

Fondul Proprietatea SA

(this is a translation from the official Romanian version)



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List of Abbreviations

AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFM Directive	Directive 2011/61/EU on Alternative Investment Fund Managers
ANRE	Romanian Energy Regulatory Authority
ATS	Alternative Trading System
Brexit	The withdrawal of the United Kingdom from the European Union
BVB	Bucharest Stock Exchange
CNVM	National Securities Commission (currently FSA)
Depozitarul Central SA	Romanian Central Depository
EGO	Emergency Government Ordinance
EU	European Union
Fondul Proprietatea/ the Fund/ FP	Fondul Proprietatea SA
FSA	Romanian Financial Supervisory Authority
FTIML/ Investment Manager	Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch
FTIS/ Alternative Investment Fund Manager/ Sole Director	Franklin Templeton International Services S.à r.l.
GDR	Global Depositary Receipt
GSM	General Shareholders Meeting
IFRS	International Financial Reporting Standards as endorsed by the European Union
IPS	Investment Policy Statement
LSE	London Stock Exchange
NAV	Net Asset Value
RAB	Regulated Asset Base
REGS	Main market (Regular) of Bucharest Stock Exchange
RRR	Regulatory Rate of Return
2018 Management Agreement	Management Agreement that entered into force on 1 April 2018

Company Information

The Company

Fondul Proprietatea was incorporated on 28 December 2005 as a joint stock company operating as a closed-end investment company. The Fund is registered with the Bucharest Trade Register under the number J40/21901/2005 and has the sole registration code 18253260.

The Fund's investment objective is the maximisation of returns to shareholders and the increase of the net asset value per share via investments mainly in Romanian equities and equity-linked securities.

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

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

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

NAV* and share price developments**	Notes	H1 2019	H1 2018	YE 2018	Change % H1 2019 vs H1 2018	Change % H1 2019 vs YE 2018
Total shareholders' equity at the end of the period (RON million)		10,734.4	9,781.0	9,828.4	+9.7%	+9.2%
Total NAV at the end of the period (RON million)	a	10,734.7	9,781.2	10,219.4	+9.7%	+5.0%
NAV per share at the end of the period (RON)	a	1.5112	1.3294	1.4095		
NAV per share change in the period (%)		+7.2%	+7.4%	+13.9%		
NAV per share total return in the period (%)	g	+14.4%	+13.1%	+19.9%		
Share price as at the end of the period (RON)	b	1.0700	0.8840	0.8830		
Share price low in the period (RON)	b	0.8000	0.8830	0.8400		
Share price high in the period (RON)	b	1.1000	0.9740	0.9740		
Share price change in the period (%)		+21.2%	+2.3%	+2.2%		
Share price total return in the period (%)	h	+21.2%	+10.0%	+9.9%		
Share price discount to NAV as at the end of the period (%)	d	29.2%	33.5%	37.4%		
Average share price discount in the period (%)	d	33.6%	27.3%	29.5%		
Average daily share turnover in the period (RON million)	c, j	4.8	9.4	6.4	-48.9%	-25.0%
GDR price as at the end of the period (USD)	e	12.60	11.3000	10.5000		
GDR price low in the period (USD)	e	9.6500	11.2000	10.3000		
GDR price high in the period (USD)	e	12.7000	12.8000	12.8000		
GDR price change in the period (%)		+20.0%	-1.3%	-8.3%		
GDR price total return in the period (%)	i	+21.0%	+5.5%	-1.9%		
GDR price discount to NAV as at the end of the period (%)	d	30.7%	31.9%	39.3%		
Average GDR price discount in the period (%)	d	34.5%	27.2%	29.5%		
Average daily GDR turnover in the period (USD million)	f, k	0.7	2.0	1.7	-65.0%	-58.8%

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

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

** Period should be read as first half of 2019/ first half of 2018/ entire 2018, respectively

Notes:

- Prepared based on local rules issued by the capital market regulator
- Source: BVB - REGS market - Closing prices
- Source: BVB
- Share Price/ GDR Price discount to NAV as at the end of the period (%) is calculated as the discount between FP share closing price on BVB - REGS/ FP GDR closing price on LSE on the last trading day of the period and the NAV per share at the end of the period; the average discount is calculated according to IPS, using the latest published NAV per share at the date of calculation
- Source: LSE - Closing prices
- Source: LSE and Bloomberg
- The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per share at the end of the period plus any cash distribution during the period, dividing the resulting sum by the official NAV per share at the beginning of the period. The resulting single period

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

- h. The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- i. The GDR Price Total Return is calculated in USD by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- j. Including the tender offer carried by the Fund in February 2018 with a total value of RON 610.4 million (excluding transaction costs) for the 652.8 million shares acquired on BVB
- k. 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

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

Source: Fondul Proprietatea

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-4522-4/16.01.2019

Largest Shareholders

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

Source: ownership disclosures submitted by shareholders

Disclosure of holdings during the period

On 1 July 2019 the Fund announced that Fondul de Pensii Administrat Privat AZT Viitorul Tau, Fondul de Pensii Facultative AZT Moderato and Fondul de Pensii Facultative AZT Vivace have sent an aggregate disclosure of holdings over 5% of the total voting rights in the Fund, according to which the three pension funds held together, as of 28 June 2019, a number of 359,223,294 voting rights, representing 5.05% of the total number of voting rights in Fondul Proprietatea.

Shareholder Structure as at 30 June 2019¹

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights ²
The Bank of New York Mellon (GDRs) ³	26.64%	27.75%	34.14%
Romanian institutional shareholders	19.14%	19.94%	24.52%
Romanian private individuals	15.32%	15.95%	19.63%
Foreign institutional shareholders	14.46%	15.06%	18.53%
Foreign private individuals	2.41%	2.51%	3.09%
Romanian State represented by Ministry of Public Finance	4.07%	0.08%	0.09%
Treasury shares ⁴	17.96%	18.71%	-

Source: Depozitarul Central SA

As at 30 June 2019, the Fund had 6,332 shareholders and the total number of voting rights was 7,103,277,709.

Contact Details

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¹ Information provided based on settlement date of transactions

² The unpaid shares of the Romanian State, represented by the Ministry of Public Finance, and the treasury shares held by Fondul Proprietatea were not taken into consideration at the calculation of the total number of voting rights

³ Fondul Proprietatea did not hold any global depository receipts as at 30 June 2019

⁴ 1,634,873,207 treasury shares acquired by the Fund in the ninth and tenth buy-back programmes, based on settlement date (990,958,207 ordinary shares acquired and 643,915,000 shares corresponding to GDRs acquired, converted into shares)

Overview

Franklin Templeton International Services S.à r.l, as Sole Director and AIFM of Fondul Proprietatea presents the unaudited results of the Fund in accordance with IFRS for the six months ended 30 June 2019.

RON million	30 June 2019	30 June 2018
Profit for the six months ended	1,683.2	789.8
Total shareholders' equity on	10,734.4	9,781.0

The main contributor to the profit recorded in the first six months of 2019 was the net unrealised gain from equity investments at fair value through profit or loss amounting to RON 1,031.6 million, principally generated by OMV Petrom SA, as a result of the positive share price evolution (total impact RON 543.7 million, share price increase of 32.1%) and Hidroelectrica SA, as a result of the valuation update of the Fund's holding in this company (total impact RON 259 million). The gross dividend income of RON 680.8 million was also an important contributor to the profit recorded in the first six months of 2019 (most significant amounts were received from Hidroelectrica SA - RON 358.7 million, and OMV Petrom SA - RON 152.9 million).

Total shareholders' equity was RON 10,734.4 million as at 30 June 2019, 9.2% higher compared to the value of RON 9,828.4 million as at 31 December 2018.

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

The Fund reported a NAV of RON 10,734.7 million as at 28 June 2019 and a NAV per Share of RON 1.5112 (a positive NAV per Share total return of 14.4% compared to 31 December 2018).

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

% change in H1 2019	in local currency	in EUR
BET-XT (Romania)	16.93%	15.18%
ATX (Austria)	8.45%	8.45%
PX (Czech Republic)	5.59%	6.79%
BUX (Hungary)	2.91%	2.38%
WIG20 (Poland)	2.24%	3.68%

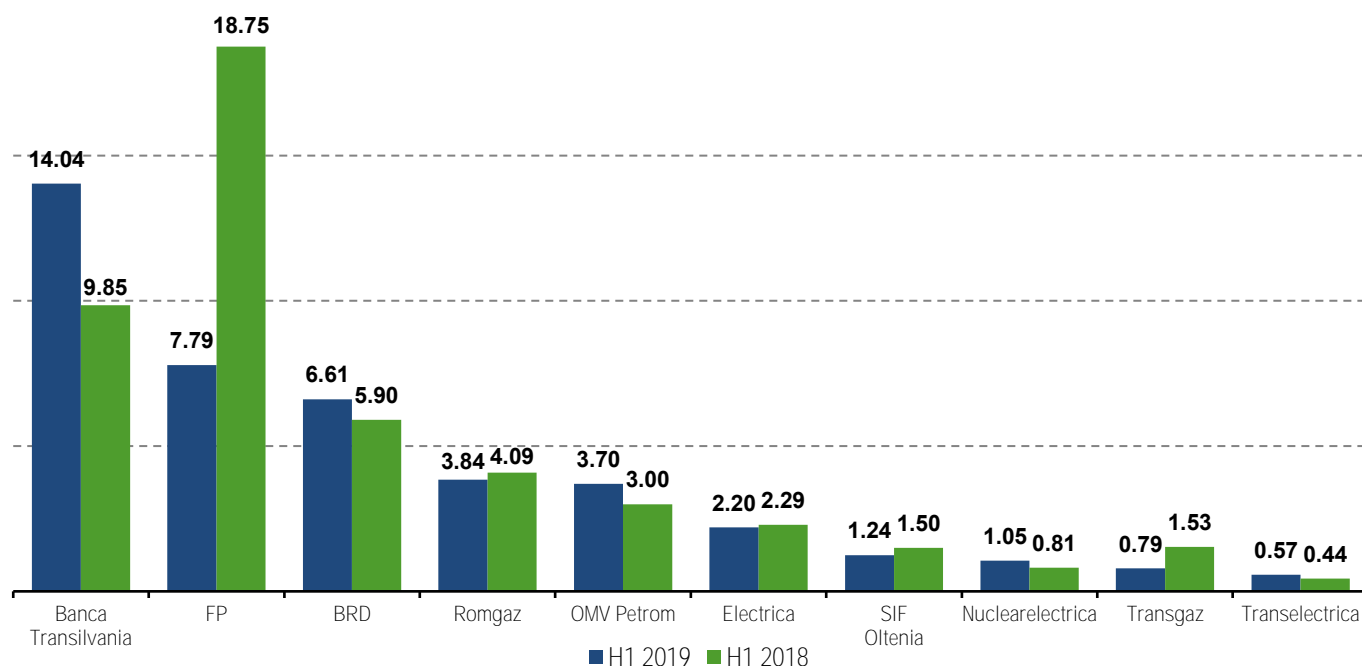
Source: Bloomberg

The discount of the Fund's share price to NAV was 29.2% as at 28 June 2019, based on the NAV as at the same date. During the first half of 2019, the discount calculated according with the IPS ranged between 18.7% and 43.2%.

Significant Events

Regulated Stock Market Trading

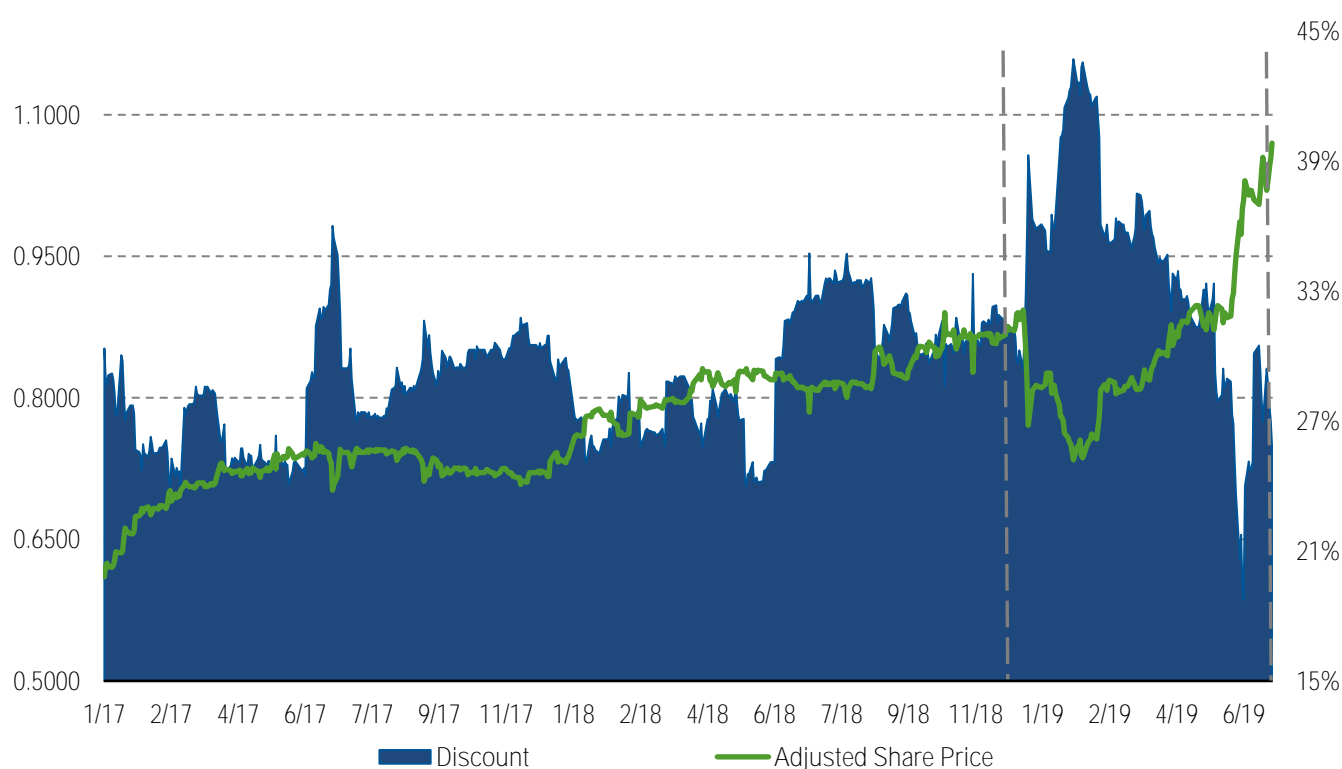
Average Daily Turnover (RON million)



Source: BVB, Bloomberg

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. The values for FP, Electrica, OMV Petrom and Romgaz also include the GDR trading on LSE.

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



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

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

FP Share Price vs. FP GDR price (%)



The share price recovered in the first six months of the year following the significant drop at the end of 2018 caused by the publishing and entering into force of the EGO no. 114/2018. On 30 May 2019, the share price reached for the first time the RON 1.00 per share threshold, which was the nominal value set by the Romanian State prior to the Fund's listing on the Bucharest Stock Exchange for the compensation of Romanian individuals who could not receive in kind the properties lost during the communist regime. The share price continued to increase in the following month as well, reaching an all-time high of RON 1.10 per share on 6 June 2019.

Performance Objectives

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

In accordance with the Fund's IPS, there are two performance objectives that the AIFM is aiming to achieve. The NAV objective refers to an Adjusted NAV¹ per share in the last day of the Reporting Period higher than the reported NAV per share as at the end of the previous Reporting Period. The discount objective implies the discount between the closing price of the Fund's shares on BVB – REGS and the latest reported NAV per share to be equal to, or lower than 15%, in at least 2/3 of the trading days in the Reporting Period.

Discount Objective – Second reporting period (interim monitoring)

In the period between 1 January 2019 and 28 June 2019, the discount to NAV was greater than 15%, for both shares and GDRs.

Discount Evolution²

Discount as at 28 June 2019	Minimum discount during the interim monitoring period	Maximum discount during the interim monitoring period	Average discount during the interim monitoring period
25.7%	18.7%	43.2%	33.6%

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

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

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

efficiency and profitability, the attractive dividend yield, the ongoing buy-back programmes and our transparency, disclosure, and proactive investor relations efforts.

NAV Objective – Second reporting period (interim monitoring)

The Adjusted NAV per share as at 28 June 2019 was 13.71% higher than the 31 December 2018 NAV per share of RON 1.4095.

NAV Objective	Amount RON	Details
Total NAV as 28 June 2019	10,734,714,198	
Dividend gross distribution from 2018 profit	642,318,809	Dividend distribution of RON 0.0903 per share with Ex-date 7 June 2019, Registration date 10 June 2019 and Payment date 1 July 2019
Distribution fees for cash distributions after 31 December 2018	6,423,188	Distribution fee for the dividend distribution from 2018 profits
Distribution fees for buy-backs performed after 31 December 2018	1,348,908	Distribution fees for the tenth buy-back programme
Costs related to buy-backs after 31 December 2018	148,359	Fees related to tenth buy-back programme, excluding the distribution fees for buy-backs
Costs related to the returns of capital and dividends after 31 December 2018	1,746	Fees charged by the Central Depository and Paying Agent for the 2016 and 2017 returns of capital and 2018 dividends
Total Adjusted NAV as at 28 June 2019	11,384,955,209	
Number of Fund's paid shares, less treasury shares and GDRs held as at 28 June 2019	7,103,277,709	
Adjusted NAV per share as at 28 June 2019	1.6028	
NAV per share as at 31 December 2018	1.4095	
Difference	0.1933	
%	+13.71%	

Source: Fondul Proprietatea

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 organised 10 road-shows in the United Kingdom, Germany, and the United States and met with 65 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 macroeconomic environment.

During this period, we also participated to 6 regional emerging and frontier market conferences in the United States, the United Kingdom, Austria and Hungary, and met in individual and group meetings with representatives of 79 international institutional investment firms, both current shareholders and potential investors.

Between 27 – 28 February we organised in collaboration with WOOD & Company the sixth edition of the "Romania Investor Days in London" event, which registered a record high participation. 106 representatives from 54 international investments firms, with assets under management of over EUR 2,000 billion, and 40 representatives from 16 Romanian companies, listed or candidates for IPOs, participated in the event. During the event, 244 individual and group meetings were held between the investors and the management teams of the Romanian companies present at the event.

On 5 June, we organised, in collaboration with Auerbach Grayson, Astana International Exchange, Bucharest Stock Exchange, Warsaw Stock Exchange, IPOPEMA Securities, and Swiss Capital, the "Central & Eastern Europe Investor Conference" in New York. 39 investors from 29 investment management firms, with assets under management of over USD 2,000 billion, and 20 companies from Romania, Poland, Ukraine, and Kazakhstan with 38 representatives participated to the event, and to the 129 company meetings, including 1-on-1 and group meetings.

On 15 February, we organised a conference call to present and discuss the 2018 annual results, while on 15 May we organised a conference call regarding the first quarter of 2019 results report. On average, 38 analysts and investors participated to the conference calls and received information regarding the financial results published on the same day, and latest updates regarding the Fund and its portfolio holdings.

Furthermore, during the first semester, we organised 16 additional meetings with analysts, brokers, current and prospective investors, and held 47 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.

Depositary Agreement with BRD Groupe Societe Generale

On 14 February 2019 the Fund extended the depositary agreement with BRD Groupe Societe Generale SA for another three years, until 2022. The depositary agreement was endorsed by FSA through Endorsement no. 106/ 25 March 2019 and is effective until 20 May 2022.

GDR Facility Update

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations, or 60,679,755 GDRs as at 30 June 2019, each GDR representing 50 shares. As at 30 June 2019, 2,425,153,950 of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depositary bank, accounting for 48,503,079 GDRs, representing 79.9% of the GDR facility.

