

Fondul Proprietatea SA

(this is a translation from the official Romanian version)



Contents

| | |
|--|----|
| List of Abbreviations | 2 |
| Company Information | 3 |
| Overview | 6 |
| Significant Events | 7 |
| Analysis of the Activity of the Fund | 13 |
| Financial Statements Analysis | 23 |
| Subsequent Events | 26 |
| Annexes | |
| Annex 1 Condensed Interim Financial Statements for the three-month period ended 31 March 2019, prepared in accordance with IAS 34 Interim Financial Reporting and applying the FSA Norm no. 39/2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by the FSA – Financial Investments and Instruments Sector | 28 |
| Annex 2 Statement of Assets and Obligations of Fondul Proprietatea SA as at 31 March 2019, prepared in accordance with CNVM Regulation no. 4/2010 (Annex no. 4) | 56 |

List of Abbreviations

| | |
|---|---|
| AIFM | Alternative Investment Fund Manager |
| AIFM Directive | Directive 2011/61/EU on Alternative Investment Fund Managers |
| ANRE | Romanian Energy Regulatory Authority |
| ATS | Alternative Trading System |
| BVB | Bucharest Stock Exchange |
| 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 |
| SAPE | Management company for the state-owned holdings in energy sector |
| 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 | Q1 2019 | Q1 2018 | YE 2018 | Change % Q1 2019 vs Q1 2018 | Change % Q1 2019 vs YE 2018 |
|---|-------|----------|---------|----------|-----------------------------------|-----------------------------------|
| Total shareholders' equity (RON million) | | 10,170.8 | 9,838.9 | 9,828.4 | +3.4% | +3.5% |
| Total NAV (RON million) | a | 10,171.0 | 9,839.0 | 10,219.4 | +3.4% | -0.5% |
| NAV per share (RON) | a | 1.4190 | 1.3270 | 1.4095 | | |
| NAV per share change in the period (%) | b | +0.7% | +7.2% | +13.9% | | |
| NAV per share total return in the period (%) | b, h | +0.7% | +7.2% | +19.9% | | |
| Share price as at the end of the period (RON) | c | 0.9150 | 0.9340 | 0.8830 | | |
| Share price low (RON) | c | 0.8000 | 0.8900 | 0.8400 | | |
| Share price high (RON) | c | 0.9150 | 0.9370 | 0.9740 | | |
| Share price change in the period (%) | b | +3.6% | +8.1% | +2.2% | | |
| Share price total return in the period (%) | b, i | +3.6% | +8.1% | +9.9% | | |
| Share price discount to NAV as at the end of the period (%) | e | 35.5% | 29.6% | 37.4% | | |
| Average share price discount for the period (%) | e | 37.7% | 27.0% | 29.5% | | |
| Average daily share turnover (RON million) | d, k | 4.2 | 15.0 | 6.4 | -72.0% | -34.4% |
| GDR price as at the end of the period (USD) | f | 10.8000 | 12.6000 | 10.5000 | | |
| GDR price low (USD) | f | 9.6500 | 11.3000 | 10.3000 | | |
| GDR price high (USD) | f | 10.8000 | 12.6000 | 12.8000 | | |
| GDR price change in the period (%) | b | +2.9% | +10.0% | -8.3% | | |
| GDR price total return in the period (%) | b, j | +2.9% | +10.0% | -1.9% | | |
| GDR price discount to NAV as at the end of the period (%) | e | 35.4% | 28.3% | 39.3% | | |
| Average GDR price discount for the period (%) | e | 38.3% | 26.6% | 29.5% | | |
| Average daily GDR turnover (USD million) | g, l | 0.8 | 2.4 | 1.7 | -66.7% | -52.9% |

Source: Fondul Proprietatea

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

Notes:

