPE OF THIS MANAGEMENT AGREEMENT

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



#### 4. APPOINTMENT OF THE FUND MANAGER

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

#### 5. ACCEPTANCE OF APPOINTMENT

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

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

- 6.1. The obligations and the competencies of the Fund Manager as Sole Director and alternative investment fund manager of the Customer are set forth by the Companies Law, Law no. 297/2004, Law no. 24/2017 and the related regulations, as well as the Constitutive Act, the AIFM Rules (which may be subject to further amendments according to the law), and the provisions of this Management Agreement. The Fund Manager undertakes to comply at all times with all AIFM Rules and any other applicable law.
- 6.2. The Fund Manager shall exercise its obligations and duties in accordance with the decisions of, and under the control of, the general meeting of the shareholders and the monitoring of the BoN.
- 6.3. In addition to the duties provided by applicable law, the Fund Manager shall propose for the prior approval of the BoN and further, of a GSM, the general strategy in accordance with the investment policy of the Customer. The Fund Manager shall be solely responsible for the implementation of the investment policy in respect of the Portfolio and for achieving a proper balance between the profits and the risks related to the Portfolio.
- 6.4. The Fund Manager shall inform periodically in accordance with the applicable legislation and clause 11 of this Management Agreement the BoN on any significant changes affecting the activities of the Customer and within the structure of the Portfolio.
- 6.5. In addition to any duties or obligations imposed by any applicable law and the Constitutive Act, the Fund Manager shall be liable to:
  - 6.5.1. identify, analyse, quantify, manage and mitigate all risks affecting the Customer, the Portfolio and all other risk management functions provided by the AIFM Rules and prepare an annual report for the Customer indicating how risks affecting the Customer have been identified, analysed, quantified, managed or mitigated. As of MiFID II effective date, an annual report on execution quality (i.e., demonstration that efforts have been made and all sufficient steps have been taken to meet the Best Execution Policy standards, as defined in Art.10.5.1. and amended to meet the MiFID II requirements) along with relationships with execution brokers, breakdown of orders types and execution venue fee arrangement shall be presented by the Fund Manager;
  - 6.5.2. carry out all portfolio management functions provided in the AIFM Rules;
  - 6.5.3. establish a reference date for shareholders entitled to vote within the GSM, under the law, and draft the text of the announcement to convene the GSM, after obtaining the prior approval of the BoN and after adding to the agenda the matters requested by the BoN;
  - 6.5.4. upon the written request of any shareholder submitted before the date of the GSM, provide answers, after obtaining the prior approval of the BoN, in connection with the aspects concerning the business of the Customer;
  - 6.5.5. ensure that, if requested by any of the shareholders, a copy of the minutes of the GSM shall be given to them and also, after the calling of the annual OGM is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors;
  - 6.5.6. prepare the annual financial statements, the annual activity report, the semi-annual report, and the quarterly reports (preparing each of the foregoing in accordance with the law and regulations in force at the applicable time), the Performance Report, examine the financial auditors' report, present all such

- reports to the BoN before submitting such documents to the GSM for approval, and making proposals on the distribution of the profit, after obtaining the prior approval of the BoN, if required;
- 6.5.7. manage the relationship with the Central Depository with regard to its shareholders register functions;
- 6.5.8. prepare an annual report on the management and the business policy of the Customer, to be presented to the BoN for approval prior to its submission to the GSM;
- 6.5.9. propose for the prior approval of the BoN and further, of the GSM, the annual income and expenditure budget and business plan;
- 6.5.10. approve the outsourcing of certain activities, within the limits of the approved budget, respectively delegate the performance of certain activities, subject to the corporate approvals required under the Constitutive Act, to the observance of all conditions and limitations regarding delegation included in the AIFM Rules and in this Management Agreement and to the prior endorsement by the CSSF or other applicable competent authorities, where required by applicable legislation;
- 6.5.11. based on the proposal of the BoN, submit to the approval of the EGM the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets (in Ro. "active imobilizate") of the Customer whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets, less any receivables;
- 6.5.12. execute contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of the Customer (whose value does not exceed, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of the Customer, less any receivables, as well as any other operations permitted by the Constitutive Act and the applicable law, without prior approval of the OGM or the EGM;
- 6.5.13. subject to the provisions of the Constitutive Act, IPS and applicable legislation, take all decisions at its sole discretion in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of the Customer;
- 6.5.14. propose to the GSM the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the BoN, as well as approving the procedure of internal audit and the audit plan;
- 6.5.15. change the location of the registered office of the Customer, with the prior notification of BoN, provided that the registered office shall at all times be registered in Romania;
- 6.5.16. prepare and make available to the BoN the reports, information as well as any other documents necessary for exercising the monitoring duties, as may be required by the BoN in line with the Constitutive Act and any applicable legislation including, for the avoidance of any doubt, the AIFM Rules;
- 6.5.17. inform at once the BoN on any litigation or infringement of legislation regarding the Fund Manager, on any operation which might be an infringement to the investment policy and about the plans/correction measures for addressing these matters;
- 6.5.18. ask for the calling of the GSM in order for the latter to decide whenever an issue appears on which the BoN has a disagreement with the Fund Manager, which cannot be resolved amicably by the two bodies;
- 6.5.19. propose to BoN the recommendation for the EGM for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a company be appointed related to the admission to trading of the Customer on another market than the Bucharest Stock Exchange and the London Stock Exchange;
- 6.5.20. duly notify the FSA or other regulatory authorities in any relevant Member State and inform the shareholders of the Customer according to the provisions of the AIFM Rules of any major holding and control of non-listed companies acquired by the Customer;
- 6.5.21. perform all the duties and obligations to which it is required by, and otherwise comply with, the AIFM Rules applicable to it in connection with its appointment as the AIFM of the Customer; and
- 6.5.22. any other responsibilities set according to the Constitutive Act and any applicable legislation.

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

- 6.6. The Fund Manager shall perform its duties under this Management Agreement in line with the Customer's or the shareholders of the Customer's best interest in accordance with the AIFM Rules and the highest standards of professional conduct and integrity, including without limitation with respect to responding to public offerings or other corporate actions relating to the securities in the Portfolio.
- 6.7. Without limiting the generality of the foregoing (and so that none of the following provisions shall be deemed to limit the generality of any other of the following provisions), the Fund Manager undertakes to do the following:
  - (a) at all times make all reasonable efforts to avoid conflicts of interest, provided that the Customer understands that the services the Fund Manager provides to the Customer are not exclusive and that the Fund Manager may provide similar services to other customers. Where a conflict arises, the Fund Manager will promptly disclose this to the Customer and use all reasonable efforts to resolve the conflict fairly;
  - (b) will not perform any transaction in relation to the Portfolio knowingly and intentionally acting as agent for any of the Fund Manager's or other clients of its Associated Companies unless the Fund Manager shall have obtained the prior written consent of the Customer to such transaction, having given the Customer all material information relating thereto;
  - (c) shall comply with all applicable laws and regulations, including without limitation the AIFM Rules insofar as they are relevant to this Management Agreement, the Fund Manager's performance of its functions under it in any countries in which it performs its duties and carries out its activities pursuant to this Management Agreement and shall procure that all its employees and Delegates, and shall use all reasonable steps to procure that all its agents, shall comply with such laws, regulations and rules as are applicable to them in relation to their involvement with the affairs of the Customer;
  - (d) shall not enter into any transaction in relation to the Portfolio where the officers or employees of the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 for the purposes of this Management Agreement are aware or ought reasonably to be aware that the Fund Manager or any Associated Company has a material interest in such transaction, unless it obtains the prior written consent of the Customer to such transaction, having first given the Customer all material information relating thereto, and for the purposes of this paragraph a "material interest" means a direct or indirect pecuniary interest, whether present or expected (other than a pecuniary interest consisting of a normal commission, rate or price differential or similar remuneration receivable in the ordinary course of business for effecting securities, deposit or foreign exchange transactions) which might reasonably be expected to influence a person, knowingly having that interest, to enter into or refrain from entering into such transaction;
  - (e) shall account to the Customer for all advantages and benefits received by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 from third parties resulting from bulk dealing involving the assets in the Portfolio and other securities and investments as are attributable (using a pro rata basis of calculation) to the assets in the Portfolio; and
  - (f) shall account to the Customer for all allowances, rebates, discounts and refunds received (if any) in respect of any transaction involving the assets of the Portfolio from commission brokerage or other charges which are made to the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 in any transaction and will not authorise any other person on behalf of the Customer to retain such.
- 6.8. The Fund Manager shall at all times use reasonable efforts to be expected of a diligent professional investment manager acting in good faith to stay informed of all facts concerning rights arising in respect of securities held in the Portfolio and in this regard shall in particular monitor on a continuing basis all sources of information reasonably available, including without limitation press reports and screen-based information services.

- 6.9. The Fund Manager agrees to communicate whenever necessary or desirable with the Depositary to ensure a full flow of information in respect of rights arising in relation to the securities and cash held in the Portfolio.
- 6.10. All foreign exchange transactions relating to the Account shall be carried out at competitive rates by the Fund Manager using a third party bank (which may include the Depositary, if a bank).
- 6.11. When entering into transactions on behalf of the Customer in accordance with this Clause 6, the Fund Manager will (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will) ensure that brokers' and dealers' terms of business and terms and conditions with other third parties entered into with or by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 and applicable to transactions in listed securities for the Portfolio (whether or not such terms and conditions are specifically intended to apply to transactions for the Portfolio) do not:
- (a) disapply or waive best execution or other regulatory protections normally applicable to professional clients (as defined in the applicable EU Markets in Financial Instruments Rules) for the Customer; or
  - (b) confer liens, rights of retention or security over the Portfolio or any assets or monies of the Customer (except (i) in respect of margin for on exchange margined transactions or (ii) in respect of non-fulfilment of the obligations of the Customer under such agreement with brokers and dealers, but only if the part of the Portfolio subject to such liens, rights of retention or security is not disproportionate with the Customer's obligations and it is market practice to confer them or (iii) as otherwise permitted under this Management Agreement or as otherwise consented to in writing by the Customer or as may be required by applicable laws); or
  - (c) allow the Customer's monies or assets to be mixed with, set off against obligations or utilised for the benefit of any other person except where that is in accordance with standard market practice; or
  - (d) give any representations or warranties on the Customer's behalf without the Customer's prior written consent other than representations or warranties given in the ordinary course of business and which the Fund Manager has reason to believe are true and correct; or
  - (e) confer any onerous and unusual obligations on the Customer.
- 6.12. In relation to the Portfolio's management function, the Fund Manager will perform the day-to-day management of the Customer's assets in order to implement the Customer's investment objective, policy and strategy as such are described in the IPS, as well as the portfolio management duties and obligations constituting portfolio management under the AIFM Rules in each case, in consideration of the Customer's specific features including without limitation those described in Annex 2 (Specific duties and obligations).
- 6.13. Without prejudice to Clause 6.5.1, in relation to the Customer's and the Portfolio's risk management function, the Fund Manager will establish, implement, regularly (at least annually) review, and as the case may be, adapt such risk management system (including the liquidity management system) which is necessary in order to identify, measure, manage and monitor appropriately all risks (including the liquidity risk) which are relevant to the Customer's investment strategy and to which the Customer is or may be exposed, as well as the risk management duties and obligations to which the Fund Manager is compelled by the AIFM Rules in view of the Customer's specific features, including without limitation those described in Annex 2 (Specific duties and obligations).
- 6.14. In addition to the duties and obligations listed in this Clause 6, the Fund Manager will perform the duties and obligations, which are described in Annex 2 (Specific duties and obligations) in consideration of the Customer's specific features.
- 6.15. In the performance of its duties and obligations under this Management Agreement and the AIFM Rules, the Fund Manager will observe and comply with the provisions of the Constitutive Act and the IPS, as well as with any requests from the BoN or instructions contained in resolutions of the Customer's shareholders which do not conflict with the Fund Manager's duties or obligations under applicable law or any Compulsory Rules.
- 6.16. The Fund Manager may delegate part (but not all) of its duties under this Management Agreement, including the investment management functions, in each case in accordance with Clause 14.3 to an Associated Company duly authorised under applicable law to carry out the relevant activities, as well as terminate at

any time such delegation without the prior approval of the Customer in respect of such termination, provided that the Fund Manager notifies to the Customer reasonably in advance of such termination.