Credit Facility Agreement

On 29 June 2018 the Fund extended the credit facility from BRD – Groupe Societe Generale SA for a two-year period, until 29 June 2020. The permitted use of the credit facility is for general corporate and operational use, and has a 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 2019 and the outstanding balance is nil. For more details regarding the partial waiver of credit facility with BRD Groupe Societe Generale SA please see section *Subsequent Events*.

Corporate Changes at the Level of the Fund

With effect from 1 May 2019, Mr. Mike Sommer's position of permanent representative of FTIS in its capacity of AIFM and Sole Director of the Fund shall be considered ceased. Therefore, starting with 1 May 2019, the legal representation of FTIS is as follows: Mr. Craig Blair, Mr. Dan Gheorghe, Mr. Calin Metes, Mr. Johan Meyer, Mr. Daniel Naftali and Mrs. Denise Voss, as permanent representatives, with Mr. Johan Meyer being also the portfolio manager of the Fund.

Changes in the Consultative Committees of the Fund

The new membership of the Fund's consultative committees, effective as of 3 April 2019 is presented below:

- The Audit and Valuation Committee consists of:
 - Julian Rupert Francis Healy – Chairman;
 - Piotr Rymaszewski – Member;
 - Steven Cornelis van Groningen – Member;
 - Sorin Mihai Mindrutescu – Member;
 - Mark Henry Gitenstein – Member.
- The Remuneration and Nomination Committee consists of:
 - Sorin Mihai Mindrutescu – Chairman;
 - Mark Henry Gitenstein – Member;
 - Piotr Rymaszewski – Member;
 - Steven Cornelis van Groningen – Member;
 - Julian Rupert Francis Healy – Member.

For more details regarding the changes in the Fund's committees membership, please see section *Subsequent Events*.

The Resolutions Adopted by Shareholders during the Half Year Ended 30 June 2019

During the **4 April 2019 Annual GSM** of the Fund the shareholders approved:

- Several amendments to the Constitutive Act – the updated Constitutive Act is published on the webpage of the Fund at the following link: <https://www.fondulproprietatea.ro/about-fund/fund-overview/corporate-governance>;
- The share capital decrease from RON 4,733,020,898.32 to RON 3,959,264,762.44 for cancelling the 1,487,992,569 shares acquired during the ninth buy-back programme – for being effective the changes need to meet some conditions as described herein - please see section *Cancellation of the shares acquired within the ninth buy-back programme*;
- The annual activity report for the financial year ended on 31 December 2018;
- The coverage of the negative reserves in amount of RON 80,910,369 for the shares cancelled during the financial year ended on 31 December 2018;
- The net profit allocation and the gross dividend value of RON 0.0903 per share for the financial year ended 31 December 2018, with Ex-date 7 June 2019, Registration date 10 June 2019 and Payment date 1 July 2019;
- The continuation of FTIS mandate as the Fund's AIFM and Sole Director.

During the **28 June 2019 GSM** of the Fund the shareholders approved:

- One amendment to the Constitutive Act - for being effective the changes need to be endorsed by FSA;
- The new Investment Policy Statement of the Fund, included in full in Annex 5 to this report and at the following link: <https://www.fondulproprietatea.ro/about-fund/fund-overview/corporate-governance>;
- New mandate of FTIS as AIFM and Sole Director of the Fund for the period 1 April 2020 – 31 March 2022 and the new Management Agreement.

New GSM Called for 4 September 2019

In June 2019 the AIFM called a new GSM of the Fund for **4 September 2019**, having on the agenda:

- The appointment of the two members of the Board of Nominees as the mandate of Sorin Mindrutescu and the mandate of Mark Gitenstein terminate on 30 September 2019;
- The appointment of the auditor of the Fund for financial year ended 31 December 2020.

Annual Cash Distribution Policy

On 15 May 2019 the Investment Manager published the updated Annual Cash Distribution Policy of the Fund. The Investment Manager remains committed to returning cash to shareholders on an annual basis subject to applicable laws and necessary approvals, to any restrictions under Romanian legal or tax regulations and subject to available financing sources. The updated Annual Cash Distribution Policy of the Fund is published on the Fund's website at the following link: <https://www.fondulproprietatea.ro/about-fund/fund-overview/corporate-governance>.

2018 Dividend Distribution

On 4 April 2019 the shareholders approved the distribution of a gross dividend of RON 0.0903 per share, with Ex-date on 7 June 2019 and Registration date on 10 June 2019. The Fund started the payment of dividends on 1 July 2019. The payments of the distributions to shareholders are performed through the 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 and a payment request were submitted to the Payment Agent)

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

Buy-back Programmes

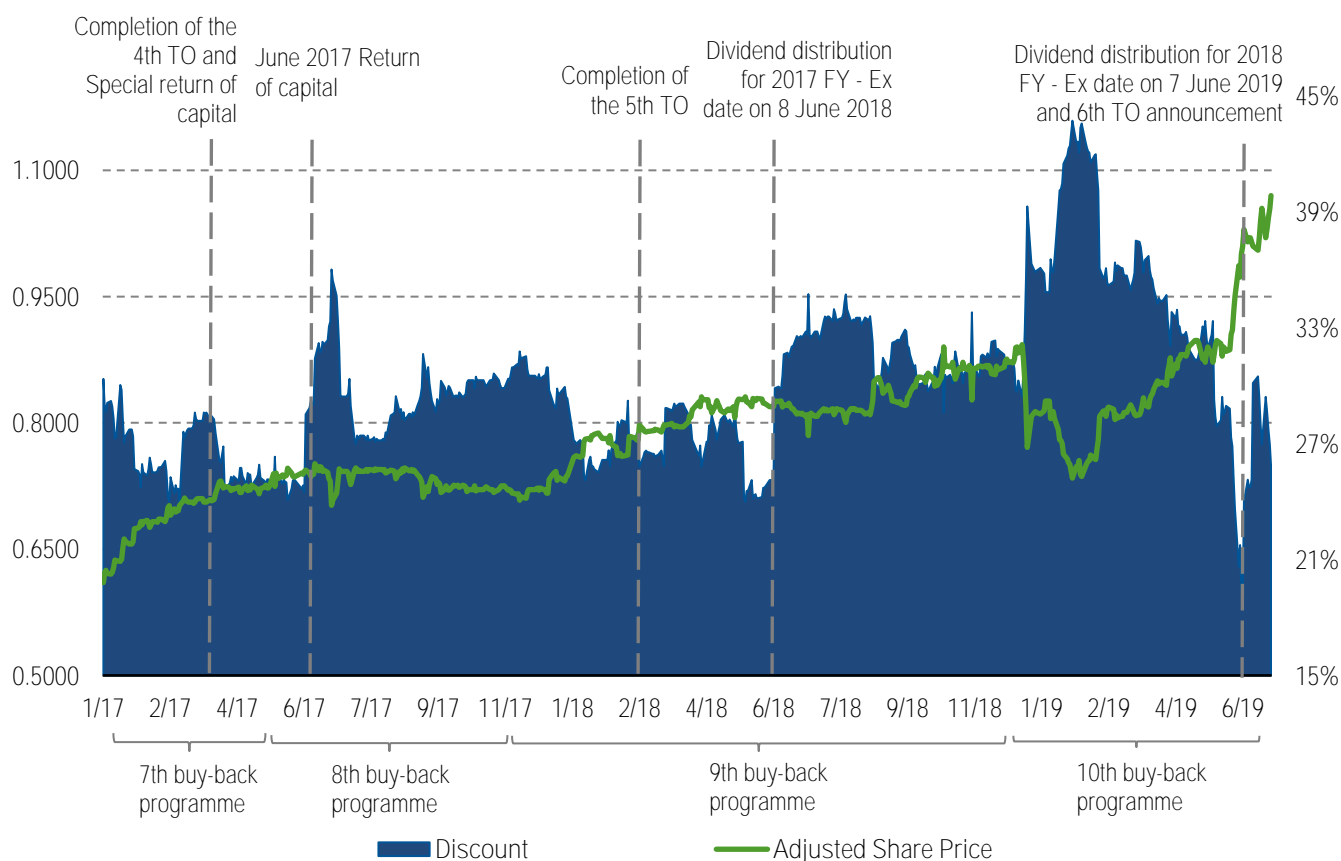
Overview of share buy-back programmes since listing

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

Programme	Period	No. of shares repurchased (million shares)	Tender offer	Cancellation of shares
First	May – Sep 2011	240.3	N/A	Completed
Second	Apr – Dec 2013	1,100.9	Oct – Nov 2013	Completed
Third	Mar – Jul 2014	252.9	N/A	Completed
Fourth	Oct 2014 – Feb 2015	990.8	Nov – Dec 2014	Completed
Fifth	Feb – Jul 2015	227.5	N/A	Completed
Sixth	Sep 2015 – Sep 2016	891.7	Aug – Sep 2016	Completed
Seventh	Sep 2016 – May 2017	830.2	Feb – Mar 2017	Completed
Eight	May – Nov 2017	141.9	N/A	Completed
Ninth	Nov 2017 – Dec 2018	1,488.0	Jan – Feb 2018	The cancellation of shares was approved during 4 April 2019 GSM, to be completed when all legal steps are finalised
Tenth	Jan – Dec 2019	146.9	Jul – Aug 2019	Started on 1 January 2019
TOTAL		6,311.1		

Evolution of the discount and buy-back programmes

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



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

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

During the first six months of 2019, the Fund bought back a total number of 146,880,638 own shares within the tenth buy-back programme (out of which 120,402,738 ordinary shares and 26,477,900 ordinary shares corresponding to GDRs), representing 1.61% of the total issued shares as at 30 June 2019, for a total acquisition value of RON 133,430,497.71, excluding transaction costs. The total number of own shares (including shares corresponding to GDRs) held by the Fund as at 30 June 2019 is 1,634,873,207 own shares, having a total nominal value of RON 850,134,067.64 (RON 0.52 per share), representing 18.0% of the total issued shares as at 30 June 2019. During the first six months of 2019 the Fund converted 554,558 GDRs acquired into 27,727,900 ordinary shares. The Fund did not hold any GDRs as at 30 June 2019.

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

Programme	Description	No of shares	Equivalent shares of GDRs	Total no of shares	% of issued share capital**
9th	Opening balance as at 1 January 2019	1,486,742,569	1,250,000	1,487,992,569	
	Acquisitions	-	-	-	
	Converted during the period	1,250,000	(1,250,000)	-	
	Closing balance as at 30 June 2019	1,487,992,569	-	1,487,992,569	16.35%
	Weighted average price (RON per share; USD per GDR)*	0.9318	12.3097		
10th	Opening balance as at 1 January 2019	-	-	-	
	Acquisitions	120,402,738	26,477,900	146,880,638	
	Converted during the period	26,477,900	(26,477,900)	-	
	Closing balance as at 30 June 2019	146,880,638	-	146,880,638	1.61%
	Weighted average price (RON per share; USD per GDR)*	0.9125	10.6327		
All	Total balance of treasury shares as at 30 June 2019	1,634,873,207	-	1,634,873,207	17.96%

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

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

Tender Offer within the tenth buy-back programme

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

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

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

On 9 July 2019 FSA approved the Fund's application for the tender offer. The subscription period is from 15 July until 19 August 2019 and the purchase price is RON 1.21 per share and the USD equivalent of RON 60.5 per GDR.

Cancellation of shares acquired within the ninth buy-back programme

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

The share capital decrease will take place based on Article 207 (1) (c) of Companies' Law no. 31/1990 and will be effective after all the following conditions are met:

- the GSM resolution is published in the Official Gazette of Romania, Part IV for at least two months – the resolution was published in Official Gazette of Romania no. 1868 on 6 May 2019 and the two-month term expired on 6 July 2019;
- FSA endorses the amendment of Article 7 (1) of the Constitutive Act of the Fund as approved by shareholders during the GSM – the process of preparing the documents for FSA endorsement is ongoing;

- (iii) the shareholders' resolution for approving the share capital decrease is registered with the Trade Registry – this is the last step and should be performed after FSA issues the decision for endorsing the changes.

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

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

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

Article 75 from Norm no. 39/2015 mentions that the negative balance arising on the cancellation of equity instruments may be covered from the retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting. As at 30 June 2019, the Fund's equity elements that could be used to cover the negative reserve are sufficient and include retained earnings, share capital and the reserves set-up for this purpose based on GSM decision.

Coverage of the negative reserves

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

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

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

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

Negative reserve that will arise on cancelation of the treasury shares in balance as at 30 June 2019		Buy-back programme 9	Buy-back programme 10
Number of shares to be cancelled	(1)	1,487,992,569	146,880,638
Total costs as at 30 June 2019 (including transaction costs and other costs), representing the accounting value of the shares to be cancelled in the future (RON)	(2)	1,414,500,848	134,926,000
Correspondent nominal value (NV = RON 0.52 per share) as at 30 June 2019 (RON)	(3)=(1)*NV	773,756,136	76,377,932
Estimated negative reserve to be booked on cancelation (RON)	(4)=(3)-(2)	(640,744,712)	(58,548,068)

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

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

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

Portfolio

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

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

Also, during the first six months of 2019 the Fund recorded RON 680.8 million gross dividend income from portfolio companies. Same as in 2018, the Government requested the state-owned companies to have a dividend pay-out ratio of 90%.

Analysis of the Activity of the Fund

NAV Methodology

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

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

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

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

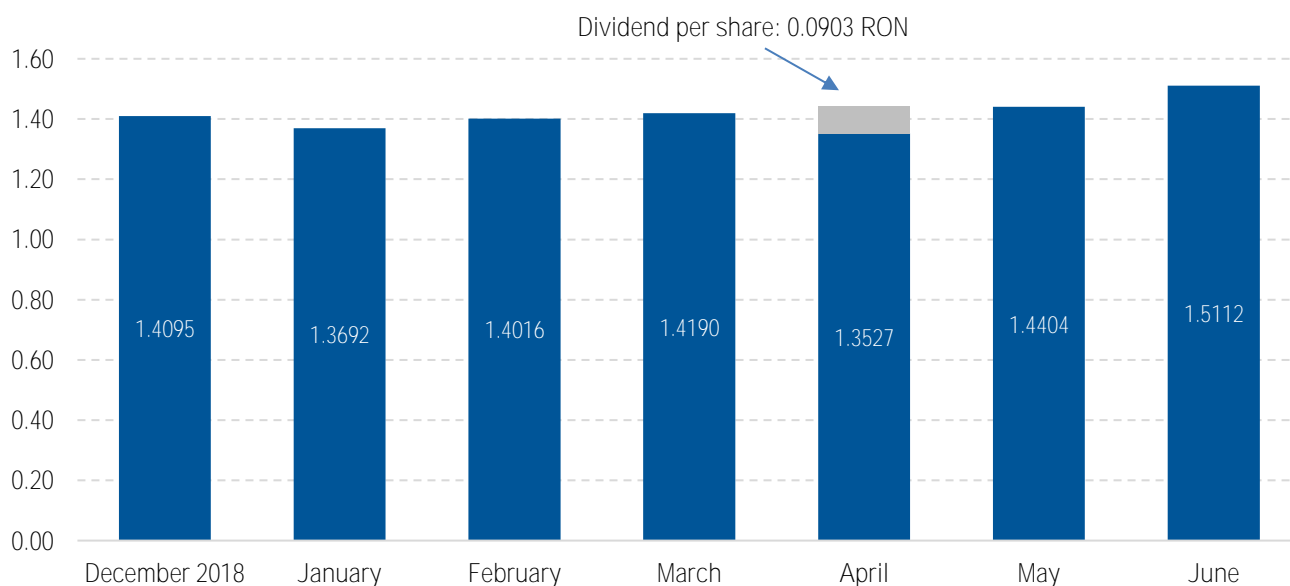
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards.

The shares in the companies under insolvency or reorganisation procedures are valued at zero. The shares in companies under a judicial liquidation procedure or any other liquidation procedures, as well as in companies under temporary or final suspension of operation, are valued at zero until the procedure is finalised.

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

NAV per share (RON per share)

The following chart shows information on the monthly published NAV per share for the period 31 December 2018 to 28 June 2019:



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

During the **first quarter of 2019**, the NAV per share had an overall increase of 0.7% compared to the end of the previous year, mainly due to the positive share price evolution of the Fund's listed holdings, principally OMV Petrom SA (impact on the Fund's NAV of RON 328.5 million or RON 0.0453 per share) and due to the tenth buy-back programme carried out by the Fund during this period.

During the **second quarter of 2019** the NAV per share had an overall increase of 6.5% compared to the end of the previous quarter, mainly due to the recording of 2018 dividend receivables from portfolio companies, the valuation update for the unlisted holdings in the Fund's portfolio, the positive share price evolution of OMV Petrom SA and to the tenth buy-back programme carried out by the Fund during this period, netted off by the dividends payable approved by shareholders during the 2019 Annual GSM.

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

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

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

Valuation of Hidroelectrica SA

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

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

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

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

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

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

over the past six months. The report also considers the dividend of RON 1,798.7 million approved by the company's shareholders during the 29 May 2019 GSM.

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

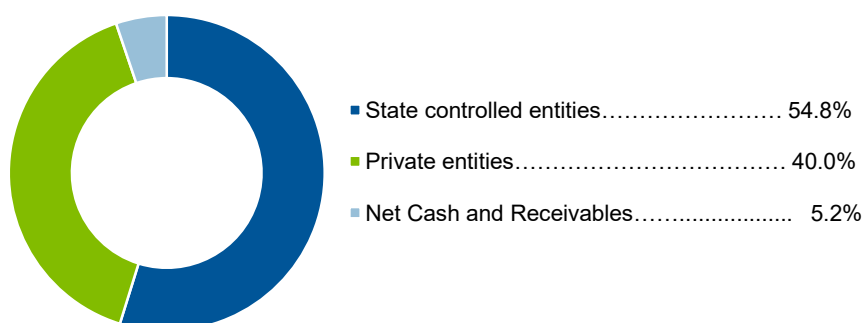
Date	Value of FP holding in Hidroelectrica SA (RON million)	Change vs. previous valuation (RON million)	Change vs. previous valuation (%)
30 June 2018	3,531.0		
31 December 2018	4,276.0	745.0	+21%
31 January 2019	3,885.0	(391.0)	-9%
28 February 2019	3,955.0	70.0	+2%
30 June 2019	4,144.0	189.0	+5%

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

Investment Strategy and Portfolio Analysis

The Fund's investment objective is the maximisation of returns to shareholders and the increase of the net asset value per share via investments mainly in Romanian equities and equity-linked securities. The equity exposure amounted to 94.8% of the Fund's NAV as at 28 June 2019. As at that date, the portfolio was composed of holdings in 34 companies (7 listed and 27 unlisted), a combination of privately held and state-controlled entities.