- a. Prepared based on local rules issued by the capital market regulator
- b. Compared to the end of the previous period
- c. Source: BVB - REGS market - Closing prices
- d. Source: BVB
- e. Share Price/ GDR Price discount to NAV as at the end of the period (%) is calculated as the discount between FP share closing price on BVB - 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
- f. Source: LSE - Closing prices
- g. Source: LSE and Bloomberg
- h. The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per share at the end of the period plus any cash

distribution during the period, dividing the resulting sum by the official NAV per share at the beginning of the period. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS

- i. The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- j. The GDR Price Total Return is calculated in USD by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- k. Including the tender offer carried by the Fund in February 2018 with a total value of RON 610.4 million (excluding transaction costs) for the 652.8 million shares acquired on BVB
- l. Including the tender offer carried by the Fund in February 2018 with a total value of USD 135.5 million (excluding transaction costs) for the 547.2 million shares equivalent to the GDRs acquired on LSE

| Share capital information | 31 March 2019 | 31 March 2018 | 31 December 2018 |
|-------------------------------|------------------|------------------|------------------|
| Issued share capital (RON) | 4,733,020,898.32 | 4,854,034,784.56 | 4,733,020,898.32 |
| Paid in share capital (RON) | 4,543,838,476.32 | 4,664,852,362.56 | 4,543,838,476.32 |
| Number of shares in issue | 9,101,963,266 | 9,334,682,278 | 9,101,963,266 |
| Number of paid shares | 8,738,150,916 | 8,970,869,928 | 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% |
| NN Group | 27 March 2017 | 5.02% |

Source: ownership disclosures submitted by shareholders

Disclosure of holdings during the period

There were no new disclosures regarding holdings in Fondul Proprietatea during the quarter ended 31 March 2019.

Shareholder Structure as at 31 March 2019¹

| Shareholder categories | % of subscribed share capital | % of paid-in share capital | % of voting rights ² |
|---|-------------------------------|----------------------------|---------------------------------|
| The Bank of New York Mellon (GDRs) ³ | 28.26% | 29.44% | 35.86% |
| Romanian institutional shareholders | 17.97% | 18.72% | 22.81% |
| Romanian private individuals | 15.70% | 16.36% | 19.94% |
| Foreign institutional shareholders | 14.35% | 14.94% | 18.21% |
| Foreign private individuals | 2.43% | 2.53% | 3.09% |
| Romanian State represented by Ministry of Public Finance ⁴ | 0.07% | 0.08% | 0.09% |
| Treasury shares ⁵ | 17.22% | 17.93% | - |
| Unpaid shares ⁶ | 4.00% | - | - |

Source: Depozitarul Central SA

As at 31 March 2019, the Fund had 6,445 shareholders and the total number of voting rights was 7,170,382,668.

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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 held 15,457 global depository receipts as at 31 March 2019

⁴ The percentage represents the paid shares; the percentage of subscribed share capital of Romanian State represented by Ministry of Public Finance is 4.07%, including the unpaid shares

⁵ 1,566,995,398 treasury shares acquired by the Fund in the ninth and tenth buy-back programmes, based on settlement date (936,131,948 ordinary shares acquired and 630,863,450 shares corresponding to GDRs acquired, converted into shares)

⁶ Shares unpaid by Romanian State represented by Ministry of Public Finance

Overview

Franklin Templeton International Services S.à r.l, as Sole Director and AIFM of Fondul Proprietatea presents the unaudited results of the Fund in accordance with IFRS for the quarter ended 31 March 2019.

| RON million | 31 March 2019 | 31 March 2018 |
|----------------------------------|---------------|---------------|
| Profit for the quarter ended | 414.4 | 293.6 |
| Total shareholders' equity as at | 10,170.8 | 9,838.9 |

The main contributor to the profit in the first three months of 2019 was the net unrealised gain from equity investments at fair value through profit or loss amounting to RON 386.5 million, principally generated by OMV Petrom SA, as a result of the positive evolution of this company's share price during the first quarter of 2019 (total impact RON 328.5 million, share price increase of 19.4%).