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

## 7. AUTHORIZED TRANSACTIONS

The transactions to be effected in relation to the Portfolio are subject to the legal regulations in force, including the Companies Law no. 31/1990, Law no. 297/2004, Law no. 24/2017 the AIFM Rules and other applicable regulations, as well as Law no. 247/2005, GEO no. 81/2007, the Constitutive Act as well as any other applicable legislation or regulation replacing, amending or completing the same.

## 8. ASSET CUSTODY AND THE DEPOSITARY

- 8.1. The Fund Manager will place the assets of the Customer in custody according to all applicable legal provisions, including without limitation the AIFM Law and the AIFM Rules. The Depositary will be appointed by the Fund Manager after consultation with the BoN, with sufficient time in advance, on the identity of the proposed Depositary and the terms and conditions of its appointment.
- 8.2. The relationship between the Customer (acting through the Fund Manager) and the Depositary shall be governed by a written depositary agreement and the Fund Manager shall ensure that such agreement includes clauses addressing those matters and imposing those obligations, which are required by the applicable AIFM Rules, Romanian legislation applicable to the Customer, the Constitutive Act and the IPS.
- 8.3. All payments due for receipt by the Customer, such as dividends, interests, sale proceeds, or any with other title, shall be paid directly to the Depositary and in the Customer's account opened at the Depositary. The Fund Manager shall not be entitled at any time and in any form to hold cash or other assets from the Portfolio belonging to the Customer in any form.

## 9. FUND MANAGER PERFORMANCE OBJECTIVES, ANNUAL REPORTING

- 9.1. For the duration of this Management Agreement, the Fund Manager must manage the Portfolio in accordance with, and must comply with, all the obligations undertaken under the IPS and seek to achieve the objectives therein, including (without limitation) the Discount Objective and the NAV Objective (together the "Performance Objectives"). The Customer and the Fund Manager acknowledge and agree that there is no guarantee that the Performance Objectives will be achieved and the Fund Manager does not warrant, undertake or represent that it will achieve them.
- 9.2. The Fund Manager will call a BoN meeting to discuss the Discount Control Mechanism ("DCM") strategy if the Discount stays above 15% for more than half of the Trading Days in any financial quarter of the Customer. In addition, if the Discount stays wider than 15% for more than half of the Trading Days in any two successive financial quarters of the Customer, the Fund Manager will call a GSM (which would be held no later than the end of the next quarter) at which the Fund Manager would propose, for the Customer's shareholders' approval, specific DCM measures pre-agreed with the BoN and which are in line with the IPS, unless such actions are already pending and soon to be implemented based on shareholder approvals obtained during the relevant preceding two quarter periods.
- 9.3. For the purpose of reviewing the performance of the Fund Manager each year (including, but not limited to, whether the Performance Objectives have been achieved), each year in April the Customer will hold a GSM, starting in April 2019 (the "April GSM").
- 9.4. Not later than 30 days before the deadline for publication of the April GSM documentation as required by the law, the Fund Manager must submit to the BoN a report on activities and performance of the Fund Manager (and each Delegate) in the relevant period (the "Performance Report"). The first Reporting Period shall be 1 January 2018 until 31 December 2018 and every subsequent year shall be from 1 January until 31 December of the next year (the "Reporting Period"). The first Reporting Period will be 1 January 2018 – 31 December 2018. The period 1 July – 31 December 2017 will be reflected in the annual report prepared according to legislation in force, reflecting the activity of Franklin Templeton International Services S.à r.l. as Fund

Manager of the Customer pursuant to the previous Management Agreement (in force between 1 April 2016 and 31 March 2018).

9.5. The Performance Report must include, among others:

- (a) the report on the fulfilment of the Discount Objective (as such term is defined in the IPS);
- (b) the report on the fulfilment of the NAV Objective (as such term is defined in the IPS);
- (c) the report on the fulfilment of the obligations regarding DCM as mentioned above at Clause 9.2;
- (d) a summary of the regulatory issues affecting the performance during the Reporting Period;
- (e) a summary of market conditions affecting the performance during the Reporting Period;
- (f) such other matters as the Fund Manager wishes to bring to the attention of the shareholders in relation to its activities and performance in the relevant period.

9.6. Following receipt of the Performance Report, the BoN must prepare and submit for the information of shareholders at the April GSM a review of the Performance Report (the "BoN Review Report"), evaluating the performance of the Fund Manager, as well as any other factors that it considers to be relevant for the decision of the April GSM regarding the continuation or termination of this Management Agreement and the Fund Manager's mandate.

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

## 10. FUND MANAGER REMUNERATION AND EXPENSES

10.1. As remuneration for its services under this Management Agreement, the Fund Manager shall receive the fees set forth in Annex 1 (Fees). The Fund Manager shall provide the Customer with a valid certificate of tax residence for the relevant year under applicable Romanian tax provisions, before issuing any invoices to the Customer for such fees. Unless expressly stated otherwise, the fees and any other amounts payable to the Fund Manager under this Agreement are quoted exclusive of any sales, value-added, purchase or turnover tax as may be applicable in any relevant jurisdiction, including any value-added tax chargeable under or pursuant to Romanian value-added tax laws and regulations or relevant EU Directives.

10.2. Save as expressly provided otherwise in this Management Agreement, all costs and expenses incurred by the Fund Manager or the Investment Manager in the performance of their functions shall not be for the account of the Customer, but shall be borne by the Fund Manager or the Investment Manager. However, the Investment Manager may issue invoices to recharge expenses incurred by it related to any activities delegated to it pursuant to Clause 14.3 directly to the Customer, with the prior consent of the Fund Manager and of the BoN.

10.3. The Customer shall bear, or shall reimburse the Fund Manager (and in respect of the Investment Manager, for onward payment by the Fund Manager subject to Clause 10.2 above), where the Fund Manager or the Investment Manager has incurred them in advance, the following expenses:

- (a) expenses related to the payment of fees owed to the Depositary;
- (b) expenses related to intermediaries;
- (c) expenses related to taxes and fees owed to the FSA or other public authorities, according to applicable legislation, as well as expenses or charges imposed to the Customer by any tax authority related to the expenses in this clause or otherwise applicable to the running of the business of the Customer;
- (d) expenses related to the financial audit performed on the Customer and any other audits or valuations required by the legislation in force applicable to the Customer;

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- (e) expenses related to the admission to trading of the financial instruments issued by the Customer, and any subsequent issues or offerings; expenses with intermediaries and professional advisors in relation to arranging and maintaining the listing;
  - (f) expenses related to investor relations and public relations in the interest of protecting and promoting the Customer's image and that of its securities;
  - (g) expenses related to ongoing reporting and disclosure obligations according to legislation in force;
  - (h) expenses related to the organising of any GSM and communications with the shareholders and to the payment of fees for registrar services and services related to distributions to shareholders;
  - (i) expenses related to the payment of taxes and fees owed to the Bucharest Stock Exchange, London Stock Exchange and any other exchange on which the financial instruments of the Customer or global depositary receipts or depositary interests corresponding to shares of the Customer shall be admitted to trading;
  - (j) expenses related to the registration with the Trade Registry or documents issued by the Trade Registry;
  - (k) expenses related to the payment of fees owed to the banks for banking services performed for the Customer;
  - (l) expenses related to appointing legal advisers and other advisors to act on behalf of the Customer;
  - (m) expenses related to contracts with external service providers existing as of execution of this Management Agreement until the expiry or termination of the contract;
  - (n) expenses related to remuneration, transport and accommodation of the members of the BoN (in relation to their services and attendance at meetings, in accordance with the Constitutive Act, the mandate agreements and any applicable internal regulations) and for independent persons (not employees of the Fund Manager or of the Investment Manager) acting as representatives of the Customer on the corporate bodies of companies in the Portfolio, where appropriate;
  - (o) expenses relating to printing costs for the Customer's documentation;
  - (p) other expenses with an annual value that does not exceed €100,000 related to the activity of the Customer; and
  - (q) other expenses approved by the BoN for the Customer in accordance with the Constitutive Act (if their annual value exceeds €100,000).
- 10.4. Save as provided above, the Fund Manager (and the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3) shall be liable for the following out of pocket expenses incurred when performing its duties hereunder, including, but not limited to:
- (i) expenses in connection with mailing and telephone, except for letters to shareholders;
  - (ii) expenses in connection with business travel and accommodation, except the expenses related to all investor relations activities, GSM and BoN meetings;
  - (iii) expenses in connection with salaries, bonuses and all other remunerations granted by the Fund Manager (or the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3) to its employees and collaborators; and
  - (iv) all other expenses necessary to the functioning of the Fund Manager (or the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3).
- 10.5. In performing its obligations under this Management Agreement, the Fund Manager shall not use (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will not use) Soft Dollar Practices. All transactions in connection to the Portfolio shall be consistent with the principle of best execution.
- 10.5.1. An overview of Best Execution Policy at the level of the Fund Manager's Group can be found at: [http://www.franklintempleton.co.uk/en\\_GB/adviser/company/regulatory-information](http://www.franklintempleton.co.uk/en_GB/adviser/company/regulatory-information). The Customer confirms that it has read and understood the Best Execution Policy Overview – as available on the specified address at the date of this agreement. Notwithstanding the foregoing, the Customer considers and the Fund Manager agrees that the Best Execution Policy must be read and understood together with all applicable requirements imposed under MiFID II regulation in force. The Customer agrees that the Fund Manager may trade outside of a regulated market or multilateral trading facility.

- 10.5.2. In effecting transactions for the Portfolio companies, the Fund Manager will at all times comply with the Fund Manager's Group Best Execution Policy, as specified in Art.10.5.1 above, and in particular will act in the best interests of the Customer and comply with any applicable obligations regarding best execution under the applicable regulations in force.
- 10.6. Any director's fees and other fees received by the Fund Manager's or any officers, employees, agents, representatives or delegates of any Associated Company who acts as a Delegate in accordance with clause 14.3 from any of the Portfolio companies will be either paid over to the Customer or deducted from the management fee. For the avoidance of doubt, the reference to "fees" in the previous sentence does not apply to payments by Portfolio companies to arrange commercially reasonable insurance coverage on behalf of such persons for any liabilities arising from acting as a director or officer of the Portfolio company's board and, where Portfolio companies fail to arrange such insurance, this shall be arranged by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3, acting on behalf of the Fund, at the Fund's expense. The Fund Manager undertakes to observe at all times and otherwise follow the remuneration rules and guidelines applicable in accordance with the AIFM Rules.
- 10.7. The Fund Manager shall not (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will not) claim any lien, right of retention, security interest or set-off over the Portfolio or any assets or moneys in it.