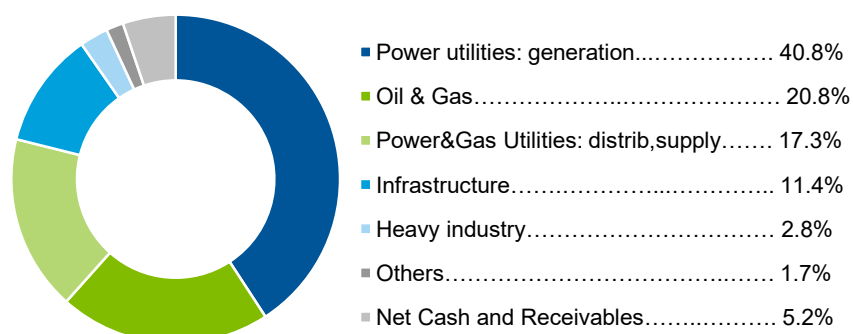
Portfolio Structure – by Controlling Ownership



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

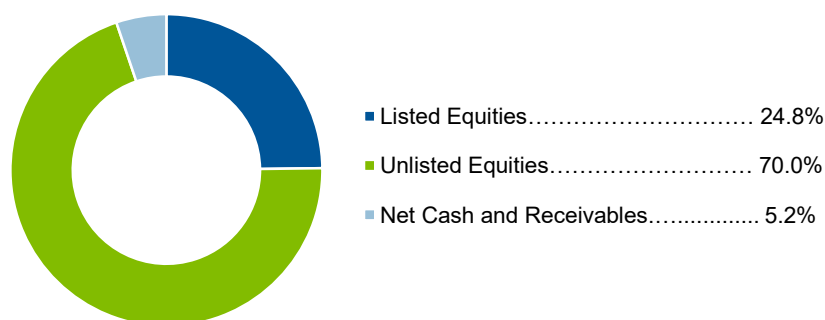
Source: Fondul Proprietatea, data as at 28 June 2019, % in total NAV

Portfolio Structure – by Sector



- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 78.9% of the NAV), through several listed and unlisted Romanian companies

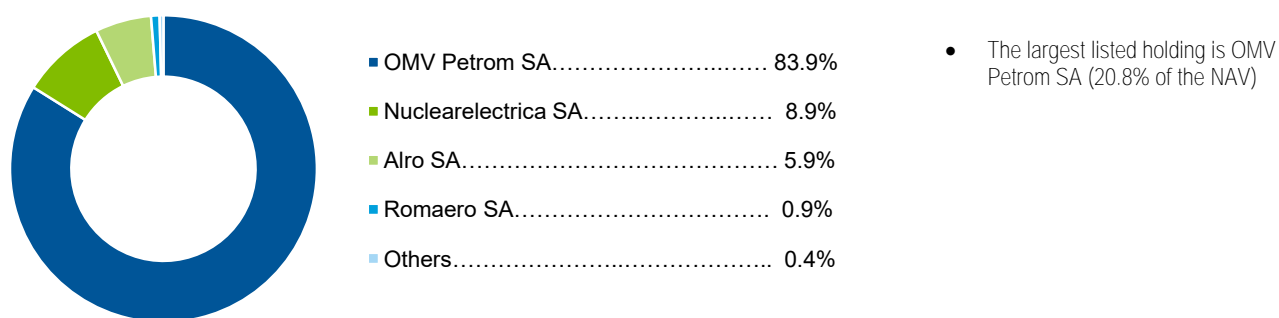
Source: Fondul Proprietatea, data as at 28 June 2019, % in total NAV

Portfolio Structure – by Asset Type¹

Source: Fondul Proprietatea, data as at 28 June 2019, % in total NAV

Portfolio Structure – Unlisted holdings

Source: Fondul Proprietatea, data as at 28 June 2019; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

Portfolio Structure – Listed holdings

Source: Fondul Proprietatea, data as at 28 June 2019; the chart reflects the company NAV value as a % in total NAV value of listed holdings

¹ Note: the value of listed shares compared to total assets of the Fund based on NAV values is 23.4% as at 28 June 2019

Top 10 equity investments

No	Name	Fund's stake (%)	Value as at 28 June 2019 ¹ (RON million)	% of NAV as at 28 June 2019 ¹
1	Hidroelectrica SA	19.94%	4,144.0	38.6%
2	OMV Petrom SA	9.99%	2,237.1	20.8%
3	CN Aeroporturi Bucuresti SA	20.00%	912.0	8.5%
4	E-Distributie Banat SA	24.13%	515.4	4.8%
5	Engie Romania SA	12.00%	489.0	4.6%
6	E-Distributie Muntenia SA	12.00%	424.9	4.0%
7	E-Distributie Dobrogea SA	24.09%	326.3	3.0%
8	Societatea Nationala a Sarii SA	49.00%	272.8	2.5%
9	CN Administratia Porturilor Maritime SA	20.00%	244.0	2.3%
10	Nuclearelectrica SA	7.05%	236.1	2.2%
Top 10 equity holdings			9,801.6	91.3%
Total equity holdings			10,178.1	94.8%
Net cash and receivables			556.6	5.2%
Total NAV			10,734.7	100.0%

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

¹ Rounded to one decimal

Key portfolio developments during the period

Dividends

During the first half of 2019 11 companies in the Fund's portfolio declared dividends for the 2018 financial year. In addition, 4 companies declared special and interim dividends. The total amount of gross dividend income recorded by the Fund in the six-month period ended 30 June 2019 is RON 680.8 million, and the most significant amounts relate to Hidroelectrica SA and OMV Petrom SA. For more details regarding dividend income, please refer to section *Financial Statements Analysis*.

Participation in share capital increases

In January 2019 the Fund subscribed to the share capital increase of CN Aeroporturi Bucuresti SA with a cash contribution of RON 67,292,520. This amount has been considered in the fair valuation of the Fund's holding in this company during the valuation updates performed in December 2018 and June 2019.

Also, in March 2019 the Fund subscribed to the share capital increase of E-Distributie Banat SA with a cash contribution of RON 30,030.

Both share capital increases will become effective at the registration with the Romanian Trade Register, after all legal steps are concluded – as at the date of this report these are ongoing.

Disposals

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

Energy sector updates

Regulatory framework for the electricity distribution companies

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

	2014 – 2018 (3 rd Regulatory Period)	2019 – 2023 (4 th Regulatory Period)
Regulated rate of return	7.70%	6.9% ¹
Regulated Asset Base	Initial RAB at the privatisation + Follow on investments after privatisation + Scheduled estimated in the new regulatory period	Initial RAB at the privatisation – Undepreciated value of the existing assets at the privatisation which were sold/ idled + Follow on investments after privatisation + Scheduled estimated in the new regulatory period
Regulated revenues and controllable costs	Reference controllable costs at the beginning of the regulated period are based on the actual costs in the last year of the previous regulated period after deducting half of the average efficiency gains from the previous regulated period	In determining the regulated revenues, the following type of costs are no longer recognised ² : <ul style="list-style-type: none"> • salary expenses for management/ board of directors representing bonuses; • compensatory salary expenses with management and board members (expenses related to laying offs resulted from a restructuring program are still recognised) • financial costs Reference controllable costs at the beginning of the regulated period are based on a comparative analysis between the costs of distribution companies in the previous regulated period and adjusted for each individual company (elements considered: length of the network, number of users etc.)
Efficiency gains (controllable costs)	<ul style="list-style-type: none"> • Efficiency factor is applied to all controllable costs • Efficiency factor is at least 1.5% • 50% of efficiency gains above the target stay with consumers 	<ul style="list-style-type: none"> • Efficiency factor is applied to all controllable costs, except salary costs • Efficiency factor is maximum 2% • 50% of efficiency gains above the target stay with consumers
Technological losses (non-controllable costs)	<ul style="list-style-type: none"> • Set by ANRE • 50% of efficiency gains on low voltage grid and 25% for the high and medium voltage grid above the target stay with the company if the actual technological losses are lower than approved losses • Acquisition cost of the energy used to cover the losses is estimated using the acquisition cost 	<ul style="list-style-type: none"> • Set by ANRE based on the current grid losses for each distributor (different targets if the losses are currently > 15%, between 14-15%, between 13-14%) • 50% of efficiency gains on low voltage grid and 25% for the high and medium voltage grid above the target stays with the company if the actual technological losses are lower than approved losses • Acquisition cost of the energy used to cover the losses is estimated using the same reference price for all distributors = an average of the acquisition cost for the distributors and the transporter for the previous 12 months, after eliminating the 2 extreme values

Source: Fondul Proprietatea, based on ANRE Order no. 72/ 2 October 2013, ANRE Order no. 168/ 17 September 2018, ANRE Order no. 169/ 18 September 2018, ANRE press release dated 17 September 2018, EGO no. 19/2019

New Offshore Law

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

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

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

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

² The list is not exhaustive

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

Source: Law 256/2018

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

Gas tariff changes

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

New regulatory requirements in the energy sector

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

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

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

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

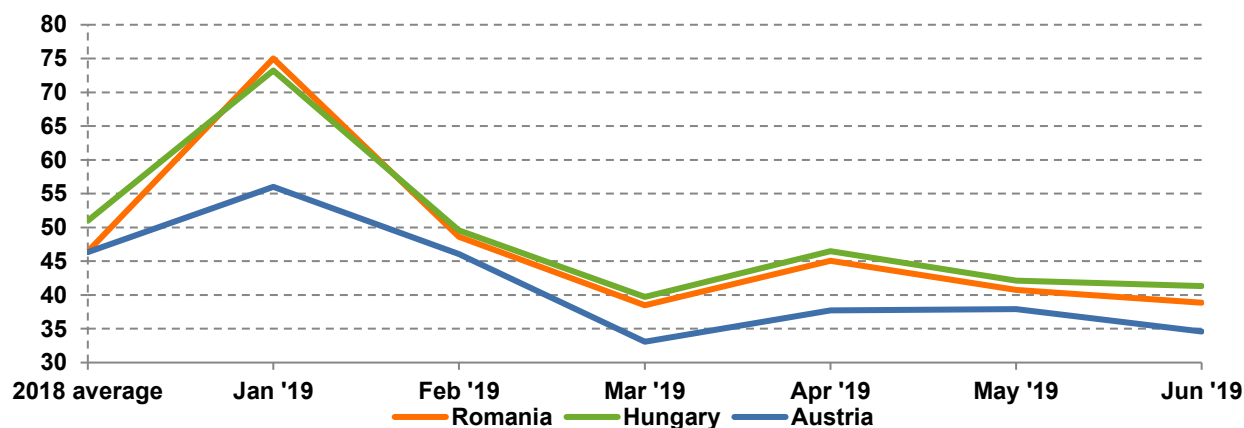
- Order no. 10/ 1 February 2019 regarding the methodology for the calculation of the regulated electricity prices and quantities to be sold based on regulated contracts by producers to the suppliers of last resort. The methodology would be applied for the period 1 March 2019 – 28 February 2022
- Order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

According to the new regulatory provisions, the electricity producers operating nuclear or hydro production units would be required to sell up to 65% of their expected output on the regulated market, at prices approved by ANRE based on a cost plus 5% methodology. Also, according to the methodology, the obligation to sell firm quantities of electricity based on regulated contracts would be determined by ANRE in the ascending order of the prices established according to the methodology. For March - December 2019 period, the 65% limit would not be applied.

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

Company	Volume	Price
Hidroelectrica SA	1.64 TWh	RON 111.61 per MWh
OMV Petrom SA	1.14 TWh	RON 256.58 per MWh
Nuclearelectrica SA	1.38 TWh	RON 188.33 per MWh
CE Oltenia SA	22.8 GWh	RON 218.15 per MWh

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

Electricity prices (EUR/ MWh)

Source: LinkedIn EnergyLive charts

Energy resources (thousand tonnes barrels of oil equivalent)

	January – June 2019			January – June 2018			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	2,244.3	1,886.9	357.4	2,183.0	1,957.3	225.7	2.8%	-3.6%	58.4%
Crude oil	5,782.9	1,661.7	4,121.2	5,849.0	1,670.2	4,178.8	-1.1%	-0.5%	-1.4%
Usable natural gas	5,062.6	4,094.3	968.3	4,777.5	4,159.6	617.9	6.0%	-1.6%	56.7%
Hidro. nuclear. and import energy	2,684.7	2,536.0	148.7	2,665.8	2,547.4	118.4	0.7%	-0.4%	25.6%
Import oil products	1,227.3	-	1,227.3	1,297.9	-	1,297.9	-5.4%	-	-5.4%
Others	237.4	-	237.4	225.0	-	225.0	5.5%	-	5.5%
Total resources	17,239.2	10,178.9	7,060.3	16,998.2	10,334.5	6,663.7	1.4%	-1.5%	6.0%

Source: National Institute of Statistics webpage

Update on the largest 10 portfolio holdings**Hidroelectrica SA**

RON million	2017*	2018	H1 2018	H1 2019
Revenue	3,259.3	4,273.8	1,992.2	2,349.3
Operating profit	1,529.2	2,212.3	1,130.8	1,411.7
Net profit	1,314.9	1,939.3	983.5*	901.5
Dividends**	1,134.4	1,798.7	-	-

Source: Individual IFRS financial statements

*restated

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

January: At the expiration of the interim mandate of the existing Board, the shareholders re-appointed six out of the seven Board members for an interim four-month mandate. On this occasion, the Fund recommended and voted on the Supervisory Board of Hidroelectrica SA for Mr. Daniel Naftali, VP/ Executive Director of FTIML. Mr. Naftali replaced Ms. Oana Truta.

February: The shareholders appointed Ms. Ioana-Andreea Lambru, Mr. Mihai Liviu Mihalache, Mr. Cristian Stoina, Mr. Karoly Borbely, Ms. Carmen Radu, Mr. Catalin Popescu and Mr. Daniel Naftali as Supervisory Board members for a 4-year mandate.

April: The supervisory board launched the recruitment process for the five members of the Directorate. The announcement was published by Hidroelectrica SA on 10 April 2019.

May: According to management, during Q1 2019 the total turnover of the company increased by 2.1% y.o.y. to RON 989.8 million, EBITDA increased by 2.7% y.o.y to RON 740.3 million while net profit increased by 2.5% y.o.y. to RON 497.6 million. During the first three months of the year the total energy sold out of own production was 3.30 TWh, down compared to 4.22 TWh during Q1 2018, while total energy sold reached 3.54 TWh, down from 4.28 TWh during Q1 2018.

For the full year 2018, the company reported revenues of RON 4.27 billion, up 31.1% y.o.y, an EBITDA of RON 3.12 billion, up 38.2% y.o.y and a net profit of RON 1.94 billion, up 47.5% y.o.y. The total energy sold from own production during 2018 amounted to 16.77 TWh, 21.4% higher compared to previous year, while total electricity sold amounted to 17.86 TWh, up 24.2% y.o.y.

June: The Supervisory Board finalised the selection process of the five members of the Directorate for a 4-year mandate. Following the process, three of the five previous interim Directorate members retained their positions. Mr. Bogdan Badea was confirmed for a 4-year mandate as CEO of Hidroelectrica SA.

August: According to management, during H1 2019 total turnover of the company increased by 17.9% y.o.y. to RON 2,349.3 million, EBITDA increased by 20.0% y.o.y to RON 1,748.5 million and profit before tax advanced by 26.2% y.o.y. to RON 1,465.3 million. Overall, the net profit decreased by 8.3% y.o.y. to RON 901.5 million; the decrease compared to H1 2018 was generated by the additional profit tax obligation the company incurred mainly due to the fact that it utilised RON 1,574.2 million of previously untaxed realised revaluation reserves to cover the value adjustments of the historical complex investments.

During the first six months of the year the total energy sold out of own production was 8.95 TWh, down compared to 9.08 TWh during H1 2018, while total energy sold reached 9.62 TWh, up from 9.49 TWh during H1 2018.

OMV Petrom SA

RON million	2017	2018	H1 2018	H1 2019	Budget 2018	Budget 2019
Sales	19,435.1	22,523.2	9,850.7	11,319.7	13,680.0	16,762.0
Operating profit	3,270.4	5,212.9	1,781.3	2,257.5	2,936.0	3,966.0
Net profit	2,489.3	4,077.8	1,288.1	1,974.5	2,582.0	3,202.0
Dividends*	1,132.9	1,529.4	-	-	-	-

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

*Based on separate IFRS financial statements

February: The company published the 2018 preliminary results. The highlights include: the company benefited from increased demand for electricity and fuels and from higher commodity prices. Consolidated sales increased by 25% in Q4 2018 compared to Q4 2017, partially offset by lower sales volumes of natural gas. For the entire 2018, sales increased by 15.9% y.o.y, while operating results of the group improved 59.4% y.o.y to RON 5.2 billion from RON 3.3 billion in 2017. In Q4 2018 downstream oil represented 72% of the consolidated sales, while downstream gas accounted for 26% and upstream for 2% (upstream is largely sold intra group). Net income attributable to stockholders was RON 1.4 billion in Q4 2018 compared to RON 642 million in Q4 2017. For the entire 2018, net profit stood at RON 4.1 billion compared to RON 2.5 billion in 2017.

Company proposed a dividend of RON 0.027 per share, up 35% y.o.y which represents a 38% pay-out ratio. The regulatory instability led management to revisit downwards their growth investment plans and daily average production is expected to decline by approximately 5%.

Regarding the Black Sea investment, the company announced that current legislative environment does not provide the necessary prerequisites for a multi-billion investment decision, but they will maintain the dialogue open with the authorities.

May: the company released Q1 2019 results; consolidated sales increased by 11.2% compared to Q1 2018 on the back of higher commodity prices and higher sales volumes of electricity and petroleum products, partially offset by lower sales volumes of natural gas. Operating results increased by 19.3% y.o.y as a result of favourable commodity prices, while net income attributable to shareholders increased by 34.7% compared to first quarter of 2018. Capex was kept flat (2% lower y.o.y.) and net cash position improved to RON 5.2 bn from RON 4.9 bn at the end of 2018.

July: the company released Q2 2019 results; consolidated sales increased by 19% compared to Q2 2018 on the back of higher volumes and prices for petroleum products and higher prices for natural gas. This has more than compensated the lower volumes of natural gas and electricity. Operating results increased by 26.7% in H2 2019 compared to H1 2018, while net income attributable to shareholders increased by 53.3% y.o.y. Capex was lower by 30% y.o.y. In May, the methodology for the reference price for crude oil royalties was changed and it is now linked to Brent quotations. In the same month the company started supplying gas on the regulated market; 2.94 TWh were delivered in Q2 2019 to households and district heating for household suppliers. Company expects the recent legislative changes (EGO no. 114/2018 and EGO no. 19/2019) to have an impact of approx. EUR 40 million on operating results in 2019.

CN Aeroporturi Bucuresti SA

RON million	2017	2018	Budget 2018	Budget 2019
Operating revenue	890.4	992.6	1,189.2	1,067.1
Operating profit	337.6	445.9	428.3	399.5
Net profit	290.7	371.8	368.3	318.5
Dividends*	305.9	340.1	187.6	162.7

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

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

January: The company reported the passenger's traffic for 2018 that reached 13.85 million passengers (+7.95% y.o.y.).

April: The board of directors appointed Mr. Alexandru Ivan as interim general manager for a 4-month mandate; in August the board extended his mandate for another 2 months. He previously worked for the company as Head of Acquisitions Department. The company is in the process of selecting a new board of directors and a new interim general manager based on the requirements of Law no. 111/2016.

May: The passenger's traffic increased by 8.5% in Q1 2019 vs. Q1 2018.

E-Distributie Banat SA

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

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

May: 2018 annual financial statements are negatively impacted by the impairment losses in amount of RON 229 million related to the revaluation of the regulated asset base following the regulator's decision to decrease the regulated rate of return from 7.7% to 5.66% for 2019-2023 (the RRR was subsequently approved through Government decision at 6.9%).

June: Following the new RRR, the regulator approved the distribution tariffs in place starting with 1 July 2019. On average, they are 2% higher than the tariffs in force since March 2019¹.

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

Engie Romania SA

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

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

*Dividends are based on the separate financial statements

April: Shareholders approved in principle to transfer the operations of Wirom Gas SA (a subsidiary of the company) to Engie Romania SA (the supply business) and to Distrigaz Sud Retele SRL (the distribution business). It was also approved the merger through absorption by Engie Romania SA of the two wind farms owned by the company: Braila Winds SRL and Alizeu Eolian SA.