Total shareholders' equity was RON 10,170.8 million as at 31 March 2019, 3.5% 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 10,171.0 million as at 29 March 2019 and a NAV per Share of RON 1.4190 (a positive NAV per Share total return of 0.7% compared to 31 December 2018).

In the quarter ended 31 March 2019, the BVB had an average performance compared to the largest markets in Central Europe, in both local currency and EUR terms, as shown in the table below:

| % change in Q1 2019 | in local currency | in EUR |
|-------------------------|-------------------|--------------|
| ATX (Austria) | 10.50% | 10.50% |
| PX (Czech Republic) | 8.90% | 8.53% |
| BET-XT (Romania) | 7.82% | 5.13% |
| BUX (Hungary) | 6.50% | 6.41% |
| WIG20 (Poland) | 1.56% | 1.52% |

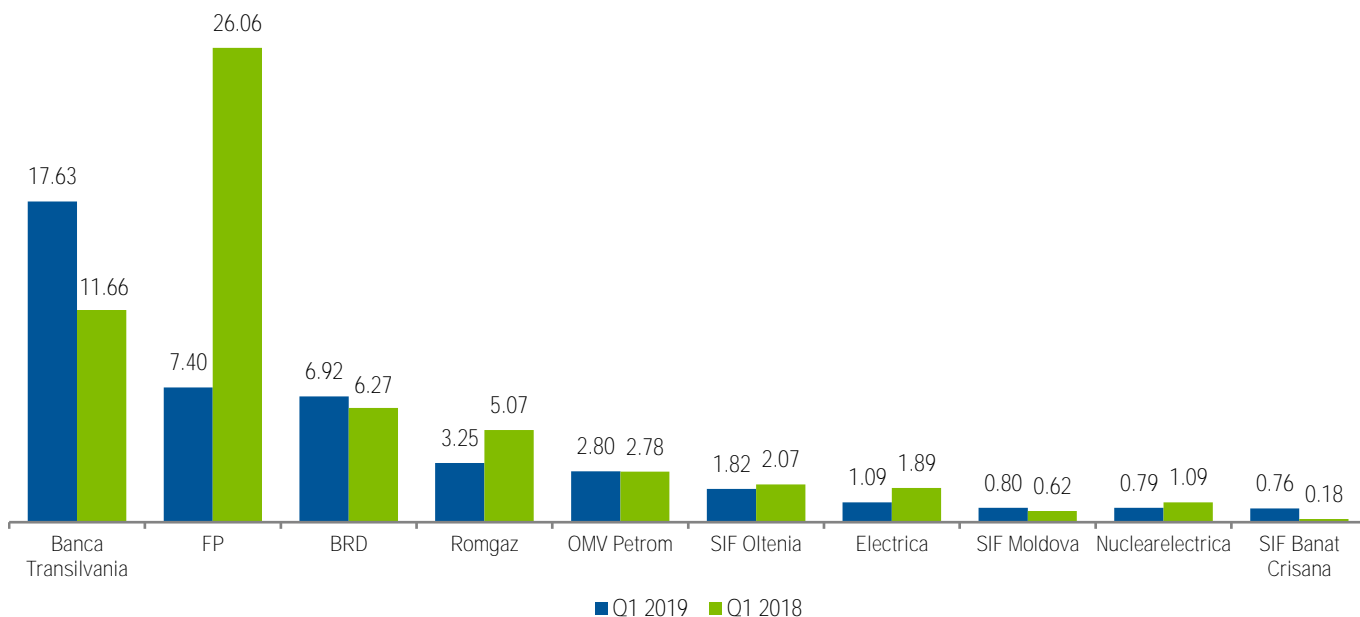
Source: Bloomberg

The discount of the Fund's share price to NAV was 35.5% as at 29 March 2019, based on the NAV as at the same date. During the first quarter of 2019, the discount calculated according with the IPS ranged between 34.5% and 43.2%.