## **11. PROVISION OF INFORMATION TO THE CUSTOMER AND ITS REPRESENTATIVES**

- 11.1. In addition to the obligations under Clause 9, the Fund Manager will provide the Customer with such analysis of performance and periodical tabular presentations in connection to the Portfolio as reasonably requested by the Customer. At least twice in a calendar year the Fund Manager will make a presentation to the Customer in respect of the Portfolio for the previous six months and the Customer may request any documents with a view to discussing market factors, the Portfolio and the operation of this Management Agreement.
- 11.2. The Fund Manager shall provide to the Customer, quarterly and/or upon request, written documents/presentations evidencing the transactions entered into between the Fund Manager, on behalf of the Customer, and third parties in connection with the Portfolio.
- 11.3. The Fund Manager shall keep accurate and detailed records of all investments, receipts, disbursements and other transactions relating to the Portfolio, which it shall send to the Customer in a monthly report.
- 11.4. The Fund Manager shall supply on demand to the Customer copies of all accounts entries and other records relating to the Portfolio. The Fund Manager will extend its normal working hours as and when reasonably requested by the Customer and will provide, without unnecessary delay, all necessary facilities and assistance to the Customer's auditors and other authorised representatives, including representatives of its shareholders and/or of the BoN, to audit and verify records of the Fund Manager relating to the securities, papers and other assets in the Portfolio, according to the applicable legislation. The scope of the audit shall not be limited by the Fund Manager and may include the examination of the Fund's accounting system, procedures, records, internal controls, and any other documents or information in the Fund Manager's possession to the extent relevant to the Customer (and subject to redaction to the extent required to respect the confidentiality of other clients) that the Customer or the auditor deems necessary acting reasonably to verify in order to facilitate formulation by the Customer of any opinion on the costs, both direct and indirect, or other amounts billed to the Customer and the performance of the Portfolio and the Fund Manager. The Fund Manager shall co-operate as necessary and facilitate the performance of any such audits, including securing for the aforementioned auditors and other authorised representatives assistance from the Fund Manager's compliance officer and internal auditors.
- 11.5. The Fund Manager shall report to the Customer within two business days of its discovery of any non-compliance with or breach of the provisions of this Management Agreement (including the Annexes) and shall take all steps required to make good such non-compliance as soon as possible.
- 11.6. The Fund Manager will liaise as necessary with the Depositary to enable the Depositary, on the Customer's behalf, to fulfil any obligations to disclose shareholdings in companies in which the Portfolio is invested in accordance with relevant legislation and will provide timely information to the Depositary for this purpose.



## 12. CONFIDENTIALITY AND ACTS WITH FISCAL CONSEQUENCES

12.1. The Fund Manager will, except only in so far as:

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

ensure that all matters relating to the Portfolio and the Customer will be kept strictly confidential. Before the Fund Manager discloses confidential information under paragraph (a) above, it shall inform the Customer to this end. The Fund Manager shall procure that the Delegate provides to the Customer a confidentiality undertaking in the relevant delegation agreement in respect of all matters relating to the Portfolio, its role as a Delegate, in form and substance acceptable to the BoN.

12.2. The Fund Manager shall not disclose information relating to the Portfolio and the Customer to other companies of the Fund Manager's Group (except for the Investment Manager in its capacity as, and to the extent required for its role as, a Delegate) who carry on to a material extent any activities other than investment management outside those members of staff engaged in investment management functions, except in circumstances permitted in Clause 12.1. (a)- (d). The Fund Manager shall (and shall procure that the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 will) in any event operate confidentiality procedures which oblige its staff only to disclose information relating to the Portfolio and the Customer within the Fund Manager (or the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3) on a "need to know" basis and to observe strictest confidentiality in relation to price sensitive information.

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

## 13. TERMINATION

13.1 This Management Agreement may be terminated according to its provisions and the applicable legislation.

13.2. The Customer may unilaterally and at its sole discretion terminate this Management Agreement, at any time, on three months' prior written notice to the Fund Manager, based on an OGM resolution for approving the simultaneous termination of the mandate and of this Management Agreement. For the avoidance of any doubt, termination of the mandate and this Management Agreement in accordance with this Clause 13.2 will not entitle the Fund Manager to any Damages or the payment of any amounts other than the fees to be paid in accordance with Clause 13.6 below. This is without prejudice to Clause 17.4(c) but, for the avoidance of any doubt, such Clause 17.4(c) will never extend to Damages for termination in accordance with this Clause 13.2.

13.3 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director with six months' prior written notice. Not later than five business days following the Termination Notice Date, but subject to timely approval of the GSM agenda by the BoN, the Fund Manager will call the OGM having on the agenda the approval of the procedure for the selection of a new Sole Director and Fund Manager. Such procedure will be prepared by the Fund Manager and agreed with the BoN before its submission to an OGM for approval.

- 13.4 The Fund Manager may terminate this Management Agreement and resign its mandate as Sole Director by as much prior written notice to the Customer as is reasonably practicable, if:
- (a) the termination has been required by, or as a result of, a binding decision issued by any competent regulatory authority; or
  - (b) if material obligations under this Management Agreement can no longer be fulfilled due to changes in the applicable law compared to the date of signing this Management Agreement, provided that the Fund Manager has used reasonable endeavours to comply with or (if it is not possible for the Fund Manager to do so) to propose a reasonable alternative arrangement involving an Affiliate which would comply with the relevant law, in accordance with Clause 14.4 below, but despite those efforts compliance would not be possible; or
  - (c) if the Customer becomes the subject of any definitive winding up order.
- 13.5 In any event a Termination Notice is sent (except under Clause 13.4) or in the event of expiry of this Management Agreement, the Fund Manager shall (except to the extent otherwise required in writing by the Customer) continue to carry out all such acts as it is empowered and required to do by any part of this Management Agreement until the New Appointment Date provided that this obligation is subject to the continuing satisfaction of the following conditions:
- (a) the terms of this Management Agreement (including, without limitation, all authorisations from the Customer to the Fund Manager and all terms of remuneration and indemnity in favour of the Fund Manager) shall continue to apply;
  - (b) the shareholders at GSM approve resolutions proposed by the Fund Manager to ratify and approve, to the extent legally possible:
    - (i) the Fund Manager's mandate as sole director and fund manager of the Customer, with effect until the New Appointment Date and
    - (ii) all legal acts (including decisions and contracts) concluded, adopted and issued on behalf of the Customer by the Fund Manager and any implementation acts, facts and operations based on such, including the management of the Customer under a unitary system, but, in each case, without prejudice to any grounds for termination given by the Customer in any prior Termination Notice and to any rights of the Customer under Clause 17 hereunder; for the avoidance of any doubt, the condition under this paragraph (b) will not apply in the event that the ratification from the GSM is requested for acts performed by the Manager in breach of its legal and/or contractual obligations as Fund Manager and Sole Director;
  - (c) the BoN shall use all reasonable endeavours to ensure that the New Appointment Date occurs as soon as possible; and
  - (d) the mandate as Sole Director does not end between the Termination Notice Date and the New Appointment Date, unless such ending is caused by deliberate actions of the Fund Manager, in which case the condition under this paragraph (d) will not apply.
- 13.6 Termination of this Management Agreement shall not terminate rights and obligations which are capable of surviving termination, including in particular, duties of the Fund Manager to report to the Customer, to provide information to the Customer and to keep matters confidential and for the Customer to indemnify the Fund Manager in accordance with Clause 17.4(c), which, for the avoidance of any doubt, will never extend to Damages for termination in accordance with this Clause 13. Transactions in progress shall be dealt with in accordance with the Customer's instructions or, in the absence of such instructions, having regard to the best interests of the Portfolio.
- 13.7. In the event a Termination Notice is sent, the Fund Manager shall be paid in respect of its services hereunder on a pro rata basis with the duration of the provision of these services in accordance with Clause 13.5 above, in compliance with the Annex 1 (Fees), up to the New Appointment Date. For the avoidance of doubt, in such a case, the Fund Manager's, pro rata remuneration will be for a period of at least 3 months (regardless of whether the New Appointment Date is sooner).

## 13.8. In case of:

- (i) fraud, wilful default or negligence by the Fund Manager in performing the obligations assumed under this Management Agreement; or
- (ii) material breach by the Fund Manager of obligations assumed under this Management Agreement that may bring a serious loss to the Customer and that, if capable of remedy, have not been remedied within 10 business days of a notice of breach, this Management Agreement may be terminated by the Customer with full right with immediate prior notice but without any court intervention.

## 13.9. In no circumstances shall the Fund Manager be obliged to continue its mandate as a Fund Manager and compliance with this Management Agreement beyond the date twelve months from the Termination Notice Date, unless otherwise expressly agreed in writing by the Parties or required by law.

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

- 14.1. This Management Agreement may be amended at any time by an addendum signed by the legal representatives of the Fund Manager and of the Customer, with the prior approval of the GSM and the endorsement of the FSA, if required by applicable law.
- 14.2. This Management Agreement is concluded in consideration of the person of the Fund Manager and is personal to the Fund Manager. The Fund Manager shall not be entitled to assign or to transfer any of its rights or obligations hereunder save as expressly provided in this Management Agreement.
- 14.3. (a) The Fund Manager may delegate to an Associated Company performance on its behalf of the portfolio management functions as well as administration and marketing activities which the Fund Manager has agreed to render to the Customer, subject in each case to entering into a delegation agreement, which has received the prior written approval of the BoN and which the Fund Manager has ensured that it is in compliance with the AIFM Rules. The performance of each Delegate of the delegated obligations and duties shall be on the terms and be subject to the conditions contained in this Management Agreement, and shall be without prejudice to the obligations and responsibilities of the Fund Manager to the Customer under this Management Agreement.
- (b) The Fund Manager shall be responsible for the acts or omissions of the Investment Manager (and each other Delegate, if any) in performing such functions, activities and services, and despite any such delegation, shall remain primarily liable for its obligations under this Management Agreement. Any such delegation by the Fund Manager shall not involve any additional cost to the Customer, unless expressly authorised in writing by the Customer, and the appointment of each Delegate shall be subject to the prior written approval of the BoN and the prior endorsement of any regulatory authority required by applicable legislation.
- (c) The Fund Manager shall not delegate functions so that it is no longer the Customer's manager and to the extent that it becomes a letter-box entity within the meaning of AIFM Rules.
- (d) The Fund Manager shall procure that each Delegate does not delegate any functions delegated to it according to this Management Agreement without the BoN's prior written approval and the endorsement of any regulatory authority required by applicable law. This Clause 14 shall apply, mutatis mutandis, to any such delegation by a Delegate, and the Fund Manager shall continue to remain liable towards the Customer with respect to any such further delegation.
- 14.4 To the extent that changes in applicable law or regulation following the signing of this Management Agreement impose requirements on the Fund Manager in the performance of this Management Agreement with which the Fund Manager cannot comply, the Fund Manager undertakes to use reasonable endeavours to continue performance of the services to the extent legally possible and, to the extent not legally possible, to procure that a reputable Affiliate shall agree to provide the same services on substantially the same terms to the Customer. For the avoidance of any doubt, the appointment of such Affiliate, as well as the implementation of any amendments to this Management Agreement or any other alternative arrangement proposed by the Fund Manager are subject to consent by the Customer, at its full discretion and nothing in this Management Agreement shall be construed as an expressed prior consent in this respect.

## 15. DURATION OF THIS MANAGEMENT AGREEMENT

15.1. Subject to the provisions of Clause 13, the duration of this Management Agreement and of the Fund Manager and the Sole Director mandates contained in this Management Agreement is for a period of two years, simultaneously starting on 1 April 2018.