June: ANRE approved the new tariffs for distribution and the regulated final prices for the consumers who did not opt for the free market. On the supply side, the final regulated prices are approximately 4% lower compared to last

¹ ANRE Order 75 from 24 June 2019

year. For distribution, the tariffs are approximately 6-7% lower compared to 2018. The new tariffs are in effect starting 1 July 2019¹.

E-Distributie Muntenia SA

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

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

May: 2018 annual financial statements are negatively impacted by the impairment losses in amount of RON 517.3 million related to the revaluation of the regulated asset base following the regulator's decision to decrease the regulated rate of return from 7.7% to 5.66% for 2019-2023 (the RRR was subsequently approved through government decision at 6.9%).

June: Following the new RRR, the regulator approved the distribution tariffs in place starting with 1 July 2019. On average, they are 2% higher than the tariffs in force since March 2019².

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

E-Distributie Dobrogea SA

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

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

May: 2018 annual financial statements are negatively impacted by the impairment losses in amount of RON 171.6 million related to the revaluation of the regulated asset base following the regulator's decision to decrease the regulated rate of return from 7.7% to 5.66% for 2019-2023 (the RRR was subsequently approved through government decision at 6.9%).

June: Following the new RRR, the regulator approved the distribution tariffs in place starting with 1 July 2019. On average, they are 2% higher than the tariffs in force since March 2019³.

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

Societatea Nationala a Sarii SA (Salrom)

RON million	2017*	2018	Budget 2018	Budget 2019
Operating revenue	389.1	437.5	373.5	411.9
Operating profit	102.8	93.3	53.2	63.7
Net profit	81.1	76.4	42.3	62.2
Dividends	86.4	76.4	42.3	62.2

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

*Restated

June: The Board of Directors is conducting a recruitment process according with Law 111/2016 for selecting the new CEO and CFO.

¹ ANRE Orders 117 and 125 from 24 June 2019

² ANRE Order 77 from 24 June 2019

³ ANRE Order 76 from 24 June 2019

CN Administratia Porturilor Maritime SA

RON million	2017	2018	Budget 2018	Budget 2019
Operating revenue	330.5	345.2	325.9	352.3
Operating profit	93.8	95.8	75.1	75.5
Net profit	79.7	75.7	61.9	64.7
Dividends	20.3	18.4	16.5	17.2

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

January: On 29 January Ms. Daniela Serban, Economic Director and Board member of the company, took over the duties of General Manager on an interim basis, following a definitive Court ruling, annulling the selection procedure and the subsequent appointment in October 2017 of Mr. Dan Nicolae Tivilichi as General Manager with a four-year mandate.

May: For the full year 2018, the company reported operating revenues of RON 345.2 million, up 4.5% y.o.y, an operating profit of RON 95.8 million, up 2.1% y.o.y. and a net profit of RON 75.7 million, down 5.0% y.o.y. The total volume of goods operated in the port reached 61.3 million tones, up 5.0% y.o.y. The increase in volumes was driven by a 6.7% y.o.y increase to 37.2 million tones in dry-bulk goods, followed by liquid bulk which increased by 5.0% y.o.y to 14.0 million tones. Containerised traffic inched up only marginally by 0.6% y.o.y to nearly 6.6 million tones.

Nuclearelectrica SA

RON million	2017	2018	Budget 2018	Budget 2019
Operating revenue	1,897.3	2,128.7	2,072.4	2,383.5
Operating profit	378.0	536.5	362.7	445.5
Net profit	306.5	410.6	295.3	350.0
Dividends*	271.4	378.9	146.5	311.7

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

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

February: the Board of Directors approved the appointment of Mr. Cosmin Ghita as General Manager, Mr. Dan Laurentiu Tudor as Deputy General Manager and Mr. Adrian Dumitriu as CFO; all of them will have a 4-year mandate starting with 11 February 2019. The appointment was based on the requirements of EGO no. 109/2011.

ANRE issued the Decision no. 326/25 February 2019 regarding Nuclearelectrica SA obligation to sell on the regulated market, between 1 March 2019 and 31 December 2019 (March 2019 - April 2019 and July 2019 - December 2019), a quantity of 1,377,328.968 MWh (approximately 13.4% of the scheduled production for 2019) at a regulated price of 188.33 RON/MWh.

Key Financial Highlights of the Fund**Summary of liquid assets**

RON million	30 Jun 2019	31 Mar 2019	31 Dec 2018
Current accounts*	631.2	18.6	19.6
Bank deposits	207.8	376.4	187.1
Treasury bills and government bonds	49.4	66.4	181.2
Dividend receivables	227.6	0.0	137.0
Receivable regarding the tender offer guarantee**	49.5	-	-
Total liabilities***	(676.4)	(33.1)	(34.5)
Liquid assets less liabilities	489.1	428.3	490.4
Net Assets Value	10,734.7	10,171.0	10,219.4
% Liquid assets less liabilities in NAV	4.6%	4.2%	4.8%

*Current accounts include also the cash blocked for distributions to shareholders

**Guarantee transferred in June 2019 to BCR as intermediary of the Tender Offer within the tenth buy-back programme, carried between 15 July and 19 August 2019

***Total liabilities less provisions

The table above shows the change in the net liquid assets of the Fund as a percentage of the NAV.

The current accounts and total liabilities positions as at 30 June 2019 are significantly higher as a result of the annual dividend distribution approved by shareholders during the 4 April 2019 GSM, with payment date 1 July 2019. For more details regarding the liquid asset evolution during the first half of 2019 please see section *Financial Statements Analysis*.

Total Expense Ratio

The annualised total expense ratio of the Fund as at 30 June 2019 was 0.69% (31 December 2018: 0.73%) and excluding transaction related expenses this would be 0.67% (31 December 2018: 0.72%). 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 decrease of total annualised expense ratio at 30 June 2019 compared to the total expense ratio at the end of 2018 was mainly due to the lower level of management and administration fees in 2019 and due to the slightly higher average NAV during the first half of 2019. Please see section *Financial Statements Analysis* for more details regarding 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's 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 2019, the Fund's exposure to Romanian equities accounted for 94.8% of the NAV, the positive difference of 5.2% 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 17.1% during the first half of 2019 and by 5.7% compared to 30 June 2018.

BET-XT Index evolution



Source: BVB

BET-BK index is a free float market capitalisation weighted index of the Romanian and foreign stocks listed on BVB's regulated market with the highest free-float market capitalisation adjusted with liquidity factors and selected also based on qualitative criteria. 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 increased by 14.0% during the first half of 2019 and by 2.6% compared to 30 June 2018.

BET-BK Index evolution

Source: BVB

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 comparative period ended 30 June 2018.
- *Risks related to political decisions (EGO no. 114/2018)* – the main provisions of the current form of the EGO with an impact on the Fund's portfolio are related to capping gas prices for households and thermal energy producers that supply heating to the centralised systems at RON 68/MWh until 28 February 2022 and capping electricity prices at the level of the producers for households at a price set by ANRE, which affects significantly the profitability of the energy sector companies in the Fund's portfolio.
- *Risks related to the new regulatory framework for energy sector* – even if a new regulatory framework was approved for the distribution companies operating in the energy sector (electricity & gas) for the period 2019 – 2023 there is a risk that important aspects of this methodology, such as RRR, are changed within the regulatory period. RRR is used in energy tariff calculation and together with the other elements of the regulatory framework affect significantly the activity and the profitability of these companies. This risk factor also affected the activity of the Fund during the comparative period ended 30 June 2018.
- *Risks related to corporate governance legislation* – there is a risk of delays and omissions in the implementation of the corporate governance legislation for state owned companies (EGO no. 109/2011), in the context of the current attempts from the Parliamentary majority to cut down the already fragile corporate governance legislation. The discussed 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 comparative period ended 30 June 2018, when there were similar discussions in Parliament.
- *Risks related to underperformance as a result 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. This risk factor also affected the activity of the Fund during the comparative period ended 30 June 2018.
- *Risks related to Brexit* – the withdrawal of the United Kingdom from the European Union might trigger certain implications on the activity of the Fund, from a regulatory and compliance point of view, among which: the need to comply with the UK's Disclosure and Transparency Rules as well as the EU ones and additional requirements for the Audit and Valuation Committee. Fund management will continue to monitor the developments on Brexit and would implement the necessary measures in order to comply with all relevant laws and regulations.

Financial Statements Analysis

The unaudited IFRS financial statements for the six months ended 30 June 2019, prepared in accordance with IAS 34 Interim Financial Reporting and applying the FSA Norm no. 39/2015 with subsequent amendments, are included in full in Annex 1 to this Report. The captions Statement of Financial Position and Statement of Comprehensive Income presented in the 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 months ended 30 June 2019.

Statement of Financial Position

RON million	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Jun 2018	30 Jun 2019 vs. 31 Dec 2018 (%)	30 Jun 2019 vs. 30 Jun 2018 (%)
	Unaudited	Unaudited	Audited	Unaudited		
Cash and current accounts	631.2	18.6	19.6	62.7		
Deposits with banks	207.8	376.4	187.1	68.7		
Treasury bills	49.4	-	49.6	-		
Government bonds	-	66.4	131.6	36.5		
Dividend receivables	227.6	-	137.0	300.2		
Equity investments	10,178.1	9,674.9	9,337.4	9,402.9		
Other assets	117.8	68.8	1.5	14.3		
Total assets	11,411.9	10,205.1	9,863.8	9,885.3	15.7%	15.4%
Payables	19.7	14.9	14.8	37.9		
Other liabilities	657.8	19.4	20.6	66.4		
Total liabilities	677.5	34.3	35.4	104.3	>100%	>100%
Total equity	10,734.4	10,170.8	9,828.4	9,781.0		
Total liabilities and equity	11,411.9	10,205.1	9,863.8	9,885.3	15.7%	15.4%

Overview

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

The increase in liquid assets by 129.0% during the six-month period ended 30 June 2019 is mainly due to the cash inflows from the dividends collected from portfolio companies (RON 580.4 million) and the proceeds from disposal of entire holding in BRD – Groupe Societe Generale SA (RON 200.9 million).

The net increase in **equity investments** of RON 840.7 million during the first six months of 2019 is mainly due to the increase in the fair value of OMV Petrom SA (RON 543.7 million) and Hidroelectrica SA (RON 259.0 million), partially netted off by the disposal of BRD – Groupe Societe Generale SA shares (RON 200.9 million).

Equity investments

Classification and measurement of equity investments

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

Starting 1 January 2018, the Fund adopted IFRS 9 and classified all its equity instruments 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 annual IFRS Financial Statements for the year ended 31 December 2018.

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

Valuation

As at 30 June 2019 substantially all the equity investments of the Fund were carried at fair value.

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

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

Capital Expenditure

Capital expenditure comprises the costs for the acquisition and upgrade of the intangible assets of the Fund, which include the value of the licences, the implementation costs and the updates of the Fund's accounting and reporting software, net of the accumulated amortisation. During the first six months of 2019 the Fund did not incur any capital expenditure costs (during the first six months of 2018: RON 65,014).

Statement of Comprehensive Income

RON million	Q1 2019 Unaudited	Q2 2019 Unaudited	H1 2019 Unaudited	H1 2018 Unaudited
Net gain from equity investments at fair value through profit or loss	392.4	649.2	1,041.6	293.9
Gross dividend income	34.7	646.1	680.8	532.6
Interest income	2.2	3.4	5.6	4.5
Other income/ (expenses), net*	-	3.6	3.6	7.1
Net operating income	429.3	1,302.3	1,731.6	838.1
Administration fees recognised in profit and loss	(9.3)	(16.9)	(26.2)	(26.6)
Other operating expenses	(5.4)	(6.6)	(12.0)	(13.2)
Operating expenses	(14.7)	(23.5)	(38.2)	(39.8)
Finance costs	(0.2)	(0.1)	(0.3)	-
Profit before income tax	414.4	1,278.7	1,693.1	798.3
Income tax	-	(9.9)	(9.9)	(8.5)
Profit for the period	414.4	1,268.8	1,683.2	789.8
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	414.4	1,268.8	1,683.2	789.8

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

The **net gain from equity investments at fair value through profit or loss** of RON 1,041.6 million in the first six months of 2019 was mainly generated by OMV Petrom SA, as a result of the positive share price evolution for this company (RON 543.7 million, share price increase by 32.1%) and Hidroelectrica SA as a result of the valuation update of the Fund's holding in this company (total impact RON 259.0 million).

Gross dividend income for the six-month period ended 30 June 2019 included the dividend income earned from the Fund's portfolio companies, mainly Hidroelectrica SA (RON 358.7 million), OMV Petrom SA (RON 152.9 million), CN Aeroporturi Bucuresti SA (RON 68.0 million), Alro SA (RON 33.3 million), Nuclearelectrica SA (RON 26.7 million), BRD Groupe Societe Generale SA (RON 18.3 million) and Engie Romania SA (RON 16.4 million).

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

Details regarding the **administration fees** for the six months ended 30 June 2019 are presented in the table below:

RON million	Q1 2019 Unaudited	Q2 2019 Unaudited	H1 2019 Unaudited	H1 2018 Unaudited
Recognised in profit or loss	9.3	16.9	26.2	26.6
Base fee	9.3	10.5	19.8	21.6
Distribution fee for dividend distribution	-	6.4	6.4	5.0
Recognised in other comprehensive income	0.7	0.6	1.3	12.8
Distribution fee for buy-back programmes	0.7	0.6	1.3	12.8
Total administration fees	10.0	17.5	27.5	39.4

Other Operating Expenses

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

RON million	Q1 2019 Unaudited	Q2 2019 Unaudited	H1 2019 Unaudited	H1 2018 Unaudited
FSA monthly fees	2.4	2.3	4.7	4.6
Transactions costs	0.2	0.5	0.7	1.0
Depository fees	0.2	0.1	0.3	0.3
Other expenses	2.6	3.7	6.3	7.3
Total other operating expenses	5.4	6.6	12.0	13.2

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

Statement of Cash Flows

RON million	H1 2019 Unaudited	H1 2018 Unaudited
Cash flows from operating activities		
Dividends received (net of withholding tax)	580.4	224.1
Proceeds from disposal of equity investments	200.9	171.6
Disposal/ Maturity of treasury bills and bonds	138.8	94.6
Interest received	5.7	6.1
Amounts collected from the depository Bank of the Fund's GDRs	3.9	4.5
Acquisition of treasury bills and bonds	(73.6)	(36.5)
Subscriptions to share capital increase of portfolio companies	(67.3)	(2.5)
Suppliers and other taxes and fees paid	(32.6)	(63.6)
Other payments, net	(0.8)	(0.7)
Net cash flows from operating activities	755.4	397.6
Cash flows from financing activities		
Acquisition cost of treasury shares	(134.6)	(1,270.8)
Guarantee paid for the buy-back tender offer	(49.5)	-
Payments to shareholders related to the return of capital	(2.7)	(3.6)
Dividends paid (net of withholding tax)	(2.4)	(433.0)
Payment of fees related to the short-term bank loans	(0.3)	-
Net cash flows used in financing activities	(189.5)	(1,707.4)
Net increase/ (decrease) in cash and cash equivalents	565.9	(1,309.8)
Cash and cash equivalents at the beginning of the period	273.1	1,441.2
Cash and cash equivalents at the end of the period	839.0	131.4
Cash and current accounts	0.1	1.2
Distributions bank accounts	631.1	61.5
Bank deposits with original maturities of less than three months	207.8	68.7
	839.0	131.4

During the first half of 2019 **the proceeds from disposal of equity investments** were related to the disposal of the entire holding in BRD – Groupe Societe Generale SA.

Subscriptions to share capital increase of portfolio companies refer to the amounts paid for the share capital increases of CN Aeroporturi Bucuresti SA and E-Distributie Banat SA, which were not yet registered with the Trade Registry at the date of this report.

Payments to **suppliers and other taxes and fees paid** were higher in the first six months of 2018 compared with the first six months of 2019 mainly as a result of the expenses related to the tender offer within the ninth buy-back programme finalised by the Fund in February 2018.

Acquisition of treasury shares represent the acquisition cost and the brokerage fees related to the acquisition of own shares bought back by the Fund within the buy-back programmes carried during each period, through buying ordinary shares and GDRs.

Guarantee paid for the buy-back tender offer refers to the amounts paid to the intermediary of the tender offer within the tenth buy-back programme carried by the Fund between 15 July and 19 August 2019, in accordance with the regulatory requirements in force.

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 2019. For more details, please see *Annex 1 "Condensed Interim Financial Statements"*.

Subsequent Events

Update regarding the Board of Nominees of Fondul Proprietatea

Mr. Sorin Mihai Mindrutescu, who has served as a member of the Board of Nominees since September 2010 and as its Chairman since April 2012, decided not to run for another term. The decision was a result of his express expressed wish to observe the rigorous corporate governance standards of the London Stock Exchange, which provide that a Board member of listed investment companies cannot be considered independent after serving in that position for more than nine years. Subsequently, on 9 August 2019, Mr. Sorin Mindrutescu decided to step down with immediate effect from the positions held within the Board of Nominees and the consultative committees of the Fund.

The deadline for submitting applications for two positions as member in the Board of Nominees closed on 17 July 2019 and the Fund's shareholders are expected to elect two members of the Board from a pool of 3 candidates who applied for Board membership, at the upcoming GSM on 4 September 2019. The appointees will serve for a 3-year term, effective on 1 October 2019. The Board of Nominees is expected to appoint a new Chairman and to change the composition of consultative committees, following the shareholders' vote on 4 September 2019.