Significant Events

Regulated Stock Market Trading

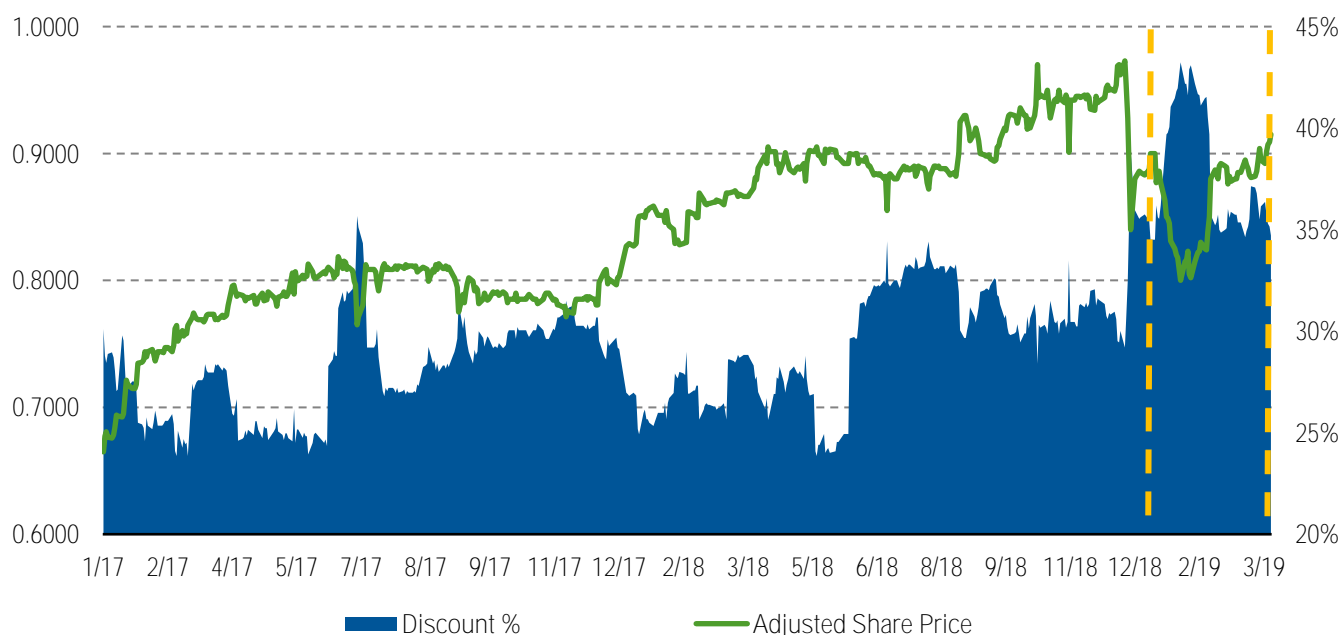
Average Daily Turnover (RON million)



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.

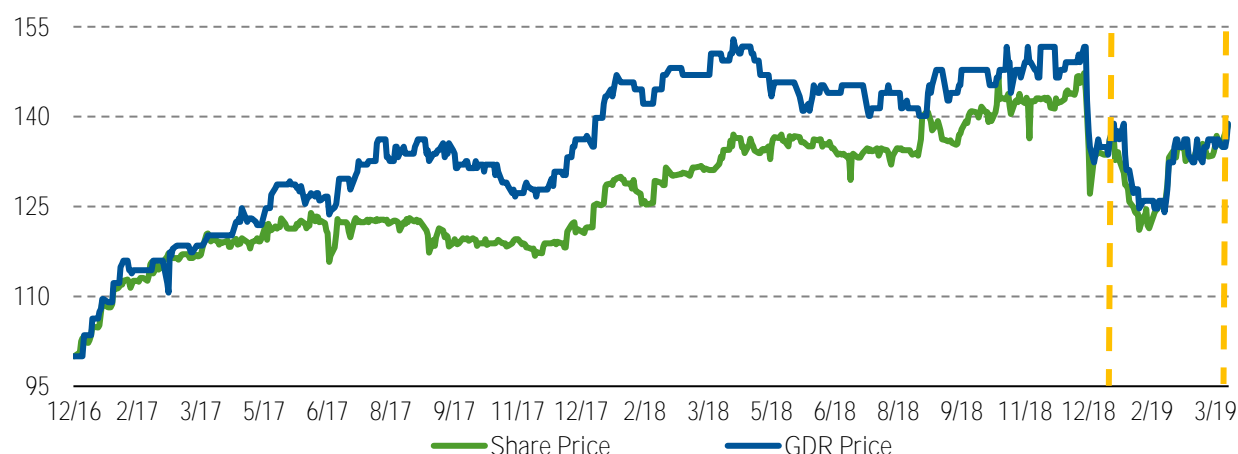
Fund's Share Price and Discount History (RON per share)