## 16. COMMUNICATIONS, INSTRUCTIONS, NOTIFICATIONS

- 16.1. Subject to a GSM resolution to the contrary, as regards the relationship between the Customer and the Fund Manager/ Sole Director under or in relation to this Management Agreement, any reference in this Management Agreement to the Customer shall be deemed a reference to the BoN acting as the representative of the Customer towards the Fund Manager/ Sole Director. For the avoidance of doubt, any right or benefit of the Customer under this Management Agreement in relation to or against the Fund Manager/ Sole Directors shall be exercised by the BoN acting in the name and on behalf of the Customer.
- 16.2. All notifications and other communications from the Customer shall be made by BoN to the Fund Manager.
- 16.3. For the purpose of any communication between the Customer and the Fund Manager in relation to this Management Agreement, the Customer shall be represented by BoN.
- 16.4. The Fund Manager shall be entitled to rely on any notification or communication given by the BoN above without further enquiry, provided the instruction, notification or communication is given in one of the ways permitted in this Management Agreement and provided that oral instructions may not be relied upon by the Fund Manager.
- 16.5. All notices or any other communication to be given under this Management Agreement must be in writing, in Romanian or English, and must be: (i) personally delivered; (ii) delivered by fax; (iii) sent by courier with return receipt; or (iv) by e-mail.
- 16.6. The Parties details for transmitting notifications or any other communications related to the present Management Agreement are the following:

(a) If addressed to the Fund Manager:

Address:

Premium Point Building

78-80 Buzești Street, 7th -8th floor, Bucharest

District 1, Postal Code 011017

Fax: (021) 200 96 31/32

To the attention of: Mr. Grzegorz Maciej Konieczny / Mr. Johan Meyer

(b) If addressed to the Customer:

At the contact details provided by the representative of the Customer.

## 17. PARTIES' LIABILITIES

17.1. The Fund Manager is liable for any Damages suffered by the Customer as a result of:

- (a) any actual or alleged act, error, omission, misleading statement or breach of fiduciary duty or other duty committed in the performance of, or failure to perform its administrative functions as Sole Director of the Customer in accordance with the Constitutive Act, the provisions of the Companies Law, the Law No. 297/2004, Law no. 24/2017 and the Romanian Civil Code;
- (b) infringement of the applicable legislation;
- (c) infringement of the Customer's internal rules, including the investment restrictions under the IPS;
- (d) fraud;
- (e) wilful default in performing this Management Agreement;

- (f) negligence in the performance of this Management Agreement's obligations; or
- (g) material breach of this Management Agreement.

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

- 17.2. The Fund Manager's liability towards the Customer and its investors shall not be affected by any delegation. The Fund Manager shall also be liable for the negligence, wilful default, fraud or material breach of this Management Agreement by its Delegates, or its or their employees. The Fund Manager shall exercise all due care in its selection, use and monitoring of Delegates and shall indemnify and hold harmless the Customer from and against any Damages suffered or incurred by the Customer and caused by any failure to exercise all due care. The Fund Manager shall make reasonable efforts to resume normal performance of the services following, and to mitigate the consequences of, an event beyond its and its Delegates' reasonable control.
- 17.3. The Fund Manager shall not be liable for the actions of brokers (not being Associated Companies of the Fund Manager) save to the extent that the Fund Manager has acted negligently in selecting, contracting or monitoring or using such persons. Without prejudice to clause 6.11 above, in selecting a broker for a particular transaction, the Fund Manager shall attempt to obtain best execution for the Customer. Notwithstanding this responsibility, the Fund Manager will pursue counterparties on the Customer's behalf and account to the Customer for all recoveries against such counterparties.
- 17.4. (a) The Fund Manager agrees to indemnify and hold harmless each Indemnified Party from and against any and all Damages, to which the Indemnified Party may become subject under law, including allegations of negligence or breach of fiduciary duty, or otherwise, insofar as such Damages are caused by or arise out of: (i) the wilful misconduct of the Fund Manager or any of its Delegates (or its or their employees); (ii) the breach by the Fund Manager or any of its Delegates (or its or their employees) of any representation or warranty made to the Customer relating to the services hereunder or in respect of any AIFM Rules; (iii) the breach or non-fulfilment by the Fund Manager or any of its Delegates (or its or their employees) of any obligation pursuant to this Management Agreement or the investment restrictions under the IPS; (iv) any untrue statement of a material fact contained in information furnished to an Indemnified Party by the Fund Manager or any of its Delegates (or its or their employees) or the omission to state a material fact necessary in order to make the statements not misleading in light of the circumstances under which they were made; (v) the breach by the Fund Manager or any of its Delegates (or its or their employees) of any fiduciary duty or infringement of applicable law.
- (b) The Fund Manager shall indemnify and shall hold harmless each Indemnified Party for all Damages incurred by an Indemnified Party, in connection with any investigation, claim, action, suit, proceeding, demand or judgment, which is subject to any of the indemnities in this Clause 17.
- (c) Save to the extent arising from Fund Manager's or its employees' negligence, fraud, wilful default or breach of this Management Agreement, the investment restrictions under the IPS or the applicable legislation or that of any of its employees or Delegates, Associated Companies or their respective employees, the Customer agrees to indemnify the Fund Manager from and against Damages arising from following the Customer's specific instructions (including, for the avoidance of doubt, informed decisions of the GSM in addition to instructions from the BoN), provided that:
- (i) the Fund Manager notifies the Customer in writing by fax or email (to such fax or email address as the BoN shall have notified the Fund Manager), as soon as reasonably practicable, but no later than 3 business days after becoming aware of the relevant Damage;
  - (ii) the Fund Manager does not make any admission of liability or agree to any settlement or compromise of any claim for which indemnity is sought without the prior written consent of the Customer;
  - (iii) on a prompt and timely basis the Fund Manager shall have provided all such documents, information and assistance and have done all such acts and things as the Customer may have reasonably required in order to assist the Customer in relation to such claims; and
  - (iv) the Fund Manager will provide evidence that it has taken all reasonable steps necessary to mitigate such Damages, including by advising the Customer in writing against such instructions, prior to the notification mentioned at point (i) above.

- 17.5. Subject to observance of clause 6.17, the Fund Manager will maintain the following insurance:
- (a) Professional Liability to provide against, any failure to duly perform this Management Agreement if that failure is due to a wrongful act, negligent act, error, omission for an insured amount of at least €50 million;
  - (b) Fidelity Bond to provide against any failure to account to the Customer for any money or investments if that failure is due to: (i) dishonest or fraudulent act of any employee; (ii) forgery of instructions, cheques, security or currency and damage caused to office premises and contents due to burglary or vandalism; and (iii) electronic and computer crime for an insured amount of at least €50 million.
- 17.6. Upon request of the Customer, the Fund Manager shall provide to the Customer evidence that the premium for each insurance described in Clause 17.5 above has been paid.
- 17.7. The Fund Manager's liability towards the Customer and the shareholders shall not be affected by the fact that the Fund Manager has delegated functions to a third party, or by any further sub-delegation.

## 18. FORCE MAJEURE

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

## 19. APPLICABLE LAW AND JURISDICTION

19.1. This Management Agreement is governed by and shall be construed in accordance with the laws of England & Wales.

### 19.2. Dispute Resolution

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

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

## 20. REPRESENTATIONS AND WARRANTIES

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

- (i) the Fund Manager has full power and authority to execute, deliver and to carry out the terms of this Management Agreement and that this Management Agreement constitutes a legal, valid and binding obligation of the Fund Manager;
- (ii) the Fund Manager is duly incorporated in Luxembourg and has received relevant authorisations to passport its investment management services into Romania in accordance with the AIFMD and it has at the time of entering into this Management Agreement at least the minimum level of capital and own funds required under the AIFM Rules;
- (iii) the Fund Manager has the legal capacity, as per the law applicable in its home country and Romania, as the case may be, and has received all relevant authorisations and approvals by each relevant authority to provide investment management and other services of the type contemplated under this Management Agreement to an entity such as the Customer;
- (iv) the Fund Manager has special knowledge and skill relevant to the services for which it is engaged under this Management Agreement;
- (v) neither the Fund Manager, the Investment Manager nor any Associated Company who acts as a Delegate in accordance with clause 14.3 is the subject of any regulatory or governmental actions, claims or investigations relevant to its investment management activities which could impair its ability to carry out the terms of this Management Agreement;

- (vi) neither the Fund Manager nor any of its subsidiaries, Associated Companies, divisions or other affiliates involved with the affairs of the Customer has ever had its registration revoked, suspended or its activities restricted;
- (vii) each of the Fund Manager, the Investment Manager and any Associated Company who acts as a Delegate in accordance with clause 14.3 maintains adequate back up and disaster recovery systems and procedures, conflicts of interest policies, risk management policies and any other policies or procedures required by the applicable legislation with respect to the activity carried out by the Fund Manager, the Investment Manager or any Associated Company who acts as a Delegate in accordance with clause 14.3 as regards the Customer;
- (viii) each of the Fund Manager, the Investment Manager and any Associated Company who acts as a Delegate in accordance with clause 14.3 takes investment decisions solely with reference to the interests of the respective funds it manages;
- (ix) its financial statements and the financial statements of the Investment Manager are subject to regular audit by financial auditors; and
- (x) to the best of the Fund Manager's knowledge, neither the execution, delivery, nor performance of this Management Agreement by the Fund Manager will violate any law, statute, order, rule, or regulation of, or judgment, order or decree by, any federal, state, local, or foreign court or governmental authority, domestic or foreign, to which the Fund Manager is subject nor will the same constitute a breach of, or default under, provisions of any agreement or contract to which it is a party or by which it is bound.

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

- 20.2. Subject to Clause 22.2., the Fund Manager shall promptly notify the Customer in writing of changes in the Portfolio managers primarily responsible for the Portfolio or in senior staff responsible for setting the investment and business policy of the Fund Manager and of the Investment Manager. The Fund Manager will provide on annual basis, within 30 days from the beginning of the calendar year, a list with portfolio managers, the main persons with responsibilities in respect to the Portfolio, and senior staff responsible for setting the business and investment policy within the Fund Manager and the Investment Manager. In case of a need to change a portfolio manager or a main person with responsibilities in respect of the Portfolio, the replacement shall have equal or superior qualifications and professional experience and similar time allocation for the Customer.
- 20.3. By this Management Agreement, the Customer represents and certifies that it is the legal owner of the assets comprised in the Portfolio, as at the signing date of this Management Agreement.
- 20.4. The Customer warrants that on the date this Management Agreement is signed, the Portfolio is free from any charge, lien, pledge or encumbrance other than those resulting from normal custody and settlement arrangements or through action or omission of the Investment Manager under its previous mandate as fund manager with the Customer. If the Customer shall create in the future or be informed about the creation of any charge, lien, pledge or encumbrance (other than through action of the Fund Manager) which may affect the Fund Manager's freedom to trade in such securities, it undertakes that it will inform the Fund Manager of such action as soon as reasonably practicable.
- 20.5. The Customer, in the form of its BoN and shareholders, represents that it took all reasonable steps to approve and execute all such documents and to give all authorizations and consents as are reasonably necessary to have the necessary capacity and authority to enter into this Management Agreement. This representation is subject to all information publicly available as regards the corporate decisions taken by the Customer as of its incorporation.

## 21. DATA PROTECTION

- 21.1 The Fund Manager stores on its computer system and processes personal data in connection with the implementation of its mandate. The Customer authorises the Fund Manager to perform such data processing and recognises that the Fund Manager is free to use the data, but only for the purposes of performing this Management Agreement and of the implementation of its mandate in accordance with the law.