Partial waiver of credit facility with BRD Groupe Societe Generale SA

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

Legal representation changes at the level of the Fund

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

Signatures:

13 August 2019

Johan Meyer

Permanent Representative

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

Prepared by

Catalin Cadaru

Financial Reporting Manager

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

Annex 1

FONDUL PROPRIETATEA SA

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 June 2019

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

(This is a translation from the official Romanian version)

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	6 months ended 30 June 2019	6 months ended 30 June 2018
Net gain from equity investments at fair value through profit or loss	5	1,041,564,670	293,862,281
Gross dividend income	6	680,838,589	532,636,085
Interest income		5,553,246	4,455,013
Other income, net		4,014,118	4,704,238
Net foreign exchange loss		(257,086)	(516,489)
Net (loss)/gain from other financial instruments at fair value through profit or loss		(139,136)	2,925,195
Net operating income		1,731,574,401	838,066,323
Operating expenses	7	(38,112,182)	(39,782,642)
Finance costs	8	(321,778)	(3,556)
Profit before income tax		1,693,140,441	798,280,125
Income tax	9	(9,897,515)	(8,451,863)
Profit for the period		1,683,242,926	789,828,262
Other comprehensive income		-	-
Total comprehensive income for the period		1,683,242,926	789,828,262
Basic and diluted earnings per share	10	0.2348	0.1009

These condensed interim financial statements were authorised for issue on 13 August 2019 by:

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

Johan Meyer

Permanent Representative

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

Catalin Cadaru

Financial Reporting Manager

The notes on pages 42 to 63 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	30 June 2019	31 December 2018
Assets			
Cash and current accounts	11	77,809	77,346
Distributions bank accounts	11	631,160,402	19,570,055
Deposits with banks	11	207,814,588	187,116,149
Treasury bills		49,388,608	49,636,197
Government bonds		-	131,613,207
Dividends receivable	12	227,613,501	137,018,231
Equity investments	14	10,178,106,565	9,337,440,399
Other assets	15	117,793,877	1,324,379
Total assets		11,411,955,350	9,863,795,963
Liabilities			
Payable to shareholders	16 (a)	656,899,985	19,657,190
Other liabilities and provisions	16 (b)	20,611,390	15,692,915
Total liabilities		677,511,375	35,350,105
Equity			
Paid share capital	17 (a)	4,543,838,477	4,543,838,477
Reserves related to the unpaid share capital	17 (b)	189,182,422	189,182,422
Other reserves	17 (c)	1,019,333,773	297,678,692
Treasury shares	17 (d)	(1,549,426,848)	(1,414,500,848)
Retained earnings		6,531,516,151	6,212,247,115
Total equity		10,734,443,975	9,828,445,858
Total liabilities and equity		11,411,955,350	9,863,795,963

The notes on pages 42 to 63 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 2019

(all amounts are in RON unless otherwise stated)

	Share capital	Reserves related to the unpaid share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2019	4,543,838,477	189,182,422	297,678,692	(1,414,500,848)	6,212,247,115	9,828,445,858
Profit for the period	-	-	-	-	1,683,242,926	1,683,242,926
Coverage of losses from cancellation of treasury shares	-	-	80,910,369	-	(80,910,369)	-
Profit appropriation to other reserves	-	-	640,744,712	-	(640,744,712)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	721,655,081	-	961,587,845	1,683,242,926
Transactions with owners, recorded directly in equity						
Dividends declared	-	-	-	-	(642,318,809)	(642,318,809)
Acquisition of treasury shares	-	-	-	(134,926,000)	-	(134,926,000)
Total transactions with owners recorded directly in equity	-	-	-	(134,926,000)	(642,318,809)	(777,244,809)
Balance as at 30 June 2019	4,543,838,477	189,182,422	1,019,333,773	(1,549,426,848)	6,531,516,151	10,734,443,975

The notes on pages 42 to 63 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 2019

(all amounts are in RON unless otherwise stated)

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

The notes on pages 42 to 63 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2019**

(all amounts are in RON unless otherwise stated)

	6 months ended 30 June 2019	6 months ended 30 June 2018
Cash flows from operating activities		
Dividends received (net of withholding tax)	580,356,948	224,066,552
Proceeds from disposal of equity investments	200,906,333	171,553,473
Proceeds from transactions with treasury bills and bonds	138,804,956	94,636,651
Interest received	5,725,826	6,096,335
Amounts collected from the depository Bank of the Fund's GDRs	3,903,730	4,518,246
Acquisition of treasury bills and bonds	(73,602,533)	(36,480,654)
Subscriptions to share capital increase of portfolio companies	(67,322,550)	(2,498,120)
Suppliers and other taxes and fees paid	(32,607,328)	(63,613,639)
Other payments, net	(720,034)	(649,493)
Net cash flows from operating activities	755,445,348	397,629,351
Cash flows from financing activities		
Acquisition cost of treasury shares	(134,593,288)	(1,270,832,418)
Guarantee paid for the buy-back tender offer	(49,500,000)	-
Payments to shareholders related to the return of capital	(2,702,159)	(3,573,590)
Dividends paid (net of withholding tax)	(2,373,854)	(432,991,286)
Payment of fees related to the short term bank loans	(323,556)	-
Net cash flows used in financing activities	(189,492,857)	(1,707,397,294)
Net increase/ (decrease) in cash and cash equivalents	565,952,491	(1,309,767,943)
Cash and cash equivalents at the beginning of the period	273,069,799	1,441,188,216
Cash and cash equivalents at the end of the period as per the Statement of Cash Flows	839,022,290	131,420,273

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

	30 June 2019	30 June 2018
Cash and current accounts (see Note 11)	77,809	1,238,156
Distributions bank accounts (see Note 11)	631,160,402	61,463,680
Bank deposits with original maturities of less than three months (see Note 11)	207,784,079	68,718,437
	839,022,290	131,420,273
Interest accrued on bank deposits (see Note 11)	30,509	15,256
Treasury bills and government bonds with original maturities of more than three months and less than one year	49,388,608	36,453,246
Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position	888,441,407	167,888,775

The notes on pages 42 to 63 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 2019

(all amounts are in RON unless otherwise stated)

1. General information

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

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

The Fund undertakes its activities in accordance with Law 24/2017 on issuers of financial instruments and market operations, Law 74/2015 regarding Alternative Investment Fund Managers, Law 247/2005, Law 297/2004 regarding the capital market, as subsequently amended and Companies Law 31/1990 republished as subsequently amended and it is an entity authorised, regulated and supervised by the FSA, as an issuer. Until 2013, FSA was known as the National Securities Commission (“CNVM”). In accordance with its Constitutive Act, the main activity of the Fund is the management and administration of its portfolio.

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

The Fund is managed by Franklin Templeton International Services S.à r.l. (“FTIS”) as its Sole Director and Alternative Investment Fund Manager (“AIFM”) under the Directive 2011/61/EU on Alternative Investment Fund Managers and local implementation regulations. The initial FTIS’ mandate for a period of two years commenced on 1 April 2016 and expired on 31 March 2018. On 14 February 2018, the Fund’s shareholders approved the renewal of FTIS’ mandate for another two years starting with 1 April 2018 under a new Management Agreement which became effective starting with the same date (i.e. 1 April 2018). Under both agreements FTIS has delegated the role of Investment Manager as well as certain administrative functions to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML” or “Investment Manager”) for the entire duration of its mandate as AIFM.

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

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

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

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

These condensed interim financial statements for the six-month period ended 30 June 2019 are not audited.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(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 2019 have been prepared in accordance with IAS 34 Interim financial reporting and applying the FSA Norm 39/2015. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, prepared in accordance with IFRS. These condensed interim financial statements are available starting with 14 August 2019, on the Fund's official webpage, www.fondulproprietatea.ro, and at the Fund's registered office.

The Fund is an investment entity and does not consolidate its subsidiaries as it applies IFRS 10, IFRS 12 and IAS 27 (Investment Entities). In consequence, the Fund does not prepare consolidated financial statements, the separate financial statements being the Fund's only financial statements. The Fund has reassessed the criteria for being an investment entity for the six-month period ended 30 June 2019 and continues to meet them.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates

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

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

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

- Note 13 – Deferred tax;
- Note 14 – Equity investments;
- Note 18 – Contingencies.

3. Significant accounting policies

The significant accounting policies applied in these condensed interim financial statements are the same as those applied in the Fund's financial statements for the year ended 31 December 2018 and have been applied consistently to all periods presented in these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

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

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

	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
30 June 2019					
Cash and current accounts	77,809	-	-	77,809	77,809
Distributions bank accounts	631,160,402	-	-	631,160,402	631,160,402
Deposits with banks	207,814,588	-	-	207,814,588	207,814,588
Treasury bills	-	49,388,608	-	49,388,608	49,388,608
Dividends receivable	227,613,501	-	-	227,613,501	227,613,501
Equity investments	-	10,178,106,565	-	10,178,106,565	10,178,106,565
Other financial assets	116,832,450	-	-	116,832,450	116,832,450
Other financial liabilities	-	-	(675,797,800)	(675,797,800)	(675,797,800)
	1,183,498,750	10,227,495,173	(675,797,800)	10,735,196,123	10,735,196,123
	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
31 December 2018					
Cash and current accounts	77,346	-	-	77,346	77,346
Distributions bank accounts	19,570,055	-	-	19,570,055	19,570,055
Deposits with banks	187,116,149	-	-	187,116,149	187,116,149
Treasury bills	-	49,636,197	-	49,636,197	49,636,197
Government bonds	-	131,613,207	-	131,613,207	131,613,207
Dividends receivable	137,018,231	-	-	137,018,231	137,018,231
Equity investments	-	9,337,440,399	-	9,337,440,399	9,337,440,399
Other financial liabilities	-	-	(33,182,020)	(33,182,020)	(33,182,020)
	343,781,781	9,518,689,803	(33,182,020)	9,829,289,564	9,829,289,564

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

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

	6 months ended 30 June 2019	6 months ended 30 June 2018
Unrealised net gain from equity investments at fair value through profit or loss	1,031,632,081	289,409,887
Realised net gain from disposal of equity investments at fair value through profit or loss	9,932,589	4,452,394
Total	1,041,564,670	293,862,281

The unrealised net gain from equity investments at fair value through profit or loss for the six-month period ended 30 June 2019 was mainly generated by the change in fair value for the holding in OMV Petrom SA (net unrealised gain of RON 543,700,615) and Hidroelectrica SA (net unrealised gain of RON 259,000,000), as a result of the strong performance of these companies.

The unrealised net gain from equity investments at fair value through profit or loss for the six-month period ended 30 June 2018 was mainly generated by the change in fair value for the holding in OMV Petrom SA (net unrealised gain of RON 195,392,409) and Alro SA (net unrealised gain of RON 72,884,714), as result of these companies' share price increase during the period.

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

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

6. Gross dividend income

	6 months ended 30 June 2019	6 months ended 30 June 2018
Hidroelectrica SA	358,726,907	226,245,815
OMV Petrom SA	152,915,798	113,270,962
CN Aeroporturi Bucuresti SA	68,014,798	61,193,113
Alro SA	33,349,130	39,010,085
Nuclearelectrica SA	26,728,073	19,451,565
BRD Groupe Societe Generale SA	18,306,434	36,314,743
Engie Romania SA	16,411,668	20,232,568
CN Administratia Porturilor Maritime SA	3,676,101	4,054,314
Alcom SA	1,602,858	-
E-Distributie Banat SA	-	7,694,517
E-Distributie Dobrogea SA	-	4,269,700
Others	1,106,822	898,703
	680,838,589	532,636,085

The dividend income was subject to 5% Romanian withholding tax in 2019 and 2018. In cases where the relevant shareholding of the Fund was above 10% of total share capital of the paying company, for at least one year prior to the dividend distribution date, a withholding tax exemption was applied.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

6. Gross dividend income (continued)

According to the updated Annual Cash Distribution Policy of the Fund, the special cash distributions received from portfolio companies are not subject to Fund's dividend distribution to shareholders. The Fund Manager may propose the distribution to shareholders of such amounts after considering the on-going measures imposed by the Discount Control Mechanism and the available cash. For the purpose of the Annual Cash Distribution Policy of the Fund, the special cash distributions are considered the amounts distributed by the portfolio companies from other sources than the annual net profit included in the latest annual financial statements. From the total gross dividend income for the six-month period ended 30 June 2019 a total amount of RON 34,803,043 represented special cash distributions (six-month period ended 30 June 2018: nil).

7. Operating expenses

	6 months ended 30 June 2019	6 months ended 30 June 2018
Administration fees	26,190,702	26,586,807
Third party services	4,737,012	5,621,284
FSA monthly fees	4,721,315	4,641,174
BON remunerations and related taxes	723,690	723,690
Intermediaries and other fees related to disposal of portfolio holdings	700,017	983,433
Depository bank fee	322,651	317,879
Other operating expenses	716,795	908,375
	38,112,182	39,782,642

The total administration fees for the six-month period ended 30 June 2019 included the base fee of RON 19,767,514 (six-month period ended 30 June 2018: RON 21,587,043) and the distribution fee of RON 7,770,332 out of which RON 1,347,144 was related to the buybacks and thus recognised directly in equity as buybacks acquisition cost (six-month period ended 30 June 2018: RON 17,769,034 out of which RON 12,769,270 represented distribution fee related to the buybacks). The administration fees are invoiced and paid on a quarterly basis.

Third party services for the six-month period ended 30 June 2019 mainly include legal and litigation assistance of RON 2,304,732 (six-month period ended 30 June 2018: RON 2,516,064), valuation services in relation to the Fund's portfolio of RON 459,838 (six-month period ended 30 June 2018: RON 728,680), expenses related to the Board of Nominees such as accommodation, transport and insurance costs of RON 340,343 (six-month period ended 30 June 2018: RON 341,258), the financial auditor's fees of RON 333,511 (six-month period ended 30 June 2018: RON 585,929) and the investor's relations expenses of RON 299,658 (six-month period ended 30 June 2018: RON 415,254).

During the first six months of 2019 and the first six months of 2018, the FSA fee was 0.0078% per month applied on the total net asset value.

Remunerations and related taxes included the remunerations paid to the members of the Board of Nominees as well as the related taxes and contributions payable to the Romanian State budget (see Note 19 (a) for further details).

8. Finance cost

On 29 June 2018, the Fund extended the credit facility concluded with BRD - Groupe Societe Generale SA for a period of two years, until 29 June 2020. The permitted use of the credit facility is for general corporate and operational use and has a maximum committed amount of RON 400,000,000.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

8. Finance cost (continued)

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 for the six-month period ended 30 June 2019 of RON 321,778 (six-month period ended 30 June 2018: RON 3,556) comprise the commitment fee on undrawn amounts from the credit facility.

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

9. Income tax

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

	6 months ended 30 June 2019	6 months ended 30 June 2018
Reconciliation of effective tax rate		
Net profit for the period	1,683,242,926	789,828,262
Withholding tax on the dividend income	(9,897,515)	(8,451,863)
Profit excluding income tax	1,693,140,441	798,280,125
 Income tax using the standard tax rate (16%)	 (270,902,471)	 (127,724,820)
<i>Impact on the income tax expense of:</i>		
Taxation applied on dividend income	99,036,659	76,769,911
Non-taxable income (other than dividend income)	96,160,091	63,178,078
Non-deductible expenses	(30,401,712)	(51,889,624)
Elements similar to revenues (taxable equity items)	-	(33,615,519)
Fiscal result impact in the current period	96,209,918	64,830,111
Income tax	(9,897,515)	(8,451,863)

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

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

10. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary paid shares in issue during the period, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares (based on their settlement date). As at 30 June 2019 and 30 June 2018, 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 2019	6 months ended 30 June 2018
Profit for the period	1,683,242,926	789,828,262
Weighted average number of ordinary shares	7,168,115,335	7,829,747,139
Basic and diluted earnings per share	0.2348	0.1009

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

11. Cash and current accounts and deposits with banks

	30 June 2019	31 December 2018
Petty cash	133	198
Current accounts with banks	77,676	77,148
Distributions bank accounts	631,160,402	19,570,055
Cash and current accounts	631,238,211	19,647,401

	30 June 2019	31 December 2018
Bank deposits with original maturities of less than three months	207,784,079	187,106,218
Interest accrued on bank deposits	30,509	9,931
Deposits with banks	207,814,588	187,116,149

The cash held in the distributions bank accounts can only be used for payments to shareholders. Such payments are subject to a general statute of limitation, respectively the shareholders may request the payments only within a three-year term starting with the distribution payment date, except for specific instances that are individually assessed. As at 30 June 2019, distributions bank accounts comprises an amount of RON 1,462,618 for which the payment invalidation date was on 28 June 2019 (30 June 2018: RON 1,585,362 for which the payment invalidation date was on 2 July 2018).

12. Dividends receivable

	30 June 2019	31 December 2018
Dividends receivable		
Hidroelectrica SA	158,726,907	137,018,231
CN Aeroporturi Bucuresti SA	68,014,798	-
Other dividends receivable	1,879,823	1,019,169
	228,621,528	138,037,400
Impairment loss allowance	(1,008,027)	(1,019,169)
	227,613,501	137,018,231

The dividend receivable balance as at 30 June 2019 mainly comprises the outstanding balance of the annual dividend from Hidroelectrica SA and CN Aeroporturi Bucuresti SA. Both these dividends were received by the Fund during July 2019.

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

13. Deferred tax

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

13. Deferred tax (continued)

As at 30 June 2019 the unused fiscal loss carried forward amounts to RON 3,117,816,853 (31 December 2018: RON 3,719,128,842). As at 30 June 2019 and 31 December 2018 the Fund did not recognise any deferred tax asset for the unused tax losses carried forward as there is a high probability that there will be insufficient future taxable profit against which the loss carried forward can be utilised.

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

The movement in the deferred tax position during the first six months of 2019 and the first six months of 2018 is presented in the tables below:

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

Deferred tax asset/(liability) related to:	Balance at 1 January 2018	Reversed through profit or loss	Balance at 30 June 2018
Equity investments	(33,615,519)	33,615,519	-
Fiscal loss carried forward	33,615,519	(33,615,519)	-
	-	-	-

14. Equity investments

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

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

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

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

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

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

The movement in the carrying amounts of equity investments at fair value through profit or loss during the first six months of 2019 and the first six months of 2018 is presented below:

	6 months ended 30 June 2019	6 months ended 30 June 2018
Opening balance	9,337,440,399	1,891,510,497
Reclassification of equity investments available for sale following the adoption of IFRS 9 (i)	-	7,386,690,848
Net gain from equity investments at fair value through profit or loss (see Note 5)	1,041,564,670	293,862,281
Disposals (ii)	(200,898,504)	(171,629,386)
Subscriptions to share capital increase of portfolio companies (see Note 15)	-	2,498,120
Closing balance	10,178,106,565	9,402,932,360

(i) Reclassification following the adoption of IFRS 9

As result of the adoption of IFRS 9, as at 1 January 2018 (the date of initial application), the existing balance of equity investments available for sale in amount of RON 7,386,690,848 was classified as equity investments at fair value through profit or loss (the default option under IFRS 9). There was no change in the carrying amounts of financial assets and liabilities upon transition to IFRS 9 on 1 January 2018 compared to their previous measurement in accordance with IAS 39.

(ii) Disposals

During the first six months of 2019, the Fund sold its entire holding in BRD Groupe Societe Generale SA.

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

Portfolio

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

	30 June 2019	31 December 2018
Hidroelectrica SA	4,144,000,000	3,885,000,000
OMV Petrom SA	2,237,101,491	1,693,400,875
CN Aeroporturi Bucuresti SA	912,000,000	861,000,000
E-Distributie Banat SA	515,400,000	472,000,000
Engie Romania SA	489,000,000	445,000,000
E-Distributie Muntenia SA	424,900,000	389,000,000
E-Distributie Dobrogea SA	326,300,000	288,000,000
Societatea Nationala a Sarii SA	272,800,000	250,000,000
Administratia Porturilor Maritime SA	244,000,000	244,000,000
Nuclearelectrica SA	236,078,741	173,549,777
Alro SA	156,702,135	224,484,919
Enel Energie Muntenia SA	58,000,000	58,000,000
Enel Energie SA	44,000,000	44,000,000
Zirom SA	29,154,000	27,129,000
Romaero SA	24,790,960	25,971,482
Aeroportul International Traian Vuia Timisoara SA	20,000,000	20,000,000
BRD Groupe Societe Generale SA	-	190,965,914
Other	43,879,238	45,938,432
Total equity investments	10,178,106,565	9,337,440,399

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

Fair value hierarchy

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

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

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

30 June 2019	Level 1	Level 2	Level 3	Total
Equity investments	2,629,882,366	-	7,548,224,199	10,178,106,565
Treasury bills	49,388,608	-	-	49,388,608
	2,679,270,974	-	7,548,224,199	10,227,495,173
31 December 2018	Level 1	Level 2	Level 3	Total
Equity investments	2,282,401,486	-	7,055,038,913	9,337,440,399
Treasury bills	49,636,197	-	-	49,636,197
Government bonds	131,613,207	-	-	131,613,207
	2,463,650,890	-	7,055,038,913	9,518,689,803

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

The table below presents the movement in Level 3 equity investments during the first six months of 2019 and the first six months of 2018:

	6 months ended 30 June 2019	6 months ended 30 June 2018
Opening balance	7,055,038,913	6,884,984,802
Net unrealised gain recognised in profit or loss	493,185,286	11,009,052
Subscriptions to share capital increase of portfolio companies (see Note 15)	-	2,498,120
Disposals	-	(2,682,942)
Transfers in/(out) of Level 3	-	-
Closing balance	7,548,224,199	6,895,809,032

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

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

The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

For Level 3, the equity investments valuations were performed using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, which ensures that the underlying data is accurate, and that appropriate inputs were used in the valuation. As the valuation reports were prepared as at 30 September 2018, except for the valuation reports for the holding in Hidroelectrica SA, CN Aeroporturi Bucuresti SA, E-Distributie Banat SA, E-Distributie Muntenia SA, E-Distributie Dobrogea SA, Engie Romania SA, Societatea Nationala a Sarii SA and Zirom SA which were prepared as at 31 March 2019 (for 30 June 2018: as at 30 September 2017, except for the valuation reports for the holding in Hidroelectrica SA, CN Aeroporturi Bucuresti SA and Societatea Nationala a Sarii SA which were prepared as at 31 March 2018), based on financial information available for the companies under valuation at the respective dates, the Fund's management has analysed the period between the date of the valuation reports and the reporting date. There was no other information known or available to the Fund's management which may have significant impact on the fair values of the equity investments as at the reporting date, as they are presented in these condensed interim financial statements.