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 (%)



Source: BVB, LSE, Bloomberg

The significant drop of the share and GDR price in December 2018 was caused by the EGO no. 114/2018 published as a draft on the webpage of Ministry of Public Finance on 18 December and adopted by the Romanian Government on 28 December, targeting the electricity, gas, telecom, banking and private pension fund sectors, which generated a substantial correction of the Bucharest Stock Exchange, the BVB main index - BET dropping by 11.2%.

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 29 March 2019, the discount to NAV was greater than 15%, for both shares and GDRs.

Discount Evolution²

| Discount as at 29 March 2019 | Minimum discount in the interim monitoring period | Maximum discount in the interim monitoring period | Average discount for the interim monitoring period |
|------------------------------|---|---|--|
| 34.7% | 34.5% | 43.2% | 37.7% |

Source: Fondul Proprietatea

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

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.

NAV Objective – Second reporting period (interim monitoring)

The Adjusted NAV per share as at 29 March 2019 was 0.69% higher than the 31 December 2018 NAV per share of RON 1.4095.

| NAV Objective | Amount RON | Details |
|--|-----------------------|---|
| Total NAV as 29 March 2019 | 10,171,031,377 | |
| Costs related to buy-backs after 31 December 2018 | 79,372 | Fees related to tenth buy-back programme, excluding the distribution fees for buy-backs |
| Distribution fees for buy-backs performed after 31 December 2018 | 700,777 | Distribution fees for the tenth buy-back programme |
| Costs related to the returns of capital and dividends after 31 December 2018 | 983 | 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 29 March 2019 | 10,171,812,509 | |
| Number of Fund's paid shares, less treasury shares and GDRs held as at 29 March 2019 | 7,167,442,485 | |
| Adjusted NAV per share as at 29 March 2019 | 1.4192 | |
| NAV per share as at 31 December 2018 | 1.4095 | |
| Difference | 0.0097 | |
| % | +0.69% | |

Source: Fondul Proprietatea

Investor Relations Update

In the first three 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 6 road-shows in the United Kingdom, Germany, and the United States and met with 26 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.

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 15 February, we organised a conference call to present and discuss the 2018 annual results. 49 analysts and investors participated in the call and received information regarding the 2018 financial results published on the same day, and latest updates regarding the Fund and its portfolio holdings.

Furthermore, during the first quarter, we organised 10 additional meetings with analysts, brokers, current and prospective investors, and held 27 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 current 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 31 March 2019, each GDR representing 50 shares. As at 31 March 2019,

2,572,430,350 of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depository bank, accounting for 51,448,607 GDRs, representing 84.8% 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 quarter ended 31 March 2019 and the outstanding balance is nil.