- 21.2. The Fund Manager will act as data controller within the meaning of the Data Protection Laws in relation to any personal data supplied to it in connection with this Management Agreement and for the purposes indicated in Clause 21.1 above. Each Party undertakes to comply with its obligations under the Data Protection Laws in relation to such personal data it process in relation to this Management Agreement including amongst others, to observe all the applicable formalities concerning notifying/consulting with the competent data protection authority, as well as concerning informing and obtaining the relevant consent from the data subjects, where required and as incumbent upon it under the Data Protection Laws. Notwithstanding the generality of the foregoing, the Customer acknowledges and agrees that personal data relating to its investors being natural persons may be transferred to the Fund Manager and may be processed as imposed by the applicable legal provisions by the Fund Manager as if such data related to the Customer itself, with the exception that in this particular case the Customer shall be the data controller (within the meaning of the Data Protection Laws) acting in accordance with conditions currently provided in the notification registered by it with the National Supervisory Authority for Personal Data Processing under no. 18668, as such would be amended from time to time, whilst the Fund Manager shall only act as its data processor (within the meaning of the Data Protection Laws). In this particular case, the Fund Manager undertakes to only act based on the Customer's instructions and to observe and apply the security measures provided by the Data Protection Laws (including to apply the adequate technical and organizational measures in order to protect the data against accidental or unlawful destruction, loss, alteration, disclosure or unauthorized access, notably if the respective processing involves the data's transmission within a network, as well as against any other form of illegal processing). Specifically in consideration of the General Data Protection Regulation, and with effect from the application date of the General Data Protection Regulation, in case it will act as data processor, the Fund Manager undertakes to:
- (a) process the personal data only on documented instructions from the Customer, including with regard to transfers of personal data to a third country or an international organisation, unless required to do so by Union or Member State law to which the Fund Manager is subject; in such a case, the Fund Manager shall inform the Customer of that legal requirement before processing, unless that law prohibits such information on important grounds of public interest;
  - (b) ensure that persons authorised to process the personal data have committed themselves to confidentiality or are under an appropriate statutory obligation of confidentiality;
  - (c) take all measures required pursuant to Article 32 of the General Data Protection Regulation;
  - (d) respect the conditions referred to in the General Data Protection Regulation for engaging another processor;
  - (e) take into account the nature of the processing, assist the Customer by appropriate technical and organisational measures, insofar as this is possible, for the fulfilment of the Customer's obligation to respond to requests for exercising the data subject's rights laid down in the General Data Protection Regulation;
  - (f) assist the Customer in ensuring compliance with the obligations pursuant to Articles 32 to 36 of the General Data Protection Regulation taking into account the nature of processing and the information available to the processor;
  - (g) at the choice of the Customer, delete or return all the personal data to the Customer after the end of the provision of services relating to processing, and to delete existing copies unless Union or Member State law requires storage of the personal data;
  - (h) make available to the Customer all information necessary to demonstrate compliance with the obligations laid down in this article and allow for and contribute to audits, including inspections, conducted by the Customer or another auditor mandated by the Customer; with regard to this last point, the Fund Manager shall immediately inform the Customer if, in its opinion, an instruction infringes the General Data Protection Regulation or other Union or Member State data protection provisions.
- 21.3. Subject to applicable provisions of the Data Protection Laws, the data provided to the Fund Manager acting as data processor shall not be shared by the Fund Manager with third-parties other than the persons designated by the Customer and the companies or persons whose involvement is necessary to carry out all or part of the Fund Manager's duties and obligations contemplated under this Management Agreement (consisting in the Fund Manager's "parent" company, the Investment Manager, and the Fund Manager's Affiliates, any Delegates, subcontractors and/or outside service providers) and in accordance with the Fund Manager's internal procedures. In this context, the Customer acknowledges and agrees that personal data related to it or the investors may be transmitted, stored and processed on systems located outside of Romania, in the European Union, which systems are or may be operated by the Fund Manager or third parties indicated above in this Clause 21.3. In case such data will be envisaged to be transmitted, stored and processed in other countries than those mentioned in this clause, the Fund Manager shall observe the applicable provisions of the Data Protection Laws, including, if necessary, the registration of this transfer

with the National Supervisory Authority for Personal Data Processing, before any transmission, storage and processing in the said additional countries takes place.

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

## 22. TRANSITORY AND FINAL PROVISIONS

- 22.1. If any of the provisions of this Management Agreement is held to be invalid or unenforceable, or impossible to perform, such invalidity, unenforceability or impossibility shall not affect any other provisions of this Management Agreement, and this Management Agreement shall be construed and enforced as if such invalid, unenforceable or impossible to perform provisions had not been included.
- 22.2. For the duration of this Management Agreement the Fund Manager undertakes to inform the BoN in advance of any proposed change, replacement or dismissal of the permanent representatives designated for Fondul Proprietatea. The Fund Manager will ensure and procure that the permanent representatives devote, at all times, the necessary time for the management of the Portfolio.

## 23. SIGNATORIES

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

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

by FONDUL PROPRIETATEA SA as duly represented by:

\_\_\_\_\_  
Name: Sorin Mihai MÎNDRUȚESCU

Position: Chairman of the Board of Nominees

Execution date: \_\_\_\_ February 2018

on the one part;

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

\_\_\_\_\_  
Name: Craig BLAIR

Position: Director

Execution date: \_\_\_\_ February 2018

and

\_\_\_\_\_  
Name: Mike SOMMER

Position: Director

Execution date: \_\_\_\_ February 2018

on the other part.

## Annex 1 - Fees

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

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

### 1. Base Fee

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

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

where:

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

1 basis point = 0.0001; and

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

- (a) the number of the Customer’s paid shares considered on daily basis, minus
- (b) the weighted average over the applicable Calculation Period of the number of the Customer’s settled own shares together with the number of the Customer’s equivalent ordinary shares represented by Global Depositary Receipts (“FP GDRs”), in each case where those shares or FP GDRs are held by the Customer as treasury shares,
- (c) then multiplying the resulting number by the weighted average market price of the Customer’s shares calculated for the applicable Calculation Period.

The “**weighted average market price**” shall be computed based on the daily average market prices of the Customer’s shares and corresponding daily volumes, as published by Bucharest Stock Exchange REGS section.

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

“**Sub-period**” is defined as the number of days between two trading dates. The calculation in each sub-periods starts on the settlement date of the first transaction (or the beginning of the mandate) and shall end on the date prior to the settlement date of the next transaction (or the end of the mandate).

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

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

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

## 2. Distribution Fee

It is recognized that distributions beneficial to shareholders would reduce the notional amount upon which the Base Fee is calculated. To reward the Fund Manager for arranging such distributions, a fee shall be calculated as follows (an amount so calculated in respect of a particular period a "Distribution Fee"): 100 basis points of distributions made available from 1 April 2018 up to and including 31 March 2020.

"Distributions" means:

- (i) repurchases of Fund shares;
- (ii) repurchases of Fund GDRs and/or Depositary Interests ("DI");
- (iii) dividends; and
- (iv) returns of share capital.

The calculation of the Distribution Fee shall be made when such distributions become available to shareholders. In case of a repurchase of own shares or of FP GDRs, the calculation of the Distribution Fee shall be made at the date when the own shares repurchase transactions or FP GDRs transactions are settled (i.e. settlement date).

For FP GDRs transactions, the Distribution fee will be computed taken into account the official exchange rate published by the National Bank of Romania for the date of settlement of FP GDRs transactions.

Any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of the distributions made available will not result in any adjustment of the calculation of the Distribution Fee due to the Fund Manager.

## 3. Payments

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

## 4. Verification

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

## Annex 2 – Specific duties and obligations

Without prejudice to the obligations of the Fund Manager specified in the Management Agreement, the below is a non-exhaustive list of additional specific duties and obligations the Fund Manager undertakes to provide.

### - Portfolio Management services

The Fund Manager shall provide portfolio management services to the Customer as mentioned in Clause 6 of the Management Agreement.

### - Risk Management services

The Fund Manager shall provide risk management services to the Customer in order to assess the exposure of the Customer to market, liquidity and counterparty risks and the exposure of the Customer to all other relevant risks, including operational risks which may be material for the Customer, subject to and in accordance with the terms and provisions of this Management Agreement, the applicable AIFM Rules and any applicable circular to be issued by the CSSF (the "CSSF Circular"), and the risk management systems implemented by the Fund Manager, as may be amended and supplemented from time to time (the "RMS").

The Fund Manager shall have and perform the following powers and duties:

1. in addition to the obligations in Clause 6 of the Management Agreement, to prepare, in the manner and with the level of detail prescribed by the AIFM Rules, the CSSF Circular and the AIFM Law, for submission to the Customer compliance reports at regular intervals in relation to the RMS in accordance with procedures agreed from time to time between the Customer and the Fund Manager;
2. to provide to the Customer in the frequency and the form stipulated in the RMS from time to time by the Customer, such information as is required by the Customer to comply with the risk management process requirements of the applicable law.

In addition, the Fund Manager shall at least:

- i. implement an appropriate, documented and regularly updated due diligence process when investing on behalf of the Fund, according to the investment strategy, the objectives and risk profile of the Fund;
- ii. ensure that the risks associated with each investment position of the Customer and their overall effect on the Customer's portfolio can be properly identified, measured, managed and monitored on an on-going basis, including through the use of appropriate stress testing procedures;
- iii. ensure that the risk profile of the Customer shall correspond to the size, portfolio structure and investment strategies and objectives of the Customer as laid down in the applicable legislation, Constitutive Act and IPS.

The Fund Manager shall set a maximum level of leverage which it may employ on behalf of the Customer as well as the extent of the right to reuse collateral or guarantee that could be granted under the leveraging arrangement (if any), taking into account all elements as required by the applicable legislation including the AIFM Rules, Constitutive Act and IPS.

### - Administration Functions

The Fund Manager shall have and perform the following duties:

1. Managing the relationship with the Central Depository with regard to its shareholders register functions – the only entity that has the right to keep the register of shareholders under Romanian legislation.
2. Keeping all the books, records, agreements, forms, papers, files and other corporate documents required by Romanian law.
3. Determining and issuing the net asset value of the Fund as well as the net asset value per share of the Fund.
4. Monitoring the compliance with the regulations in force.

5. Receiving any and all notices, correspondence, telegrams, telex messages, telephonic advice or other representations and communications received for account of the Fund.
6. Keeping with due diligence and caring any and all such Fund documents and information entrusted to it.
7. Providing and supervising facilities and services for the preparation and dispatch of statements, reports, notices, announcements, proxies, minutes and other documents to the shareholders and the BoN.
8. Co-operating at the drafting of the entire documentation for calling the General Meeting of Shareholders of the Fund.
9. Drafting the annual budget.
10. Drafting the Investment Policy Statement.
11. Proposing the conclusion of the financial audit agreement.
12. Proposing the change of the location of the registered office of the Fund.
13. Providing appropriate conference rooms for meetings of the BoN and the shareholders of the Fund.
14. Providing for any legal filing and publications and file any tax returns.
15. Maintaining contacts with all supervisory, regulatory, tax or other state authorities or Fund-related professional organisations in Romania, complying with any information request from these authorities and advising the Fund thereof (including the current reports).
16. Co-operating at the establishment of the annual reports, accounts, financial reports, financial statements and of any other documents, which have to be sent to Investors or to the relevant authorities in accordance with applicable laws, regulations or the Constitutive Act.
17. Dealing with investor queries and sending correspondence and all other documents to the investors.
18. Public Relations activities.

The Fund Manager, in its capacity as Sole Director, shall undertake in the name of the Customer the necessary administrative work required by the applicable legislation and the Constitutive Act and the IPS. The Fund Manager, in its capacity as Sole Director, shall have and perform the following powers and duties:

- i. to establish the books and records of the Customer in compliance with the legal provisions and the accounting practices in force at the relevant time in Romania and to keep them in Romania where all accounting documents shall be available at any time;
- ii. to determine the net asset value of the Customer as well as the net asset value per share of the Customer in accordance with Romanian legal provisions in force and the relevant provisions of the Constitutive Act;
- iii. to properly fulfil its legal obligations regarding the establishment of the annual accounts, financial reports and of any other documents which have to be sent to shareholders or to the relevant authorities in accordance with applicable laws, regulations or the Constitutive Act;
- iv. to take care, at the expenses of the Customer, of the dispatch of the correspondence, the financial reports and all other documents to the shareholders and to the relevant authorities;
- v. to prepare the financial statements and reports in accordance with the provisions of Romanian regulations and of the countries where the Customer is registered;
- vi. to co-operate, as necessary, with the Customer's auditors, the Romanian authorities and the authorities in the countries where the Customer is registered.