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

As a result of strong volatility in the capital markets and severe restrictions in the credit markets both globally and in Romania, notwithstanding any potential economic stabilisation measures that may be put into place by the Romanian State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, the future development of the market and demand for goods and services they produce.

These economic uncertainties are expected to continue in the foreseeable future and consequently, there is a possibility that the assets of the Fund are not recovered at their carrying amounts in the ordinary course of business. A corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of these condensed interim financial statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

As at 30 June 2019, unlisted equity investments and listed illiquid equity investments with a total carrying amount of RON 7,548,224,199 (31 December 2018: RON 7,055,038,913), were classified as Level 3 of the fair value hierarchy. The following table sets out information about the significant unobservable inputs used at 30 June 2019 and 31 December 2018 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

Financial assets	Fair value as at 30 June 2019	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	7,548,224,199			
Unlisted equity instruments	7,197,965,118	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.66 - 10.17 (8.68) Discount for lack of marketability: 14.7% or 15% or 20% (14.73%)	The higher the EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	304,870,000	Income approach - discounted cash flow method	Weighted average cost of capital: 12.12% or 12.90% or 14.00% (13.00%) Discount for lack of marketability: 12% or 14.6% or 17% (14.80%) Discount for lack of control: 0% or 18% or 25% (22.54%) Long-term revenue growth rate: 2% (2%)	The lower the weighted average cost of capital, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. The lower the discount for the lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	6,700,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 13.43 (13.43) Discount for lack of marketability: 24.4% (24.4%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	1,467,000	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.3 (0.3) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	0	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.53 (0.53)	Irrespective of the evolution of the unobservable inputs, the value of this investment is zero due to the negative equity value of this company generated by a high level of net debts.
Listed illiquid equity instruments	37,222,081	Bucharest Stock Exchange reference price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA.	

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

Significant unobservable inputs are the following:

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

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

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

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

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

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

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

15. Other assets

	30 June 2019	31 December 2018
Subscriptions to share capital increase of portfolio companies	67,322,550	-
Guarantee deposited to the broker for the 10th buyback tender offer (see Note 20)	49,509,900	-
Tax on dividends to be recovered from State Budget	348,524	838,000
Prepaid expenses	323,201	149,857
Intangible assets	249,394	336,522
Other assets	40,308	-
	117,793,877	1,324,379

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

15. Other assets (continued)

During December 2018 the shareholders of CN Aeroporturi Bucuresti SA and E-Distributie Banat SA approved a share capital increase, where the Fund contribution was in amount of RON 67,292,520 and RON 30,030, respectively. These amounts have been considered in the fair value of these participations included in these financial statements. The actual payments of the contributions were done by the Fund during 2019 and the legal registration of these share capital increases with the Trade Registry is still ongoing being expected to be completed in the upcoming period; this does not require any adjustments to the information included in these condensed interim financial statements.

On 1 April 2019 the tax authorities issued a compensation decision based on which the current tax liabilities were settled against the tax on dividends overpaid to State Budget during the prior years. After this offset, the outstanding balance of tax on dividends to be recovered from State Budget decreased from RON 838,000 to RON 348,524.

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

The payable to shareholders as at 30 June 2019 in amount of RON 656,899,985 (31 December 2018: RON 19,657,190) comprises the outstanding amounts due to shareholders related to the dividends in total amount of RON 649,272,561 (31 December 2018: RON 9,327,607) and to the returns of capital of RON 7,627,424 (31 December 2018: RON 10,329,583). The payable to shareholders as at 30 June 2019 mostly comprises the liability related to the gross dividend approved during the 4 April 2019 shareholders' meeting in amount of RON 642,318,809, the payment of which started on 1 July 2019.

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

	6 months ended 30 June 2019	6 months ended 30 June 2018
Opening balance	19,657,190	20,705,311
Gross dividend distributions approved during the period	642,318,809	499,976,345
Payments related to the distributions performed from the dedicated bank accounts	(5,076,014)	(436,597,199)
Less the withholding tax payable to State Budget in relation to the dividend payments	-	(18,619,848)
Closing balance	656,899,985	65,464,608

(b) Other liabilities and provisions

	30 June 2019	31 December 2018
Administration fees	17,596,614	10,776,338
Provision for litigations	856,247	856,247
Financial Supervisory Authority fees	799,713	778,414
Intermediaries and other transactions fees related to disposal of portfolio holdings	500,049	489,816
Payables related to treasury shares under settlement	-	1,027,752
Tax on dividends due to State Budget	-	495,092
Other liabilities	858,767	1,269,256
	20,611,390	15,692,915

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

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

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

During the six-month period ended 30 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 table below presents the shares balance and their nominal value:

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

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

Shareholder categories	% of subscribed share capital	% of paid share capital
The Bank of New York Mellon (depository bank for the Fund's GDRs)	26.64%	27.75%
Romanian institutional investors	19.14%	19.94%
Romanian private individuals	15.32%	15.95%
Foreign institutional investors	14.46%	15.06%
Foreign private individuals	2.41%	2.51%
Romanian State	0.07%	0.08%
Treasury shares	17.96%	18.71%
Unpaid shares (see Note 17(b))	4.00%	-
Total	100.00%	100.00%

Source: Depozitarul Central SA

(b) Reserves related to the unpaid share capital

Unpaid share capital represents the nominal value of certain contributions due to the Fund by the Romanian State, represented by the Ministry of Public Finance as shareholder, which were initially recorded as paid share capital (based on Law 247/2005) and in 2011 were considered unpaid following the final results of several litigations that took place in the past. Holders of unpaid shares are not entitled to vote or to receive dividends or other cash distributions, until the matters are legally clarified.

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

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

	30 June 2019	31 December 2018
Other reserves	640,744,712	-
Legal reserve	377,333,401	377,333,401
Distributions for which the statute of limitation occurred	1,255,660	1,255,660
Losses from cancellation of treasury shares	-	(80,910,369)
	1,019,333,773	297,678,692

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

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

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

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

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

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

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

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

(d) Treasury shares

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

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

The movement in the number of treasury shares (including the equivalent shares of GDRs bought-back) during the first six months of 2019 and the first six months of 2018 is presented in the table below:

	Opening balance 1 Jan 2019	Acquisitions during the period	Cancellations during the period	Closing balance 30 June 2019
Ninth buy-back	1,487,992,569	-	-	1,487,992,569
Tenth buy-back	-	146,880,638	-	146,880,638
	1,487,992,569	146,880,638	-	1,634,873,207

	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
	251,878,340	1,361,624,192	158,508,824	1,454,993,708

The movement in the buy-back programmes carrying amounts during the first six months of 2019 and the first six months of 2018 is presented in the below table:

	Opening balance 1 Jan 2019	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 30 June 2019
Ninth buy-back	1,414,500,848	-	-	1,414,500,848
Tenth buy-back	-	134,926,000	-	134,926,000
	1,414,500,848	134,926,000	-	1,549,426,848

	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
	218,255,507	1,299,061,531	(137,889,670)	1,379,427,368

(e) Dividend distribution

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

The shareholders registered in the shareholders' registry with the Central Depositary on 10 June 2019 have the right to receive a gross dividend of RON 0.0903 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 1 July 2019 and by the authorisation date of these condensed interim financial statements, shareholders had collected over 94% of the total distribution.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

18. Contingencies**Litigations**

At 30 June 2019, the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets the Fund considers that there are no litigations which may have significant effects on the Fund's financial position or profitability.

Other contingencies

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

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

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

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

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

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

The next hearing for the file started by the Fund against the Romanian State, represented by Ministry of Public Finance, for recovering the contributions of the Romanian State to the share capital of the Fund, was set for 17 September 2019 and the file is in the first stage.

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

	6 months ended 30 June 2019	6 months ended 30 June 2018
Total Fund's cost with BON remuneration, <i>out of which</i> :	723,690	723,690
Net remuneration paid to BON members	506,949	423,360
Related taxes and contributions payable to State Budget	216,741	300,330

There were no loans to or other transactions between the Fund and the members of the Board of Nominees neither in the first six months of 2019 nor in the first six months of 2018.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

19. Related parties (continued)**(a) Key management (continued)***(ii) Sole Director and Investment Manager*

FTIS is the Sole Director and Alternative Investment Fund Manager of the Fund starting with 1 April 2016. The initial mandate was for a two-year period and this was renewed for another two years starting with 1 April 2018. During the 28 June 2019 shareholders meeting, the Fund's shareholders approved a new mandate of FTIS as AIFM and Sole Director of the Fund for the period 1 April 2020 – 31 March 2022. The role of Investment Manager and certain administrative functions have been delegated by FTIS to FTIML.

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

Transactions	6 months ended 30 June 2019	6 months ended 30 June 2018
Administration fees	27,537,846	39,356,076

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

Transactions	6 months ended 30 June 2019	6 months ended 30 June 2018
Rent expense charged to the Fund	39,532	41,397
Operating cost charged to the Fund	13,961	13,056
	53,493	54,453

During the first six months of 2019, the Fund also recorded RON 362,768 representing expenses incurred by FTIML on its behalf (first six months of 2018: RON 534,592). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the management agreement in place at the respective moment and was subject to Board of Nominees' approval.

The outstanding liabilities owed by the Fund were as follows:

Amounts due to:	30 June 2019	31 December 2018
FTIS	17,596,614	10,776,338
FTIML	9,467	193,877
	17,606,081	10,970,215

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

(b) Subsidiaries

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

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

During the first six months of 2019, the Fund recorded and collected from Alcom SA dividends in total amount of RON 1,602,858.

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).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

19. Related parties (continued)**(b) Subsidiaries (continued)**

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

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

	30 June 2019	31 December 2018
Ownership interest		
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 2019 or in the first six months of 2018.

As at 30 June 2019, the balance due by Societatea Nationala a Sarii SA to the Fund amounted RON 6,595 (31 December 2018: RON 6,389) and comprised the outstanding dividend receivable of RON 6,378 (31 December 2018: RON 6,378) and the penalties for delay payment of dividends of RON 217 (31 December 2018: RON 11). The outstanding balance due by Societatea Nationala a Sarii SA to the Fund is fully impaired.

20. Subsequent events**Tender Offer within the tenth buy-back programme**

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

As such, the daily execution of the tenth buy-back programme, with respect to the shares on the Bucharest Stock Exchange and GDRs on the London Stock Exchange was suspended starting with 14 June 2019.

Banca Comerciala Romana SA has been engaged as intermediary in relation to the purchase of shares. Auerbach Grayson and Banca Comerciala Romana SA 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 9 July 2019, the FSA approved the Fund's application for the tender offer within the tenth buy-back programme. The subscription period is from 15 July 2019 until 19 August 2019, and the purchase price is RON 1.21 per share and the USD equivalent of RON 60.50 per GDR.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(all amounts are in RON unless otherwise stated)

20. Subsequent events (continued)**Partial waiver of credit facility concluded with BRD – Groupe Societe Generale SA**

The Fund announced on 25 July 2019 that it decided to partially waive the existing credit facility, the effective date being 19 August 2019. The new maximum committed amount starting 19 August 2019 is RON 45,000,000. All other provisions of the credit facility agreement, including the provisions regarding the additional funding will remain unchanged. Thus, the Fund may access, subject to the bank's approval and in accordance with the provisions of the credit facility agreement, additional financing in excess of the committed amount, without exceeding a total amount of RON 245,000,000 at any given time.

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 28 June 2019, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	31 December 2018				28 June 2019				Differences RON
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
I. Total assets	100.3458%	100.0000%		10,254,794,184.46	106.3087%	100.0000%		11,411,921,825.17	1,157,127,640.71
1. Securities and money market instruments, out of which:*	24.0176%	23.9350%		2,454,476,486.94	24.8457%	23.3712%		2,667,104,447.14	212,627,960.20
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	24.0176%	23.9350%	-	2,454,476,486.94	24.8457%	23.3712%	-	2,667,104,447.14	212,627,960.20
1.1.1 listed shares traded in the last 30 trading days	22.6042%	22.5265%	-	2,310,030,648.67	24.7352%	23.2673%	-	2,655,250,226.37	345,219,577.70
1.1.2 listed shares not traded in the last 30 trading days	0.1256%	0.1251%	-	12,832,631.77	0.1105%	0.1039%	-	11,854,220.77	(978,411.00)
1.1.3 Government bonds	1.2878%	1.2834%	-	131,613,206.50	0.0000%	0.0000%	-	-	(131,613,206.50)
1.1.4 allotment rights not admitted at trading on a regulated market	-	-	-	-	-	-	-	-	-
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-	-	-	-	-	-	-	-
1.2.1 listed shares traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.2.2 listed shares not traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.3. securities and money market instruments admitted on a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the Financial Supervisory Authority ("FSA")	-	-	-	-	-	-	-	-	-
2. New issued securities	-	-	-	-	-	-	-	-	-
3. Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	72.4656%	72.2156%	-	7,405,575,340.14	69.9693%	65.8173%	-	7,510,997,370.84	105,422,030.70
- shares not admitted at trading on a regulated market	72.4656%	72.2156%	-	7,405,575,340.14	69.9693%	65.8173%	-	7,510,997,370.84	105,422,030.70
4. Bank deposits, out of which:	1.8309%	1.8246%	-	187,116,148.99	1.9357%	1.8209%	-	207,795,069.52	20,678,920.53
4.1. bank deposits made with credit institutions from Romania	1.8309%	1.8246%	-	187,116,148.99	1.9357%	1.8209%	-	207,795,069.52	20,678,920.53
- in RON	1.8309%	1.8246%	-	187,116,148.99	1.9357%	1.8209%	-	207,795,069.52	20,678,920.53
- in euro	-	-	-	-	-	-	-	-	-
4.2. bank deposits made with credit institutions from an EU state	-	-	-	-	-	-	-	-	-
4.3. bank deposits made with credit institutions from a non-EU state	-	-	-	-	-	-	-	-	-
5. Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	-	-	-
6. Current accounts and petty cash out of which:	0.1923%	0.1916%	-	19,647,401.47	5.8803%	5.5314%	-	631,238,431.24	611,591,029.77
- in RON	0.1923%	0.1916%	-	19,643,299.83	5.8803%	5.5314%	-	631,233,400.33	611,590,100.50
- in euro	0.0000%	0.0000%	EUR 380.61	1,775.13	0.0000%	0.0000%	EUR 400.08	1,894.42	119.29
- in USD	0.0000%	0.0000%	USD 228.23	929.72	0.0000%	0.0000%	USD 377.70	1,570.74	641.02
- in GBP	0.0000%	0.0000%	GBP 268.97	1,396.79	0.0000%	0.0000%	GBP 296.91	1,565.75	168.96
7. Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	0.4857%	0.4840%	-	49,636,197.39	0.4600%	0.4327%	-	49,381,329.83	(254,867.56)
- Treasury bills with original maturities of less than 1 year	0.4857%	0.4840%	-	49,636,197.39	0.4600%	0.4327%	-	49,381,329.83	(254,867.56)
8. Participation titles of OCII and/or of UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9. Other assets out of which:	1.3537%	1.3492%	-	138,342,609.53	3.2177%	3.0265%	-	345,405,176.60	207,062,567.07
- net dividend receivable from Romanian companies	1.3408%	1.3362%	-	137,018,230.51	2.1203%	1.9945%	-	227,613,500.94	90,595,270.43
- guarantee deposited to the broker for the 10 th buyback tender offer	-	-	-	-	0.4613%	0.4338%	-	49,507,700.00	49,507,700.00
- receivables related to the cash contributions to the share capital increases performed by portfolio companies	-	-	-	-	0.6271%	0.5899%	-	67,322,550.00	67,322,550.00
- tax on dividends to be recovered from the State Budget	0.0082%	0.0082%	-	838,000.00	0.0032%	0.0030%	-	348,524.00	(489,476.00)
- intangible assets	0.0033%	0.0033%	-	336,522.13	0.0023%	0.0022%	-	249,393.83	(87,128.30)
- other receivables out of which:	-	-	-	-	0.0004%	0.0003%	-	40,307.09	40,307.09
- in RON	-	-	-	-	0.0004%	0.0003%	-	40,307.09	40,307.09
- prepaid expenses	0.0015%	0.0015%	-	149,856.89	0.0031%	0.0028%	-	323,200.74	173,343.85
II. Total liabilities	0.3458%	0.3447%		35,350,104.78	6.3087%	5.9342%		677,207,626.74	641,857,521.96
1. Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1054%	0.1051%	-	10,776,338.36	0.1617%	0.1521%	-	17,353,212.89	6,576,874.53
2. Liabilities related to the fees payable to the depositary bank	0.0005%	0.0005%	-	49,303.67	0.0010%	0.0009%	-	106,682.26	57,378.59
3. Liabilities related to the fees payable to intermediaries	0.0048%	0.0048%	-	489,816.18	0.0047%	0.0044%	-	500,048.74	10,232.56
4. Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
5. Interest payable	-	-	-	-	-	-	-	-	-
6. Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-
7. Liabilities in relation with the fees/commissions to FSA	0.0075%	0.0075%	-	778,414.45	0.0070%	0.0065%	-	746,399.06	(32,015.39)
8. Liabilities related to audit fees	0.0020%	0.0020%	-	203,055.52	0.0000%	0.0000%	-	767.12	(202,288.40)
9. Other Liabilities, out of which:	0.2256%	0.2248%	-	23,053,176.60	6.1343%	5.7703%	-	658,500,516.67	635,447,340.07
- liabilities to the Fund's shareholders related to the dividend distribution	0.0912%	0.0911%	-	9,327,606.80	6.0483%	5.6895%	-	649,272,561.07	639,944,954.27
- liabilities related to the return of capital	0.1011%	0.1007%	-	10,329,582.90	0.0711%	0.0668%	-	7,627,424.25	(2,702,158.65)

FONDUL PROPRIETATEA SA

Item	31 December 2018				28 June 2019				Differences RON
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
- provisions	0.0084%	0.0083%	-	856,247.22	0.0080%	0.0075%	-	856,247.22	-
- liabilities related to buybacks under settlement	0.0101%	0.0100%	-	1,027,752.33	-	-	-	-	(1,027,752.33)
- remunerations and related contributions	0.0005%	0.0005%	-	50,055.00	0.0003%	0.0003%	-	34,857.00	(15,198.00)
- VAT payable to State Budget	-	-	-	-	0.0002%	0.0002%	-	22,622.13	22,622.13
- tax on dividends payable to State Budget	0.0048%	0.0048%	-	495,092.04	-	-	-	-	(495,092.04)
- other liabilities out of which:	0.0095%	0.0094%	-	966,840.31	0.0064%	0.0060%	-	686,805.00	(280,035.31)
- in RON	0.0095%	0.0094%	-	966,840.31	0.0057%	0.0053%	-	607,850.29	(358,990.02)
- in euro	-	-	-	-	0.0007%	0.0007%	EUR 16,674.35	78,954.71	78,954.71
III. Net Asset Value (I - II)	100.0000%	99.6553%		10,219,444,079.68	100.0000%	94.0658%		10,734,714,198.43	515,270,118.75