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 | 82.7 | N/A | Started on 1 January 2019 |
| TOTAL | | 6,246.9 | | |

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 quarter ended 31 March 2019, the Fund bought back a total number of 82,715,862 own shares within the tenth buy-back programme (out of which 68,136,662 ordinary shares and 14,579,200 ordinary shares corresponding to GDRs), representing 0.9% of the total issued shares as at 31 March 2019, for a total acquisition value of RON 71,278,962.54, excluding transaction costs. The total number of own shares (including shares corresponding to GDRs) held by the Fund as at 31 March 2019 is 1,570,708,431 own shares, having a total nominal value of RON 816,768,384.12 (RON 0.52 per share), representing 17.3% of the total issued shares as at 31 March 2019. During the first quarter of 2019 the Fund converted 293,527 GDRs acquired into 14,676,350 ordinary shares. As at 31 March 2019, the Fund held 23,057 GDRs.

The table below shows a summary of the buy-back programmes during the quarter ended 31 March 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 31 March 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 | 68,136,662 | 14,579,200 | 82,715,862 | |
| | Converted during the period | 13,426,350 | (13,426,350) | - | |
| | Closing balance as at 31 March 2019 | 81,563,012 | 1,152,850 | 82,715,862 | 0.91% |
| | Weighted average price (RON per share; USD per GDR)* | 0.8634 | 10.3149 | | |
| All | Total balance of treasury shares as at 31 March 2019 | 1,569,555,581 | 1,152,850 | 1,570,708,431 | 17.26% |

* 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)

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 - please see section *Subsequent events* for more details.

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 31 March 2019, the Fund's equity elements that could be used to cover the negative reserve are sufficient and include retained earnings and share capital.

The total negative reserves recorded by the Fund as at 31 March 2019 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. There were no changes in the negative reserves balance in the quarter ended 31 March 2019.

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 additional details on the estimated negative reserves that would arise upon the cancellation of the treasury shares in balance as at 31 March 2019:

| Negative reserve that will arise on cancelation of the treasury shares in balance as at 31 March 2019 | | Buy-back programme 9 | Buy-back programme 10 |
|--|--------------------|-----------------------------|------------------------------|
| Number of shares to be cancelled | (1) | 1,487,992,569 | 82,715,862 |
| Total costs as at 31 March 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 | 72,059,111 |
| Correspondent nominal value (NV = RON 0.52 per share) as at 31 March 2019 (RON) | (3)=(1)*NV | 773,756,136 | 43,012,248 |
| Estimated negative reserve to be booked on cancelation (RON) | (4)=(3)-(2) | (640,744,712) | (29,046,863) |

In addition to the cancellation of the shares acquired within the ninth buy-back programme, during the 4 April 2019 GSM the shareholders 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 - please see section *Subsequent events* for more details.

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.

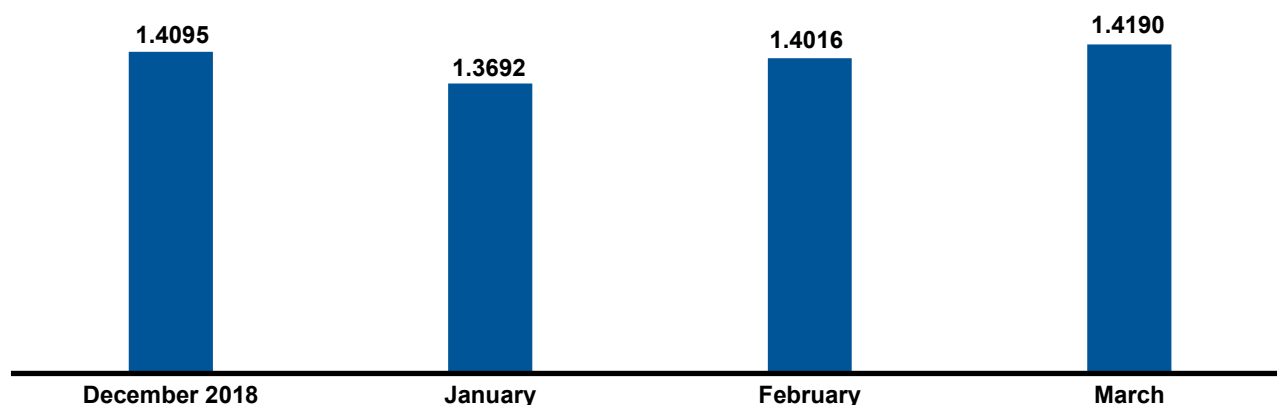
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards which permit fair valuation.