#### **- Marketing**

The Fund Manager is in charge of marketing the shares of the Customer globally. For the avoidance of doubt, the Fund Manager must carry out any notification or other formalities contemplated in Articles 29 and 30 of the AIFM Act or the equivalent provisions in legislation in another relevant Member State, where required in view of the marketing of the Customer's shares in any Member State which has implemented the AIFMD, as defined in the AIFM Act.

## Annex 5

### Documents regarding changes in administration and management structures of the Fund during the six-month period ended 30 June 2018

#### Resolution no. 2 / 14 February 2018 of the Shareholders' Ordinary General Meeting of FONDUL PROPRIETATEA S.A.

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

Today, 14 February 2018, 12:00 o'clock (Romanian time), the shareholders of Fondul Proprietatea S.A. (**"the Fund"**) have met during the Shareholders' Ordinary General Meeting (**"OGM"**) of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the OGM being opened by its Chairman, namely Mr. Johan Meyer, in his capacity of permanent representative of Franklin Templeton International Services S.À R.L., a société à responsabilité limitée qualifying as an alternative investment fund manager under article 5 of the Luxembourg law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8a, rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg register of commerce and companies under number B36.979, registered with the Romanian Financial Supervisory Authority under number PJM07.1AFIASMDLUX0037/10 March 2016, in its capacity of alternative investment fund manager and sole director of Fondul Proprietatea S.A..

Whereas:

- The convening notice of the OGM was published on the Fund's website ([www.fondulproprietatea.ro](http://www.fondulproprietatea.ro)) on 15 December 2017, in the Official Gazette of Romania, Part IV, number 4758 of 19 December 2017 and in "Adevărul" newspaper no. 7862 of 19 December 2017;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 24/2017 on issuers of financial instruments and market operations (Issuers' Law);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Regulation of the Financial Supervisory Authority no. 4/2013 regarding depositary receipts (Regulation no. 4/2013);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" S.A., as well as on trading the shares issued by this company.

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

- I. The appointment of Mr. JULIAN RUPERT FRANCIS HEALY as a member of the Board of Nominees following the expiration of the mandate of Mr. JULIAN RUPERT FRANCIS HEALY on 5 April 2018; the mandate of the new member is valid for a period of three (3) years and shall produce its effects starting with the said date onwards, subject to the acceptance of the mandate by the newly appointed member.

This item is adopted by secret vote with 4,102,199,350 votes representing 99.76% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 4,102,199,350 votes “for” and 9,520,209 votes “against”. There were also registered 157,860,546 votes „not given”.

- II. In accordance with Article 1292 of Regulation no. 1/2006, the approval of 14 March 2018 as the Ex – Date, computed in accordance with the provisions of Article 2 paragraph (2) letter f1) of Regulation no. 1/2006, and 15 March 2018 as the Registration Date, computed in accordance with the provisions of Article 86 paragraph (1) of Issuers’ Law.

As they are not applicable to this OGM, the shareholders do not decide on the date of the guaranteed participation, as defined by Article 2 letter f1) of Regulation no. 6/2009, and on the Payment Date, as defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with 4,265,367,223 votes representing 99.94% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 4,265,367,223 votes “for” and 2,403,991 votes “against”. There were also registered: 911,655 abstains and 451,021 votes „not given”.

- III. The empowerment, with authority to be substituted, of Johan Meyer to sign the shareholders’ resolutions, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders’ resolution, including formalities for publication and registration thereof with the Trade Registry or with any other public institution.

This item is adopted with 4,266,278,878 votes representing 99.94% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 4,266,278,878 votes “for” and 2,403,991 votes “against”. There were also registered 897,236 votes „not given”.

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

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Johan Meyer  
Chairman

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Vlad Neacșu  
Meeting secretary

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Valeriu Ioniță  
Technical secretary



**Resolution no. 3 / 14 February 2018  
of the Shareholders' Ordinary General Meeting of FONDUL PROPRIETATEA S.A.**

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

Today, 14 February 2018, 12:00 o'clock (Romanian time), the shareholders of Fondul Proprietatea S.A. (**"the Fund"**) have met during the Shareholders' Ordinary General Meeting (**"OGM"**) of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the OGM being opened by its Chairman, namely Mr. Johan Meyer, in his capacity of permanent representative of Franklin Templeton International Services S.À R.L., a société à responsabilité limitée qualifying as an alternative investment fund manager under article 5 of the Luxembourg law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8a, rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg register of commerce and companies under number B36.979, registered with the Romanian Financial Supervisory Authority under number PJM07.1AFIASMDLUX0037/10 March 2016, in its capacity of alternative investment fund manager and sole director of Fondul Proprietatea S.A..

Whereas:

- The convening notice of the OGM was published on the Fund's website ([www.fondulproprietatea.ro](http://www.fondulproprietatea.ro)) on 15 December 2017, in the Official Gazette of Romania, Part IV, number 4758 of 19 December 2017 and in "Adevărul" newspaper no. 7862 of 19 December 2017;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 24/2017 on issuers of financial instruments and market operations (Issuers' Law);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Regulation of the Financial Supervisory Authority no. 4/2013 regarding depositary receipts (Regulation no. 4/2013);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" S.A., as well as on trading the shares issued by this company.

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

- I. The appointment of Mr. PIOTR RYMASZEWSKI as a member of the Board of Nominees following the expiration of the mandate of Mr. PIOTR RYMASZEWSKI on 5 April 2018; the mandate of the new member is valid for a period of three (3) years and shall produce its effects starting with the said date onwards, subject to the acceptance of the mandate by the newly appointed member.

This item is adopted by secret vote with 3,820,415,831 votes representing 98.99% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 3,820,415,831 votes "for" and 38,719,097 votes "against". There were also registered: 205,451,807 abstains and 204,993,370 votes „not given”.

- II. In accordance with Article 1292 of Regulation no. 1/2006, the approval of 14 March 2018 as the Ex – Date, computed in accordance with the provisions of Article 2 paragraph (2) letter f1) of Regulation no. 1/2006, and 15 March 2018 as the Registration Date, computed in accordance with the provisions of Article 86 paragraph (1) of Issuers' Law. As they are not applicable to this OGM, the shareholders do not decide on the date of the guaranteed participation, as defined by Article 2 letter f1) of Regulation no. 6/2009, and on the Payment Date, as defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with 4,265,367,223 votes representing 99.94% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 4,265,367,223 votes “for” and 2,403,991 votes “against”. There were also registered: 911,655 abstains and 451,021 votes „not given”.

III. The empowerment, with authority to be substituted, of Johan Meyer to sign the shareholders’ resolutions, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders’ resolution, including formalities for publication and registration thereof with the Trade Registry or with any other public institution.

This item is adopted with 4,266,278,878 votes representing 99.94% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 4,266,278,878 votes “for” and 2,403,991 votes “against”. There were also registered 897,236 votes „not given”.

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

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Johan Meyer  
Chairman

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Vlad Neacșu  
Meeting secretary

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Valeriu Ioniță  
Technical secretary

**Resolution no. 4 / 14 February 2018  
of the Shareholders' Ordinary General Meeting of  
FONDUL PROPRIETATEA S.A.**

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

Today, 14 February 2018, 12:00 o'clock (Romanian time), the shareholders of Fondul Proprietatea S.A. (**"the Fund"**) have met during the Shareholders' Ordinary General Meeting (**"OGM"**) of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the OGM being opened by its Chairman, namely Mr. Johan Meyer, in his capacity of permanent representative of Franklin Templeton International Services S.À R.L., a société à responsabilité limitée qualifying as an alternative investment fund manager under article 5 of the Luxembourg law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8a, rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg register of commerce and companies under number B36.979, registered with the Romanian Financial Supervisory Authority under number PJM07.1AFIASMDLUX0037/10 March 2016, in its capacity of alternative investment fund manager and sole director of Fondul Proprietatea S.A..

Whereas:

- The convening notice of the OGM was published on the Fund's website (www.fondulproprietatea.ro) on 15 December 2017, in the Official Gazette of Romania, Part IV, number 4758 of 19 December 2017 and in "Adevărul" newspaper no. 7862 of 19 December 2017;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 24/2017 on issuers of financial instruments and market operations (Issuers' Law);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Regulation of the Financial Supervisory Authority no. 4/2013 regarding depositary receipts (Regulation no. 4/2013);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" S.A., as well as on trading the shares issued by this company.

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

- I. The appointment of Mr. STEVEN CORNELIS VAN GRONINGEN as a member of the Board of Nominees following the expiration of the mandate of Mr. STEVEN CORNELIS VAN GRONINGEN on 14 April 2018; the mandate of the new member is valid for a period of three (3) years and shall produce its effects starting with the said date onwards, subject to the acceptance of the mandate by the newly appointed member.

This item is adopted by secret vote with 4,041,018,829 votes representing 99.26% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 4,041,018,829 votes "for" and 30,036,479 votes "against". There were also registered: 558,614 abstains and 197,966,183 votes „not given”.

- II. In accordance with Article 1292 of Regulation no. 1/2006, the approval of 14 March 2018 as the Ex – Date, computed in accordance with the provisions of Article 2 paragraph (2) letter f1) of Regulation no. 1/2006, and 15 March 2018 as the Registration Date, computed in accordance with the provisions of Article 86 paragraph (1) of Issuers' Law.

As they are not applicable to this OGM, the shareholders do not decide on the date of the guaranteed participation, as defined by Article 2 letter f1) of Regulation no. 6/2009, and on the Payment Date, as defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with 4,265,367,223 votes representing 99.94% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 4,265,367,223 votes “for” and 2,403,991 votes “against”. There were also registered: 911,655 abstains and 451,021 votes „not given”.

III. The empowerment, with authority to be substituted, of Johan Meyer to sign the shareholders’ resolutions, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders’ resolution, including formalities for publication and registration thereof with the Trade Registry or with any other public institution.

This item is adopted with 4,266,278,878 votes representing 99.94% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 4,266,278,878 votes “for” and 2,403,991 votes “against”. There were also registered 897,236 votes „not given”.

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

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Johan Meyer  
Chairman

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Vlad Neacșu  
Meeting secretary

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Valeriu Ioniță  
Technical secretary

**Resolution no. 5 / 14 February 2018  
of the Shareholders' Ordinary General Meeting of  
FONDUL PROPRIETATEA S.A.**

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

Today, 14 February 2018, 12:00 o'clock (Romanian time), the shareholders of Fondul Proprietatea S.A. (**"the Fund"**) have met during the Shareholders' Ordinary General Meeting (**"OGM"**) of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the OGM being opened by its Chairman, namely Mr. Johan Meyer, in his capacity of permanent representative of Franklin Templeton International Services S.À R.L., a société à responsabilité limitée qualifying as an alternative investment fund manager under article 5 of the Luxembourg law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8a, rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg register of commerce and companies under number B36.979, registered with the Romanian Financial Supervisory Authority under number PJM07.1AFIASMDLUX0037/10 March 2016, in its capacity of alternative investment fund manager and sole director of Fondul Proprietatea S.A..