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

Unitary Net Asset Value

Item	28 June 2019	31 December 2018	Differences
Net Asset Value	10,734,714,198.43	10,219,444,079.68	515,270,118.75
Number of outstanding shares	7,103,277,709	7,250,158,347	(146,880,638)
Unitary net asset value	1.5112	1.4095	0.1017

DETAILED STATEMENT OF INVESTMENTS AS AT 28 JUNE 2019

Securities admitted or traded on a regulated market in Romania, out of which:

1.1 listed shares traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alro Slatina SA	ALR	28-Jun-2019	72,884,714	0.5	2.1500	156,702,135.10	10.21%	1.3731%	1.4598%	Closing price
IOR SA	IORB	28-Jun-2019	2,622,273	0.1	0.2200	576,900.06	1.18%	0.0051%	0.0054%	Reference price - Average price
OMV Petrom SA	SNP	28-Jun-2019	5,663,548,078	0.1	0.3950	2,237,101,490.81	9.99%	19.6032%	20.8399%	Closing price
Romaero SA	RORX	25-Jun-2019	1,311,691	2.5	18.9000	24,790,959.90	18.87%	0.2172%	0.2309%	Reference price - Average price
Nuclearelectrica SA	SNN	28-Jun-2019	21,268,355	10	11.1000	236,078,740.50	7.05%	2.0687%	2.1992%	Closing price
Total						2,655,250,226.37		23.2673%	24.7352%	

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	10-Feb-2017	89,249	2.5	128.7846	11,493,896.77	71.89%	0.1007%	0.1071%	Fair value / share (Shareholders' equity as at 31 December 2018 adjusted with dividends per share)
Mecon SA	MECP	21-Mar-2019	60,054	11.6	6.0000	360,324.00	12.51%	0.0032%	0.0034%	Fair value / share (Last trading price)
Total						11,854,220.77		0.1039%	0.1105%	

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

Unlisted shares

Issuer	No. of shares held	Date of acquisition *	Acquisition price (total price of acquisition of shares)**	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19-Jul-2005	1,490,898	63.3447	1,466,999.91	20.00%	0.0129%	0.0137%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19-Jul-2005	2,652,588	624.6876	19,999,998.20	20.00%	0.1753%	0.1863%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
BAT Service SA	194,022	19-Jul-2005	656,686	0.0000	0.00	33.00%	0.0000%	0.0000%	Bankruptcy	Priced at zero
CN Administratia Canalelor Navigabile SA	203,160	19-Jul-2005	15,194,209	71.8800	14,603,140.80	20.00%	0.1280%	0.1360%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19-Jul-2005	675,810	63.3599	1,745,818.68	20.00%	0.0153%	0.0163%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
CN Administratia Porturilor Dunarii Maritime SA	21,237	19-Jul-2005	1,351,671	189.1104	4,016,137.56	20.00%	0.0352%	0.0374%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
CN Administratia Porturilor Maritime SA	2,658,128	19-Jul-2005	52,691,564	91.7939	243,999,935.82	19.99%	2.1381%	2.2730%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
CN Aeroporturi Bucuresti SA***	2,875,443	5-Feb-2010	131,168,263	317.1685	911,999,943.15	20.00%	7.9916%	8.4958%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
Complexul Energetic Oltenia SA****	27,387,940	31-May-2012	670,353,852	0.0000	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
Comsig SA	75,655	19-Jul-2005	132,633	0.0000	0.00	69.94%	0.0000%	0.0000%	Administrative liquidation	Priced at zero
E-Distributie Banat SA	9,220,644	19-Jul-2005	141,578,929	55.8963	515,399,883.22	24.12%	4.5163%	4.8012%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
E-Distributie Dobrogea SA	6,753,127	19-Jul-2005	114,760,053	48.3183	326,299,616.32	24.09%	2.8593%	3.0397%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
E-Distributie Muntenia SA	3,256,396	19-Jul-2005	107,277,263	130.4816	424,899,760.31	12.00%	3.7233%	3.9582%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
Enel Energie Muntenia SA	444,054	19-Jul-2005	2,833,769	130.6147	57,999,979.99	12.00%	0.5082%	0.5403%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
Enel Energie SA	1,680,000	19-Jul-2005	26,124,808	26.1904	43,999,872.00	12.00%	0.3856%	0.4099%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
Engie Romania SA	2,390,698	19-Jul-2005	62,610,812	204.5427	488,999,823.80	11.99%	4.2850%	4.5553%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
Gerovalit Cosmetics SA	1,350,988	19-Jul-2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,396,405	19-Jul-2005	3,019,591,996	46.3553	4,143,997,172.70	19.94%	36.3129%	38.6037%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
Plafar SA	132,784	28-Jun-2007	3,160,329	21.9604	2,915,989.75	48.99%	0.0256%	0.0272%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
Posta Romana SA	14,871,947	19-Jul-2005	84,664,380	0.4505	6,699,812.12	6.48%	0.0587%	0.0624%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2018)
Romplumb SA	1,595,520	28-Jun-2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Salubriserv SA	43,263	19-Jul-2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Simtex SA	132,859	28-Jun-2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28-Jun-2007	76,347,715	135.9998	272,799,822.82	48.99%	2.3905%	2.5413%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
World Trade Center Bucuresti SA	198,860	19-Jul-2005	42,459	0.0000	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero
World Trade Hotel SA	17,912	19-Jul-2005	17,912	0.0000	0.00	19.90%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (lack of annual financial statements for the year-ended 31 December 2017)
Zirom SA	5,912,083	28-Jun-2007	58,908,072	4.9312	29,153,663.69	100.00%	0.2555%	0.2716%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 March 2019)
Total			4,597,144,345		7,510,997,370.84		65.8173%	69.9693%		

Legend:

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

** = The acquisition price includes the initial value of Fondul Proprietatea's final portfolio of shares contributed by the Romanian State in December 2005 and June 2007 determined based on the valuation performed in October 2007 by an independent valuer (Finevex SRL Constanta) and the subsequent subscriptions to share capital increase of portfolio companies, if the case, (respectively the contribution in cash) less the disposals (if the case). Fondul Proprietatea did not perform any acquisition of unlisted shares from its incorporation date until now. The acquisition price does not include the bonus shares received by Fondul Proprietatea (following the share capital increase of portfolio companies) proportionally to its holding as these do not qualify as cost in accordance with the IFRS basis of accounting.

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

FONDUL PROPRIETATEA SA

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

Treasury bills with discount

Series and number of the issue	No. of instruments	Date of acquisition	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Intermediary Bank	Evaluation method
ROUQZW7XZ8D3	10,000	2-Apr-2019	16-Dec-2019	49,068,355.50	3,639.24	312,974.33	49,381,329.83	0.4327%	0.4600%	CITI Bank	Acquisition price cumulated with the related interest since the acquisition date
Total							49,381,329.83	0.4327%	0.4600%		

Bank deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Raiffeisen Bank	27-Jun-2019	4-Jul-2019	21,100,000.00	1,230.84	2,461.67	21,102,461.67	0.1849%	0.1966%	Bank deposit value cumulated with the daily related interest for the period from starting date
Banca Comerciala Romana	28-Jun-2019	1-Jul-2019	21,200,000.00	1,207.22	1,207.22	21,201,207.22	0.1858%	0.1975%	
BRD Groupe Societe Generale	28-Jun-2019	1-Jul-2019	155,400,000.00	6,906.67	6,906.67	155,406,906.67	1.3618%	1.4477%	
BRD Groupe Societe Generale	28-Jun-2019	1-Jul-2019	10,084,079.39	414.57	414.57	10,084,493.96	0.0884%	0.0939%	
Total			207,784,079.39		10,990.13	207,795,069.52	1.8209%	1.9357%	

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

	29 December 2017	31 December 2018	28 June 2019
Net Asset	10,790,418,333.80	10,219,444,079.68	10,734,714,198.43
NAV/share	1.2375	1.4095	1.5112

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

Johan Meyer
Permanent representative

BRD Groupe Societe Generale

Claudia Ionescu
Director

Victor Strambei
Manager Depositary Department

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

Marius Nechifor
Compliance Officer

Annex 3

Statement of persons responsible

In accordance with the provisions of
FSA Regulation no. 5/2018, Art.223, par. B (1), letter c

Entity: Fondul Proprietatea SA

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

Trade Registry Number: J40/21901/28.12.2005

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

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

Sole Registration Code: 18253260

The undersigned, Johan Meyer, Permanent Representative with Franklin Templeton International Services S.à r.l as Sole Director of Fondul Proprietatea SA, and Cadaru Catalin, Financial reporting manager, Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, acting as Investment Manager on behalf of Fondul Proprietatea SA undertake the responsibility for the preparation of the semi-annual financial reporting as at 30 June 2019 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 of the issuer;
- c) The company is conducting its business on the going concern basis;
- d) The Semi-annual Report for the first half of 2019 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

Johan Meyer

Permanent Representative

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

Catalin Cadaru

Financial Reporting Manager

Annex 4

Constitutive Act of Fondul Proprietatea SA in force as at 30 June 2019

CHAPTER I

Name of the company, legal form, headquarters and duration

ARTICLE 1

Name of the Company

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

ARTICLE 2

Legal form of the company

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

ARTICLE 3

Company headquarters

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

ARTICLE 4

Company duration

The duration of Fondul Proprietatea is unlimited.

CHAPTER II

Purpose and business object of the company

ARTICLE 5

Company purpose

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

ARTICLE 6

Business object

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

CHAPTER III

Share capital, shares

ARTICLE 7

Share capital

- (1) The subscribed share capital of Fondul Proprietatea is in the amount of RON 4,733,020,898.32, divided in 9,101,963,266 ordinary, nominative shares, having a nominal value of RON 0.52 each.
- (2) The identification data of each shareholder, the contribution to the share capital of each shareholder, the number of shares to which a shareholder is entitled to and the participation quota out of the total share capital are included in the shareholders' register kept by a computerized system by the Central Depository.
- (3) The capacity of shareholder of Fondul Proprietatea, as well as, in the case of legal persons or entities without legal personality, the capacity of legal representative of that respective shareholder is established on the basis of the list of shareholders from the reference/registration date received by Fondul Proprietatea from Depozitarul Central S.A. or, as the case may be, for dates different from the reference/registration date, on the basis of the following documents submitted to Fondul Proprietatea by the shareholder and issued by Depozitarul Central S.A. or by the participants as defined by the applicable laws and regulations, which provides custody services: a) the statement of account showing the capacity of shareholder and the number of shares held; b) documents evidencing the registration of the information on the legal representative with Depozitarul Central S.A./ respective participants.

ARTICLE 8

Share capital increase and decrease

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

- b) decreasing the nominal value of shares; and
- c) other means provided by the law.

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

(7) Share capital decrease shall be performed only after two months as of the publication in the Official Gazette of Romania, Part IV, of the resolution of the extraordinary general meeting of the shareholders.

ARTICLE 9

Shares

(1) The shares of Fondul Proprietatea are nominative, of equal value, issued in dematerialized form, established by registration in the account, and grants equal rights to their holders under the conditions provided by art. 11.

(2) The nominal value of a share is RON 0.52.

(3) The shares are indivisible with respect to Fondul Proprietatea, acknowledging only one holder for each share. In case a share becomes the property of more persons, Fondul Proprietatea / the Central Depository is not bound to register the transfer as long as those persons will not appoint a sole representative to exercise the rights arising from the share.

(4) The partial or total transfer of the shares amongst the shareholders or third parties is done according to the terms, conditions and procedure provided by law.

(5) Fondul Proprietatea may buy back its own shares in accordance with the conditions laid down in legislation in force.

(6) The right to dividends are held by the shareholders registered in the shareholders' register, according to the applicable legal and/or regulatory provisions.

ARTICLE 10

Bonds

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

ARTICLE 11

Rights and obligations arising from shares

(1) Each share fully paid by the shareholders, according to the law, grants them the right to vote in the general meeting of the shareholders, according to the provisions of paragraph (2), the right to elect and to be elected in the management bodies, the right to take part in the profit distribution, according to the provisions of this constitutive act and the legal dispositions, respectively other rights provided by the constitutive act.

(2) The shares issued by Fondul Proprietatea grant the right to vote, each share grants **one voting right**.

(3) Holding one share implies the rightful adhesion to this constitutive act.

(4) The rights and obligations follow the shares in case ownership thereof passes to another person.

CHAPTER IV

General meeting of the shareholders

ARTICLE 12

General meetings of the shareholders

- (1) The general meeting of the shareholders may be ordinary and extraordinary.
- (2) The ordinary general meeting of the shareholders has the following competencies, duties and functions:
- a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Alternative Investment Fund Manager and financial auditor;
 - b) to establish the distribution of the net profit and to establish the dividends;
 - c) to appoint the members of the Board of Nominees ("BoN") and to cancel their appointment;
 - d) to appoint the Alternative Investment Fund Manager in accordance with the law and to cancel its appointment;
 - e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;
 - f) to set the level of the remuneration of the members of the Board of Nominees, the Alternative Investment Fund Manager and of the financial auditor for financial audit services for the ongoing fiscal year;
 - g) to rule over the management of the Alternative Investment Fund Manager and to evaluate his/her performances and to discharge him/her from its management;
 - h) to decide on the action in a court of law against the Alternative Investment Fund Manager or, as the case may be, against the financial audit, for damages caused to Fondul Proprietatea;
 - i) to approve the strategies and the development policies of Fondul Proprietatea;
 - j) to establish the annual income and expenditure budget for the following financial year;
 - k) to decide upon the pledge, lease or the creation of the movable securities or mortgages on the assets of Fondul Proprietatea;
 - l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.
- (3) The extraordinary general meeting of the shareholders is entitled to decide on the following:
- a) set-up or closing of some secondary units: branches, agencies, representative offices or other such units with no legal personality;
 - b) share capital increase;
 - c) share capital decrease or re-completion thereof by issuing new shares;
 - d) conversion of shares from one category to another;
 - e) conversion of a category of bonds to another category or to shares;
 - f) issue new bonds;
 - g) approves the admission for trading and nominates the regulated market on which the shares of Fondul Proprietatea will be traded;
 - h) the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;
 - i) change of the management system of Fondul Proprietatea;
 - j) limitation or cancellation of the preference right of the shareholders;
 - k) approves the Investment Policy Statement;
 - l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general meeting of the shareholders, according to applicable law or to this Constitutive Act.

ARTICLE 13

Summoning the general meeting of the shareholders

- (1) The general meeting of the shareholders is called by the Alternative Investment Fund Manager whenever required. Prior to the convocation of the general meeting of the shareholders, the Alternative Investment Fund Manager shall communicate to the Board of Nominees the intention to call the general meeting and shall introduce on the list of matters for the meeting all matters requested by the Board of Nominees.
- (2) The ordinary general meeting of the shareholders meets at least once a year, within 4 months from the end of the

financial year.

(3) The date of the meeting may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.

(4) The general meeting of the shareholders, either ordinary or extraordinary, shall be called whenever required, according to the legal provisions in force and with the dispositions of the constitutive act, by publication of the calling notice in the Official Gazette of Romania, Part IV, and a national daily newspaper or in a local newspaper largely read in the locality where the HQ of the company resides at least 30 days prior to the proposed date of meeting.

(5) One or more shareholders, individually or jointly, representing at least 5% of the share capital of Fondul Proprietatea, may request the Alternative Investment Fund Manager by a written address signed by the holder(s) to introduce in the agenda new matters, within 15 days of the publication of the calling notice.

(6) The calling notice, any other matter added to the agenda at the request of the shareholders or of the Board of Nominees, the annual financial statements, the annual report of the Alternative Investment Fund Manager, the report of the Board of Nominees as well as the proposal to distribute dividends are made available to the shareholders, at the headquarters of Fondul Proprietatea at the date of convocation of the general meeting, and are also published on the internet page, for free access to information by the shareholders. Upon request, copies of these documents shall be issued to the shareholders.

(7) The calling notice includes the place, hour and date of the general meeting of the shareholders, as well as the agenda, expressly mentioning all matters that will be subject to debate and all matters required by the applicable law.

(8) In case the agenda includes proposals to amend the constitutive act, the notice shall include the full text of the proposals. In case the agenda includes the appointment of the members of the Board of Nominees, the notice shall mention that the list including information regarding the name, the residence and professional training of the persons proposed for the position of member of the Board of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.

(9) The notice for the first general meeting of the shareholders may provide also the day and hour of the second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting cannot take place if the quorum is not being met.

(10) The general meeting of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.

(11) The Board of Nominees may request to the Alternative Investment Fund Manager the calling of the general meeting, and if the Fund Manager does not observe the written request of the Board of Nominees within 5 working days from receiving it, the Board of Nominees may call upon the general meeting of the shareholders by following the same procedures as set out in this Article.

(12) The chairperson of Board of Nominees may request to the Alternative Investment Fund Manager the calling of the general meeting according to article 16 paragraph (4) second sentence.

(13) The Alternative Investment Fund Manager immediately call the general meeting of the shareholders, upon written request of the shareholders, individually or jointly, representing at least 5% of the share capital, in case the request includes dispositions that fall under the responsibility of the general meeting of shareholders.

(14) In the case provided by paragraph (13), the general meeting of the shareholders shall be called within at most 30 calendar days and shall meet within at most 60 calendar days as of the date when the Alternative Investment Fund Manager received the request of the shareholders.

(15) In the situation provided by paragraphs (13) and (14), in case the Alternative Investment Fund Manager does not call the general meeting of shareholders, the shareholders who requested the calling of the general meeting may request the same to the Board of Nominees. Should the Board of Nominees is also not responding to their request in 10 working days from the receipt of the request, the court of law from the headquarters of Fondul Proprietatea, by summoning the Alternative Investment Fund Manager, may authorize the calling of the general meeting by the shareholders which formulated the request

ARTICLE 14

Organization of the general meeting of the shareholders

I. Quorum and voting rights

(1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is

required that the shareholders representing at least a fourth of the total shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with the majority of votes.

(2) In case the ordinary general meeting of the shareholders cannot operate due to lack of quorum under paragraph (1), the meeting that will meet upon a second convocation may deliberate on the items included in the agenda of the first meeting, irrespective of the met quorum, taking decision by majority of the expressed votes.

(3) For the validity of the deliberations of the extraordinary general meeting of the shareholders the following are required:

a) upon the first convocation, the attendance of the shareholders representing at least a fourth of the shares having voting rights, and the decisions are taken with majority of votes held by the shareholders attending or being represented;

b) upon the second convocation, the general meeting of the shareholders may deliberate on the items included in the agenda of the first meeting in the presence of the shareholders representing at least one fifth of the total number of the shares having voting rights, taking decisions by majority of votes held by the shareholders attending or being represented.

(4) The attendance of shareholders representing at least 50% of the total number of the voting rights, both at the first and the second convocation, is required for the validity of deliberations of the extraordinary general meeting of the shareholders to adopt a decision regarding:

(i) a share capital increase,

(ii) the anticipated dissolution of Fondul Proprietatea, made under the conditions of the law.

(5) For the validity of the deliberation of the extraordinary general meeting of shareholders regarding a share capital decrease, the attendance of the shareholders representing:

(i) at least a fourth of the shares having voting rights upon the first convocation, and

(ii) at least one fifth of the total number of the shares having voting rights, upon the second convocation is required.

(6) The decision to amend the main business object of Fondul Proprietatea, to decrease or increase the share capital, to change the legal form, to merge, de-merge or dissolve, is taken with a majority of at least two thirds of the voting rights related to the shares having voting rights of the shareholders attending or being represented.