Whereas:

- The convening notice of the OGM was published on the Fund's website (www.fondulproprietatea.ro) on 15 December 2017, in the Official Gazette of Romania, Part IV, number 4758 of 19 December 2017 and in "Adevărul" newspaper no. 7862 of 19 December 2017;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 24/2017 on issuers of financial instruments and market operations (Issuers' Law);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Regulation of the Financial Supervisory Authority no. 4/2013 regarding depositary receipts (Regulation no. 4/2013);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" S.A., as well as on trading the shares issued by this company.

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

- I. The approval of the increase of the gross monthly remuneration for each member of the Board of Nominees to RON 24,123/month, starting with 1 January 2018. The mandate agreements will be amended accordingly. Mr. Johan Meyer is empowered to sign the addenda (draft of which is presented in the supporting documentation) to the mandate agreements with the members of the Board of Nominees, for and on behalf of Fondul Proprietatea S.A..

This item is adopted with 4,048,287,313 votes representing 99.61% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 4,048,287,313 votes "for" and 15,830,134 votes "against". There were also registered: 205,011,637 abstains and 451,021 votes „not given”.

- II. In accordance with Article 1292 of Regulation no. 1/2006, the approval of 14 March 2018 as the Ex – Date, computed in accordance with the provisions of Article 2 paragraph (2) letter f1) of Regulation no. 1/2006, and 15 March 2018 as the Registration Date, computed in accordance with the provisions of Article 86 paragraph (1) of Issuers' Law.

As they are not applicable to this OGM, the shareholders do not decide on the date of the guaranteed participation, as defined by Article 2 letter f1) of Regulation no. 6/2009, and on the Payment Date, as defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with 4,265,367,223 votes representing 99.94% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 4,265,367,223 votes “for” and 2,403,991 votes “against”. There were also registered: 911,655 abstains and 451,021 votes „not given”.

III. The empowerment, with authority to be substituted, of Johan Meyer to sign the shareholders’ resolutions, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders’ resolution, including formalities for publication and registration thereof with the Trade Registry or with any other public institution.

This item is adopted with 4,266,278,878 votes representing 99.94% of the validly casted votes, in accordance with Article 14 (1), second paragraph of the Constitutive Act corroborated with Article 112 (1), second paragraph of Law no. 31/1990. The casted votes were recorded as follows: 4,266,278,878 votes “for” and 2,403,991 votes “against”. There were also registered 897,236 votes „not given”.

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

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Johan Meyer  
Chairman

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Vlad Neacșu  
Meeting secretary

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Valeriu Ioniță  
Technical secretary

**Resolution of Franklin Templeton International Services S.À R.L.  
no. 18/ 31 May 2018**

The undersigned **Franklin Templeton International Services S.À R.L.** (“**FTIS**”), a société à responsabilité limitée qualifying as an alternative investment fund manager under article 5 of the Luxembourg law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8a, rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg register of commerce and companies under number B36.979, registered with the Romanian Financial Supervisory Authority under number PJM07.1AFIASMDLUX0037/10 March 2016, in its capacity of alternative investment fund manager and sole director of **FONDUL PROPRIETATEA S.A.**, a joint-stock company incorporated under the laws of Romania, qualifying as an alternative investment fund, with its headquarters in Bucharest, 78-80 Buzzești Street, 7<sup>th</sup> floor, 1<sup>st</sup> District, Romania, registered with the Trade Registry under no. J40/21901/2005, Sole Registration Code 18253260 (“**Fondul Proprietatea**”),

**Whereas**

- As per the provisions of Article 153<sup>13</sup> of the Romanian Companies’ Law no. 31/1990, a legal entity director has to appoint one or more individuals acting as its permanent representative in that respective company;
- FTIS has currently appointed Mr. Atholl Craig Blair, Mrs. Denise Voss, Mrs. Oana - Valentina Truța, Mr. Johan Meyer and Mr. Mike Sommer as its permanent representatives in relation to Fondul Proprietatea (“**Permanent Representatives**”);
- FTIS would like to appoint additional new permanent representatives;

**NOW, HEREBY ISSUES THE FOLLOWING RESOLUTION:**

- (1) To appoint, in accordance with the provisions of Article 153<sup>13</sup> of the Romanian Companies’ Law no. 31/1990, starting with 4 June 2018, the following new FTIS’ permanent representatives in relation to Fondul Proprietatea, in addition to Mr. Atholl Craig Blair, Mrs. Denise Voss, Mrs. Oana - Valentina Truța, Mr. Johan Meyer and Mr. Mike Sommer already appointed:
  - (a) Mr. **Călin-Adrian METEȘ**, a Romanian nationality citizen, born on 29 July 1981 in Baia Mare, Maramures County, Romania, identified with Identity Card series RD, no. 968972, issued by S.P.C.E.P. 1<sup>st</sup> District on 28 December 2017 and valid until 29 July 2027, domiciled in Bucharest, 65 Duetului Street, 1<sup>st</sup> District, Romania;
  - (b) Mr. **Daniel-Adrian NAFTALI**, a Romanian nationality citizen, born on 18 February 1981 in Tirgu Mures, Mures County, Romania, identified with Identity Card series RX no. 427285, issued by S.P.C.E.P. 1<sup>st</sup> District on 28 January 2014 and valid until 18 February 2024, domiciled in Bucharest, 35 Iancu de Hunedoara Blvd., Entrance “A”, 4<sup>th</sup> floor, Ap. 40, 1<sup>st</sup> District, Romania;
  - (c) Mr. **Dan-Valentin GHEORGHE**, a Romanian nationality citizen, born on 19 December 1983 in Bucharest, 1<sup>st</sup> District, Romania, identified with Identity Card series RD no. 688822, issued by S.P.C.E.P. 3<sup>rd</sup> District on 3 November 2010 and valid until 19 December 2020, domiciled in Bucharest, 46-58 Liviu Rebreanu Street, Block III, Entrance “E”, Ap. 5, 3<sup>rd</sup> District, Romania.
- (2) Mr. Meteș, Mr. Naftali and Mr. Gheorghe will have equal powers with the Permanent Representatives, powers described in FTIS’ decisions of 11 March 2016, 31 October 2016 and no. 7 of 16 March 2018.

Issued on this day of 31 May 2018 in three (3) original counterparts by Franklin Templeton International Services S.À.R.L., in its capacity of Sole Director of FONDUL PROPRIETATEA S.A.

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**Denise Voss**

FTIS' Board Member and Conducting Officer

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**Mike Sommer**

FTIS' Conducting Officer



## Annex 6

# Investment Policy Statement in force as at 30 June 2018

**Resolution no. 1 / 14 February 2018  
of the Shareholders' Extraordinary General Meeting of  
FONDUL PROPRIETATEA S.A.**

Headquarters: 78-80 Buzești St, 7th floor, sector 1, Bucharest, Romania,  
Registered with the Trade Registry under number J40/21901/2005, fiscal registration code 18253260

Today, 14 February 2018, 11:00 o'clock (Romanian time), the shareholders of Fondul Proprietatea S.A. (**"the Fund"**) have met during the Shareholders' Extraordinary General Meeting (**"EGM"**) of the Fund, at its first summoning, at "Radisson Blu" Hotel, 63-81 Calea Victoriei Street, Atlas Room, 1st District, Bucharest, 010065, Romania, the EGM being opened by its Chairman, namely Mr. Johan Meyer, in his capacity of permanent representative of Franklin Templeton International Services S.À R.L., a société à responsabilité limitée qualifying as an alternative investment fund manager under article 5 of the Luxembourg law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8a, rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg register of commerce and companies under number B36.979, registered with the Romanian Financial Supervisory Authority under number PJM07.1AFIASMDLUX0037/10 March 2016, in its capacity of alternative investment fund manager and sole director of Fondul Proprietatea S.A. (**"Sole Director"**).

Whereas:

- The convening notice of the EGM was published on the Fund's website ([www.fondulproprietatea.ro](http://www.fondulproprietatea.ro)) on 15 December 2017, in the Official Gazette of Romania, Part IV, number 4758 of 19 December 2017 and in "Adevărul" newspaper no. 7862 of 19 December 2017;
- The provisions of Companies' Law no. 31/1990, republished, with its subsequent amendments and supplementations (Law no. 31/1990);
- The provisions of Law no. 24/2017 on issuers of financial instruments and market operations (Issuers' Law);
- The provisions of Emergency Government Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and supplementation of Law no. 297/2004;
- The provisions of CNVM Regulation no. 1/2006 on issuers and operations with securities, with its subsequent amendments and supplementations (Regulation no. 1/2006);
- The provisions of CNVM Regulation no. 6/2009 on exercising certain rights of shareholders within general meetings of companies, with its subsequent amendments and supplementations (Regulation no. 6/2009);
- The provisions of Regulation of the Financial Supervisory Authority no. 4/2013 regarding depositary receipts (Regulation no. 4/2013);
- The provisions of Article 21 of CNVM Regulation no. 4/2010 on the registration with CNVM and the operation of the company "Fondul Proprietatea" S.A., as well as on trading the shares issued by this company.

Following debates, the Fund's shareholders decide as follows.

- I. The approval of the new Investment Policy Statement, as described in the supporting materials and in the annex herein. If approved by the shareholders, the new Investment Policy Statement will be in force starting with 1 April 2018. It is however hereby acknowledged that if the new Investment Policy Statement will not be approved by shareholders, this will represent a positive feedback from shareholders on implementing the investment options described under point (1) of EGM agenda, and the Fund Manager will make further proposals for changing the necessary documents and implementing such options for the shareholders' approval in future assemblies.

This item is adopted with 4,270,241,456 votes representing 99.20% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Constitutive Act corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,270,241,456 votes „for”;
- 3,115,801 votes „against”;
- 28,411,226 abstains;
- 1,301,085 votes annulled;
- 1,522,102 votes „not given”.

- II. In accordance with Article 1292 of Regulation no. 1/2006, the approval of 14 March 2018 as the Ex – Date, computed in accordance with the provisions of Article 2 paragraph (2) letter f1) of Regulation no. 1/2006, and 15 March 2018 as the Registration Date, computed in accordance with the provisions of Article 86 paragraph (1) of Issuers’ Law.

As they are not applicable to this EGM, the shareholders do not decide on the date of the guaranteed participation, as defined by Article 2 letter f1) of Regulation no. 6/2009, and on the Payment Date, as defined by Article 2 letter g) of Regulation no. 6/2009.

This item is adopted with 4,273,426,616 votes representing 99.27% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Constitutive Act corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,273,426,616 votes „for”;
- 1,644,696 votes „against”;
- 27,687,350 abstains;
- 1,695,646 votes „not given”.

- III. The empowerment, with authority to be substituted, of Johan Meyer to sign the shareholders’ resolutions and the amended and restated form of the Constitutive Act, as well as any other documents in connection therewith, and to carry out all procedures and formalities set out by law for the purpose of implementing the shareholders’ resolutions, including formalities for publication and registration thereof with the Trade Registry or with any other public institution.

This item is adopted with 4,272,538,831 votes representing 99.25% of the total votes held by the present or represented shareholders, in accordance with Article 14 (3) letter (a), second paragraph of the Constitutive Act corroborated with Article 115 (2), first paragraph of Law no. 31/1990. The votes were recorded as follows:

- 4,272,538,831 votes „for”;
- 2,568,387 votes „against”;
- 27,687,350 abstains;
- 1,659,740 votes „not given”.

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

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Johan Meyer  
Chairman

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Vlad Neacșu  
Meeting secretary

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Valeriu Ioniță  
Technical secretary

*Annex – The New Investment Policy Statement as described in the supporting materials and during the Shareholders’ Extraordinary General Meeting of the Fund of 14 February 2018*

## INVESTMENT POLICY STATEMENT OF FONDUL PROPRIETATEA SA

### I. PURPOSE OF THE INVESTMENT POLICY STATEMENT

This investment policy statement (hereinafter referred to as the “Investment Policy Statement” or “IPS”) sets the prudential rules concerning the investment policy of Fondul Proprietatea S.A. (hereinafter referred to as “Fondul Proprietatea” or “FP”) and presents the investment goals, objectives and the decision-making process for selecting investments in accordance with the investment objectives.

The IPS provides criteria against which investment results will be measured and serves as a review document to monitor, evaluate and compare the performance of the Fund Manager on a regular basis.

The IPS shall be reviewed when needed by the Fund Manager together with the Board of Nominees, in accordance with the provisions of FP’s Constitutive Act and the applicable legal provisions.

The IPS is set forth within the legal framework established by Title VII of Law 247/2005 and any related and ancillary legislation in force, and, in accordance with FP’s Constitutive Act, the Extraordinary General Shareholders’ Meeting is responsible for approval of the IPS.

### II. ROLES, RESPONSIBILITIES AND PROCEDURES

**A. Fund Manager.** The Fund Manager is appointed by the General Shareholders Meeting and performs its activity based on a Management Agreement entered into between Fondul Proprietatea and the Fund Manager (hereinafter referred to as the “IMA”).

The Fund Manager has the power to make all decisions concerning the investments to be made by Fondul Proprietatea, in accordance with the restrictions provided in this IPS, the Constitutive Act of Fondul Proprietatea, the IMA and applicable laws and regulations.

**B. Board of Nominees.** The Board of Nominees monitors the activity of the Fund Manager and represents the shareholders in relation to the Fund Manager. The exact roles and responsibilities of the Board of Nominees are detailed in the Constitutive Act of Fondul Proprietatea.

**C. General Shareholders Meeting.** The General Shareholders Meeting is the supreme corporate body of Fondul Proprietatea. Certain transactions performed by Fondul Proprietatea require the prior approval of the General Shareholders Meeting, in accordance with the Constitutive Act and the applicable legislation.

### III. INVESTMENT OBJECTIVES AND PERFORMANCE OBJECTIVES

#### A. Investment objective

FP’s investment objective is the maximization of returns to shareholders and the increase of the net asset value per share via investments mainly in Romanian equities and equity-linked securities.

#### B. Performance Objectives

##### a. Discount Objective

The discount between the closing price for each Trading Day on the Bucharest Stock Exchange (the “**Trading Day**”) of the shares issued by FP and the latest reported NAV per Share should be equal to or lower than 15% in at least two thirds of the Trading Days during the Reporting Period (as defined in the IMA) (the “**Discount Objective**”).

## b. NAV Objective

The Fund Manager should achieve a level of Adjusted NAV per Share (as defined below) higher than the reported NAV as at the end of the previous Reporting Period (term used herein as defined in the IMA) (the “NAV Objective”). For the avoidance of doubt, the term “previous Reporting Period”, when applied to a first Reporting Period under the IMA, is to be understood as being the last Reporting Period derived from either the current or the previous IMA.

The adjusted NAV (the “Adjusted NAV”) for a given date will be calculated as the sum of:

- (i) the reported NAV as at the end of the Reporting Period;
- (ii) any distributions to shareholders, being either dividend or non-dividend ones (i.e. in this last case following reductions of the par value of the shares and distribution of the decreasing amount to the shareholders), implemented after the end of the previous Reporting Period, and
- (iii) any Distribution Fee (as defined in the IMA) and any transaction and/or distribution costs relating to either dividend or non-dividend distributions including buy-backs of shares and/or Global Depositary Receipts (“GDRs”) and/or depositary interests executed, through daily acquisitions or public tenders, after the end of the previous Reporting Period.

The Adjusted NAV per Share will be 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 (the “Adjusted NAV per Share”).

## C. General principles for achieving the objectives

The Board of Nominees and the General Shareholders Meeting will review the performance of the Fund Manager, on an annual basis, for the period of time established as the Reporting Period (as defined and further detailed in the IMA).

A Discount Control Mechanism (“DCM”) will be applied by the Fund Manager, as set out below, in order to seek to meet the Discount Objective. In the absence of investment opportunities offering better returns for shareholders, or if the discount to NAV per share is wider than 15% for more than 50% of the Trading Days in any 3 month financial quarter, the Fund Manager will use all or a significant part of the proceeds from annual dividends, additional special cash distributions performed by portfolio companies and the cash inflows from the disposal of portfolio companies to implement measures aimed at maximizing cash returns to shareholders and fulfilling the Performance Objectives. Discount management techniques to meet the Performance Objectives and apply the DCM may include (but are not limited to) the following:

- recommendation of buy-back programs of FP’s shares and GDRs and/or depositary interests corresponding to shares of the Fund to shareholders for approval, subject to compliance with the Constitutive Act and all applicable legislation.
- dividend distributions, subject to profit positions at year end and necessary cash availability.
- reduction of the nominal value of shares, accompanied by cash distribution to shareholders, subject to the compliance with all applicable corporate and regulatory approvals.
- execution of buy-back programs via (i) trading on the regular market on which FP’s shares or GDRs and/or depositary interests corresponding to shares of the Fund are listed and/or (ii) public tender offers, in each case subject to available liquidity, compliance with the Constitutive Act and all applicable legislation, and receipt of all necessary regulatory approvals.
- increasing investor demand for the shares and GDRs, with the aim of increasing the market price, by:
  - maintaining a transparent cash distribution policy: on an annual basis the Fund Manager will propose to shareholders the distribution of at least 100% of the dividends or other cash distributions received from the Fund’s portfolio companies plus the interest on cash less operating expenses and taxes and less compulsory allocations to reserves subject of the regulations in force;
  - increasing the share of listed companies in the portfolio and their transparency;
  - building good communication through active investor relations work; and
  - supporting initiatives to make the Romanian capital market more attractive for investors.

In order to achieve the objectives in the IPS, the Fund Manager should pay attention to:

- clarity of the Fund Manager's investment strategy and how it contributes to achieving the main investment objectives;
- active engagement with the portfolio companies in order to increase their value, and
- constructive communication and interaction with the Board of Nominees.

#### **D. Risk management**

The Fund Manager is responsible for proper balancing of risk and expected returns.

The Fund Manager should implement appropriate tools and processes in order to monitor operational and investment risks and to respond to developments in a timely fashion.

#### **IV. INVESTMENT LIMITS AND RESTRICTIONS**

The investment policy will observe the prudential limits of investments provided for by the applicable laws and regulations in force and the Constitutive Act of FP.

Under normal market conditions, the Fund should have at least 80% of its net assets invested in Romanian equity and equity-linked securities.

Investments limits, include but are not limited to the following:

- up to 10% of its assets invested in listed shares or money market instruments issued by one single issuer, except of the government securities
- up to 20% of its assets invested in unlisted securities or money market instruments except of the government securities and bonds and other cases permitted by law\*
- up to 10% of assets invested in bank deposits with one single bank
- up to 10% of assets invested in financial instruments issued by entities belonging to the same group of companies
- up to 10% of assets invested in UCITS units or other collective investment scheme units
- exposure to the counterparty risk in a transaction with derivatives traded out of the regulated markets may not exceed 10% of assets, irrespective of the counterparty of the transaction, while the global exposure of derivatives may not exceed 15% of the total allocation of net assets
- not less than 20% of assets investments in listed securities, UCITS units or other collective investment scheme units (meeting certain conditions) and newly issued securities

*\* Shares received from Romanian State on the basis of Law No. 247/2005 are exempted from the general rules on allocation. Where the Fund acquires further securities in the same issuer as securities received from Romanian State, the general rules on allocation shall apply to the newly acquired securities only. For the calculation of the ownership limit for securities not admitted to trade, shall be excluded from the value of assets not admitted to trade the value of securities not admitted to trade owed from the Romanian State on the basis of Law No. 247/2005. Therefore, any part of the current Fondul Proprietatea Portfolio (as it has been set up, on securities not admitted to trade owed from the Romanian State on the basis of Law No. 247/2005 and including the modifications made by GEO No. 81/2007) shall be exempted from the general rules on allocation. However, any new acquisition made by the Fund shall observe the general rules on allocation. Until decrease of its participation in the relevant listed issuers, the Fund is prohibited to acquire further securities in the same issuer as securities received from Romanian State, except for the exercise of the subscription rights related to the Fund's preference rights where the excess of the relevant investment limit should not last for more than 120 calendar days.*

All investment restrictions are available on Fondul Proprietatea website, Investment Policy Statement Section.

#### **V. ADDITIONAL GUIDELINES**

Subject to applicable legal provisions in force and the FP Constitutive Act, all decisions regarding sector and security selection, portfolio construction, timing of buy or sell transactions and choice of venue and structure of transaction are delegated to the Fund Manager.

Subject to the applicable legal provisions and FP's Constitutive Act, the Fund Manager on behalf of the Fund, may buy, sell, exchange, exercise all rights, has a good and valid title to sell and transfer any rights and to enter into conditional contractual liabilities. This includes, without limitation, the power to enter into derivatives and to negotiate and execute loan agreements, repurchase agreements and/ or securities lending agreements, to purchase GDRs or depositary interests corresponding to shares of the Fund in accordance with the legal applicable provisions in force and FP's Constitutive Act, also taking into account the cases when a prior approval of the Extraordinary General Shareholders Meeting is needed.

Transactions which involve a broker acting as a "principal", where the broker is also the investment manager (or an affiliate of such investment manager) who makes the transaction (or an affiliate of such investment manager) are not permitted.

Transactions should be executed at the lowest possible cost (including commissions, efficiency of execution and the impact of the market) and best execution should be provided at all times.

#### **Cash allocation**

Cash allocation is made by the Fund Manager, based on market conditions. It should be aimed at reducing risks to the Portfolio.

#### **Valuation**

Valuation of assets shall be made in accordance with the legislation and regulations in force and in accordance with the internal regulations of Fondul Proprietatea.

### **VI. LIMITATIONS OF MANAGEMENT**

The Fund Manager assumes the management over the Customer and its entire Portfolio, subject to the terms of the IPS and the IMA.

The Fund Manager is subject to the limitations set out by this IPS, the Constitutive Act of Fondul Proprietatea and the existing applicable legal provisions in force.

The Fund Manager can delegate the management of the portfolio and the administrative activities according to legislation and regulations in force and the limitations included IMA and the Constitutive Act.

### **VII. LIQUIDITY**

The Fund Manager shall maintain adequate liquidity in order to at least meet the following requirements:

- cover the operating and tax expenses of FP;
- cover the capital expenditure requirements for the on-going activities of FP;
- ensure appropriate funds for dividend or return of capital payments and share and/or GDR buy-backs (where such actions have been approved by shareholders).

### **VIII. TIME HORIZON**

The duration of Fondul Proprietatea is not limited in time.

### **IX. TAX CONSIDERATIONS**

The FP is established as a commercial undertaking and is subject to corporate tax in accordance with the Romanian Fiscal Code. In managing the investment portfolio and seeking to achieve the objectives, the Fund Manager shall have due regard to the potential impact of tax legislation and regulations.

### **X. CONSTRAINTS**

The FP shall not invest in any other type of asset class, except those specifically mentioned in the applicable legislation and the Constitutive Act. The use of derivatives is permitted subject to the limitations contained in applicable legislation in force. Short selling of securities is prohibited.

Borrowing is allowed only in accordance with the applicable legislation and regulations and FP's Constitutive Act.

### **XI. POLICY REVIEW**

The IPS shall be reviewed on regular basis by the Fund manager and Board of Nominees in order to ensure that it remains consistent with overall objectives of FP.

Any changes to the investment policy proposed by the Fund Manager and/or the Board of Nominees shall be approved by the General Shareholders Meeting, with observance of investment limits provided in the applicable legislation in force.



FONDUL  
PROPRIETATEA

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