II. Procedure of the meetings

(7) On the day and hour established in the convocation, the general meeting of the shareholders shall be opened by the permanent representative of the Alternative Investment Fund Manager or, in its absence, by the one holding its place. A legal representative of the Alternative Investment Fund Manager or a person appointed by the legal representative of the Fund Manager shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.

(8) The general meeting shall elect, from amongst the attending shareholders, 1 up to 3 secretaries, who will check the attendance list of the shareholders, indicating the share capital represented by each of them, the minutes drawn up by the technical secretary to determine the number of the submitted shares and the fulfillment of the formalities requested by law and by the constitutive act for holding the general meeting of the shareholders.

(9) A minute of the meeting, signed by the president and by Secretaries, shall determine the fulfillment of the calling formalities, the date and place of the general meeting of the shareholders, attending shareholders, the members of the Board of Nominees present, the number of shares, a summary of the debates, the decisions taken, and upon request of the shareholders, the statements made thereby in the meeting.

(10) The documents referring to the convocation and the shareholders' attending list shall be attached to each minute.

(11) The permanent representative of the Alternative Investment Fund Manager may appoint, from amongst the employees of the Alternative Investment Fund Manager, one or more technical secretaries, to fulfill their duties according to the legal provisions.

(12) The decisions of the general meetings of the shareholders are drawn-up based on the minutes and is signed by the permanent representative of the Alternative Investment Fund Manager or by a person appointed thereby. The minutes shall be recorded in the general meetings of the shareholders' register.

(13) Considering the extremely large number of shareholders of Fondul Proprietatea the shareholders may participate in person, by proxy with a special power of attorney or may express their voting right by correspondence or by electronic voting; the procedures and forms for the proxy, correspondence and electronic voting shall be set by the Alternative Investment Fund Manager, in accordance with the applicable legislation and are made available to the

shareholders at least by the date of publishing of convening notice for general meeting of shareholders.

(14) Considering the introduction of the voting right by correspondence, which right may be exercised and it is recommended to be exercised by any of the shareholders, the statutory quorum that needs to be met for the valid holding of any type of general meeting of the shareholders is calculated by including the votes deemed validly sent by correspondence.

(15) Also in the case of the vote by correspondence, each shareholder is entitled to pronounce himself in writing, with respect to the issues included in the agenda, casting a vote "for", "against" or "abstained". The expressed votes that are not cancelled are considered.

(16) All shareholders who, at the reference date, are registered in the shareholders' register, kept according to the law, have the right to participate to the general meetings of the shareholders.

(17) In order to ensure the effective and real possibility of all shareholders to be informed on the contents of the documents and the proposals of the ones requiring the organization of the general meeting of the shareholders, by care of the Alternative Investment Fund Manager, such will be available, at the headquarters of Fondul Proprietatea, as well as on the internet page of Fondul Proprietatea, at least 30 days prior to the date provided for holding the meeting. In the case the calling of the general meeting is made by the Board of Nominees, the Alternative Investment Fund Manager has the obligation to fulfil all the above-mentioned formalities at the request of the Board of Nominees. In case the communication with the shareholder is not realized in this way, for objective reasons, the Board of Nominees may announce in the calling notice a different address than the registered address of Fondul Proprietatea, where the above-mentioned documents will be made public on the website of Fondul Proprietatea, in accordance with the applicable legislation.

(18) In the ads informing on the convocation of the general meeting of shareholders of Fondul Proprietatea it will be indicated, by the Alternative Investment Fund Manager the reference date in relation to which the shareholders will be entitled to participate and vote. Also, the date by when the shareholders may send their votes, as well as the procedure for voting by correspondence, regarding any of the issues subject to approval shall also be set. If the calling of the general meeting is made at the request of the Board of Nominees the above mentioned duties shall be fulfilled by the Board of Nominees. The deadline by when votes by correspondence may be registered at least 5 working days subsequent to the date of publication of the informative material and is prior to the convocation date of the general meeting of the shareholder by at least 48 hours.

(19) The votes of the shareholders will be sent electronically or by letter to the headquarters of Fondul Proprietatea, in a clear and precise form, noting "for", "against" or "abstained" in relation to each issue subject to approval for which the shareholder intends to cast a vote.

(20) The votes transmitted electronically shall be cancelled if they do not observe the procedure set by the Alternative Investment Fund Manager drawn up according to the Financial Supervisory Authority regulations and such votes will not be taken into consideration in calculating the attending quorum.

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

(21) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.

(22) The decisions of the general meetings of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.

(23) Only the shareholders registered in the company shareholders' register at the reference date established by the Alternative Investment Fund Manager or the Board of Nominees, as the case may be, when calling the general meeting of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.

(24) Secret vote is compulsory for electing and revoking the Alternative Investment Fund Manager, the members of the Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the Alternative Investment Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.

(25) The procedures referring to the secret vote, where applicable will be approved by the Alternative Investment Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.

(26) The decisions of the general meeting of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.

(27) The shareholders who do not have capacity to act, as well as the legal entities may be represented by their legal representatives who, in their turn, may grant power of attorney to other persons for that particular general meeting of the shareholders.

CHAPTER V

The Board of Nominees

ARTICLE 15

Organisation

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

ARTICLE 16

Functioning

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

shareholders shall immediately convoke for the appointment of new members. For the period in time by the decision of the general meeting, the other members of the Board of Nominees will nominate members ad interim to fulfil the vacant positions. The decision of the Board of Nominees on nominating members ad interim will be communicated to the Alternative Investment Fund Manager, the auditor and will be filed with the Trade Register.

ARTICLE 17

Attributions of the Board of Nominees

The Board of Nominees has the followings duties and functions:

- (1) Following the information received from the Alternative Investment Fund Manager with regard to the summoning of the ordinary and/or extraordinary general meeting of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general meeting of shareholders;
- (2) Receives from the Alternative Investment Fund Manager the information in connection with the answers to the written requests submitted before the date of the general meeting of the shareholders, by the shareholders on topics regarding Fondul Proprietatea's activity;
- (3) Receives from the Alternative Investment Fund Manager the annual financial statements, the annual activity report presented by the Alternative Investment Fund Manager and the financial auditors' report, before being made available to the shareholders and analyses them, being able to formulate an opinion to be presented to both the Alternative Investment Fund Manager and the general meeting;
- (4) Receives from the Alternative Investment Fund Manager for analysis the annual report and the management policy of Fondul Proprietatea and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders regarding such;
- (5) Receives from the Alternative Investment Fund Manager for analysis the yearly income and expenditure budget before it is submitted to the approval of the general meeting of shareholders and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders regarding such;
- (6) Receives from the Alternative Investment Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (7) Receives from the Alternative Investment Fund Manager for analysis and approves the framework for carrying out Fondul Proprietatea's operations, as well as any other Fondul Proprietatea's regulations issued by Alternative Investment Fund Manager according to legal provisions in force, capital market rules and regulations;
- (8) Receives from the Alternative Investment Fund Manager for analysis the proposal to the ordinary general meeting of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary meeting;
- (10) Receives the report of the internal auditor and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (11) Monitors the following, based on information and reports received from the Fund Manager:
 - the list of all portfolio investments and percentage breakdown by each investment type;
 - a list of major transactions occurring in the Fondul Proprietatea portfolio for the period under review;
 - the total profit of the portfolio and comparison of profit with the appropriate market benchmark;
 - comparison of the obtained profit with the initial objective;
 - the extent of compliance with the investment policy, including, specifically, the degree to which any performance objectives set out therein are achieved, as well as any variations and actions taken to achieve such objectives and improve investment results;
 - the performance evaluation report.

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

(12) Represents the general meeting of the shareholders in relation with the Alternative Investment Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by this constitutive act as a direct communication between the general meeting and the Alternative Investment Fund Manager;

- (13) Verifies the report of the Alternative Investment Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Alternative Investment Fund Manager, and verifies if the operations carried on by the Alternative Investment Fund Manager are in compliance with the applicable law, the constitutive act and/or with any relevant decision of the general meeting of the shareholders;
- (14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general meeting of the shareholders;
- (15) Participates to the meetings of the general shareholders' meetings and presents in this meeting reports in all cases provided by this constitutive act or with regard to any issue it deems to be relevant for the shareholders;
- (16) Proposes to the general meeting of shareholders the prior approval or rejection of the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;
- (17) Recommends to the General Meeting of the Shareholders the termination of the management contract for the case when the Board of Nominees is considered is to the benefit of the shareholders.
- (18) Recommends to the general meeting of the shareholders on any other issues the Board of Nominees is considered relevant to the shareholders.
- (19) Following of proposal of Alternative Investment Fund Manager, recommends to the Extraordinary General Meeting of the Shareholders the appointment of the public offer intermediate, as well as on his remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.
- (20) Approves the delegation by the Alternative Investment Fund Manager of certain activities. The delegation shall be effective in accordance with the legal provisions in force.
- (21) Is responsible for monitoring the Alternative Investment Fund Manager performance of the Investment Management Agreement.

ARTICLE 18

The obligations of the members of the Board of Nominees

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

- c) direct or indirect guarantee, in whole or in part, of any loans granted to the member of the Board of Nominees, concomitant or after granting the loan;
 - d) direct or indirect guarantee, in whole or in part, of performance by the members of any other personal obligation of those towards third parties;
 - e) direct or indirect guarantee, in whole or in part, of any receivables having as object a loan granted by a third party to the members of the Board of Nominees or other personal service of those members.
- (9) The provisions of paragraph (8) are applicable and the operations in which the husband or wife, relatives or related persons by the 4th grade inclusive of the members of the Board of Nominees are interested; also, if the operation concerning a civil or a commercial company at which one of the persons above mentioned is director or holds, solely or together with one of the persons above mentioned, a quota of at least 20% of the value of the subscribed share capital.
- (10) The provisions of paragraph (8) are not applicable for the case when the operation is concluded by Fondul Proprietatea during its current business, and the clauses of the operations are not more favourable to the persons specified in paragraphs (8) and (9) than the ones usually practiced by Fondul Proprietatea towards third parties
- (11) The Board of Nominees shall promptly decide on all requests for approval from the Alternative Investment Fund Manager within a reasonable time frame to allow the Alternative Investment Fund Manager to comply with its own obligations.

CHAPTER VI

Provisions regarding the company's management

ARTICLE 19

Organisation

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

ARTICLE 20

Functioning

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

ARTICLE 21

Attributions of the Alternative Investment Fund Manager

(1) The management of Fondul Proprietatea is ensured by the Alternative Investment Fund Manager, which fulfils the necessary and useful operations for the fulfilment of the company's business object, except of the operations reserved by the law for the general meeting of the shareholders and has all the obligations attributed to it by the applicable law.

(2) The Alternative Investment Fund Manager exercises its attributions under the control of the general meeting of the shareholders and the monitoring of the Board of Nominees, according to article 17.

(3) In addition to the duties provided by the applicable law, the Alternative Investment Fund Manager shall propose for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea and it is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the Fondul Proprietatea portfolio. The Alternative Investment Fund Manager undertakes to inform the Board of Nominees regularly, and as and when required by the Board of Nominees, about any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio.

(4) In excess of the duties provided by the applicable law, the Alternative Investment Fund Manager shall be liable to:

i) establish a reference date for shareholders entitled to vote within the general meeting, under the law, and draft the text of the announcement on the convocation of the general meeting, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;

ii) upon the written request of any shareholder submitted before the date of the general meeting of the shareholders, to give responses after obtaining the prior approval of the Board of Nominees, regarding the aspects concerning the business of Fondul Proprietatea;

iii) ensure that, if requested by any of the shareholders, a copy of or extract of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general meeting of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors,

iv) prepare the annual financial statements, draft the annual activity report, examine the financial auditors' report, present them to the Board of Nominees before submitting such documents to the general meeting of the shareholders and make proposals on the distribution of the profit to the general meeting of the shareholders, after obtaining the prior approval of the Board of Nominees;

v) manages the relationship with the Central Depository with regard to its shareholders register functions,

vi) prepare an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general meeting of the shareholders;

vii) proposes for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders, of the yearly income and expenditure budget and business plan;

viii) approves the outsourcing of certain activities, within the limits of the approved budget, respectively the delegation of the performance of certain activities, subject to the observance of the applicable legislation;

ix) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of shareholders the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;

x) execute contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current

assets of Fondul Proprietatea, whose value does not exceed, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables, without the approval of the ordinary or extraordinary general shareholders' meeting;

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

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

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

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

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

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

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

ARTICLE 22

The obligations of the Alternative Investment Fund Manager

(1) The Alternative Investment Fund Manager has a diligence and loyalty duty towards Fondul Proprietatea. Such duty is exercised taking into consideration the interest of the shareholders generally, and not of some of them.

(2) The Alternative Investment Fund Manager is held liable towards Fondul Proprietatea, according to the law. The decisions of the Alternative Investment Fund Manager are taken after due enquiries regarding the relevant circumstances existing at the moment of which those decisions are taken.

(3) The Alternative Investment Fund Manager cannot disclose confidential information or commercial secrets of Fondul Proprietatea, to which it has access. Such obligation remains also after the termination of the mandate.

(4) If the Alternative Investment Fund Manager, respectively its permanent representative and its employees, have in a certain operation, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, the Fund Manager must give notice to the internal auditors and Board of Nominees of this issue and not take part in any deliberation concerning the specific situation.

(5) The same obligation must be observed by the Alternative Investment Fund Manager, respectively by its permanent representative and its employees if, in a certain operation, is being aware that an affiliate of the Alternative Investment Fund Manager or the wife or husband, relatives or related persons by the 4th grade inclusive of the representative and its employees, are interested.

ARTICLE 23

Representation of Fondul Proprietatea

(1) In relations with third parties, Fondul Proprietatea is represented by the Alternative Investment Fund Manager, respectively by its permanent representative.

(2) The Alternative Investment Fund Manager may delegate the representative powers, in accordance with the applicable law.

CHAPTER VII

The audit of Fondul Proprietatea

ARTICLE 24

The internal auditors and the financial audit

- (1) The financial statements of Fondul Proprietatea are subject to financial audit. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.
- (2) An internal audit department shall be organised within Fondul Proprietatea, having attributions of objective examinations of the company's aggregate business, for the purpose of providing an independent evaluation of the risk management, control and leading development of the company. The Alternative Investment Fund Manager can decide that internal audit work can be outsourced, in which case it will run it on a contractual basis, in accordance with the applicable legal provisions.
- (3) The internal audit is independent of the management of Fondul Proprietatea, and the internal auditors shall objectively exercise this activity.
- (4) The internal audit shall evaluate and shall propose the improvement of the risk management, the control and internal rules within Fondul Proprietatea.
- (5) The internal auditors shall not be subject of any interference in determining the purpose of the internal audit and in exercising their activity.
- (6) The internal auditors shall have an impartial, correct attitude and shall avoid the conflicts of interest.
- (7) The internal audit shall transmit the plans of the internal audit activity and the necessary resources, inclusive the significant interim changes, to the Board of Nominees for information, as well as to the Alternative Investment Fund Manager for approval within the limits of its competencies.
- (8) The internal audit shall establish the policies and procedures for exercising the internal audit activity within Fondul Proprietatea, comprising amongst others, the analysis of the decisions taken by the company's management and the control of their compliance with the statutory requirements and/or with other documents approved by the general meeting of the shareholders.
- (9) The internal audit shall coordinate its activity with the financial auditor, in order to ensure the proper fulfilment of the audit objectives and to minimize any duplication of attributions.
- (10) The internal audit shall give quarterly reports to the Board of Nominees of Fondul Proprietatea and the Alternative Investment Fund Manager regarding the purpose of the internal audit activity, authority, responsibility and performance according to its plan. The reports shall include also the significant risks and aspects of the control and management, as well as other necessary problems or as requested by the Board of Nominees and the Alternative Investment Fund Manager.
- (11) The internal audit shall verify if the management of Fondul Proprietatea has taken appropriate measures concerning the reported significant risks or if the Alternative Investment Fund Manager has accepted the risk of not taking any measure and shall inform the Board of Nominees and the general meeting of the shareholders if the Alternative Investment Fund Manager has accepted the reported significant risks.
- (12) The internal audit shall establish the procedures for monitoring the implementation of the measures taken by the management of Fondul Proprietatea.
- (13) The internal auditors shall notify the Board of Nominees and the Alternative Investment Fund Managers with respect to any flaws in the management or breaches of the legal provisions or of the constitutive act, where such are identified by the internal auditors; the significant cases shall be notified to the general meeting of the shareholders.
- (14) The internal auditors shall take into consideration the complaints of the shareholders when drafting the reports addressed to the general meeting of the shareholders.
- (15) The attributions, duties and the functioning way of the internal auditors, as well as their rights and obligations are completed with the legal provisions in this area.

CHAPTER VIII
Business of Fondul Proprietatea

ARTICLE 25
Financing its own business

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

ARTICLE 26
Financial year

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

ARTICLE 27
Accounting evidence and annual financial statements

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

ARTICLE 28
Calculation and distribution of the profit

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

ARTICLE 29
Registries

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

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

ARTICLE 30
Association

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

by the constitutive acts, which to be approved by the general meeting of the shareholders.

ARTICLE 31

Dissolution

- (1) The dissolution of Fondul Proprietatea shall take place in the following cases:
- a) impossibility of performing the company's business object;
 - b) declaring the company's nullity;
 - c) by decision of the extraordinary general meeting of the shareholders, in accordance with article 14 paragraphs (4) and (5);
 - d) as consequence of losses, if the net asset value, determined as difference between the total asset and company's debts, represents less than half of the value of the subscribed share capital and if, not later than the termination of the financial year subsequent to the one during which the losses have been ascertained, the general meeting of the shareholders fails to decrease the share capital with an amount at least equal with the one of losses which could not be covered from reserves or to reconstitute the company's net asset up to the value at least equal with half of the subscribed share capital.
 - e) opening of the bankruptcy procedure;
 - f) the number of shareholders reduces under the legal minimum;
 - g) other causes provided by the law or by this constitutive act.
- (2) The dissolution of Fondul Proprietatea cannot take place before the finalisation of the procedures for granting indemnities to the rightful persons.
- (3) The dissolution decision of Fondul Proprietatea must be registered with the commercial registry and published in the Official Gazette of Romania, Part IV.

ARTICLE 32

Liquidation

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

ARTICLE 33

Calculation method of the net asset

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

ARTICLE 34

Prudential rules concerning the investment policy

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

ARTICLE 35

Conditions for the replacement of the depository

- (1) Fondul Proprietatea shall conclude a deposit agreement with a depository legal entity authorised and supervised by

the Financial Supervisory Authority, which performs the deposit operations of securities, as well as any operations in connection with those. The activities to be developed by the depository and the conditions for its replacement shall be provided in the deposit agreement.

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

ARTICLE 36

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

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

ARTICLE 37

Litigations

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

CHAPTER X

Final provisions

ARTICLE 38

Final provisions

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

Annex 5

Investment Policy Statement of Fondul Proprietatea SA in force as at 30 June 2019

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 Alternative Investment Fund Manager (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 on property and justice reform, as amended 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, through investments predominantly in Romanian equities and equity linked securities, subject to legislation and regulations in force.

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 discount management techniques to apply the DCM, that 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 Annual Cash Distribution Policy.
- 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 Annual Cash Distribution Policy;
 - increasing the share of listed companies in the portfolio and their transparency;
 - building good communication through active investor relations efforts; and
 - supporting initiatives to make the Romanian capital market more attractive and accessible for domestic and international 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 investors and 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 in the 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 an annual basis or as required by the applicable law 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 Extraordinary General Shareholders Meeting, with observance of investment limits provided in the applicable legislation in force.



FONDUL
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