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 29 March 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.

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).

The table below summarises the changes in the valuation of the Fund's holding in Hidroelectrica SA between 30 June 2018 and 31 March 2019:

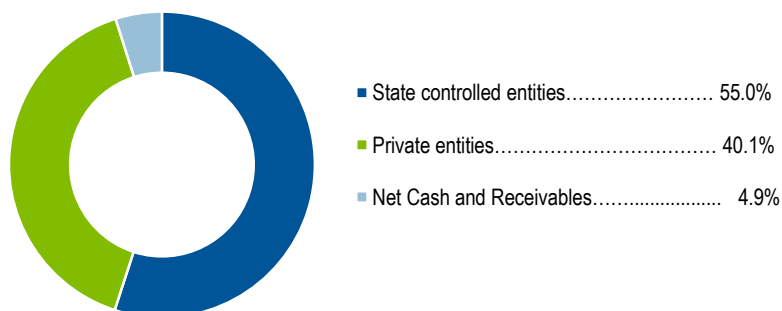
| Date | Value of FP holding in Hidroelectrica SA (RON million) | Change vs. previous valuation (RON million) | Change vs. previous valuation (%) |
|------------------|--|---|-----------------------------------|
| 30 June 2018 | 3,531.0 | | |
| 31 December 2018 | 4,276.0 | 745.0 | +21% |
| 31 January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

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

Investment Strategy and Portfolio Analysis

The Fund's investment objective is the maximisation of returns to shareholders and the increase of the net asset value per share via investments mainly in Romanian equities and equity-linked securities. The equity exposure amounted to 95.1% of the Fund's NAV as at 29 March 2019. As at that date, the portfolio was composed of holdings in 35 companies (8 listed and 27 unlisted), a combination of privately held and state-controlled entities.

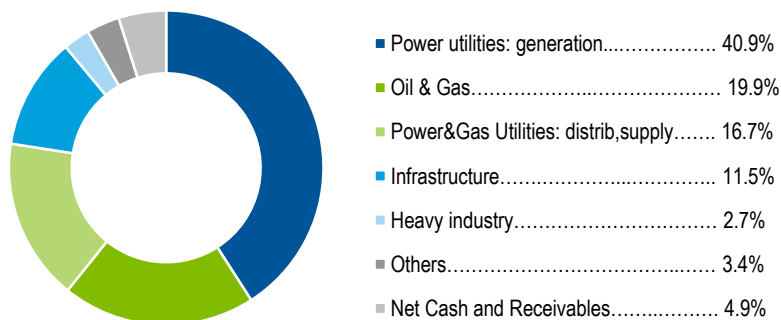
Portfolio Structure – by Controlling Ownership



- Net cash and receivables includes 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 the returns of capital and dividend distribution) and provisions.

Source: Fondul Proprietatea, data as at 29 March 2019, % in total NAV

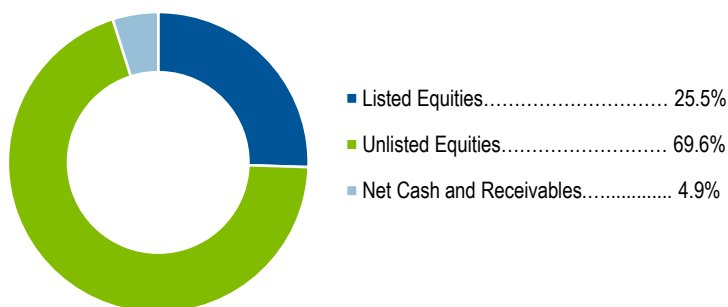
Portfolio Structure – by Sector



- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 77.5% of the NAV), through several listed and unlisted Romanian companies

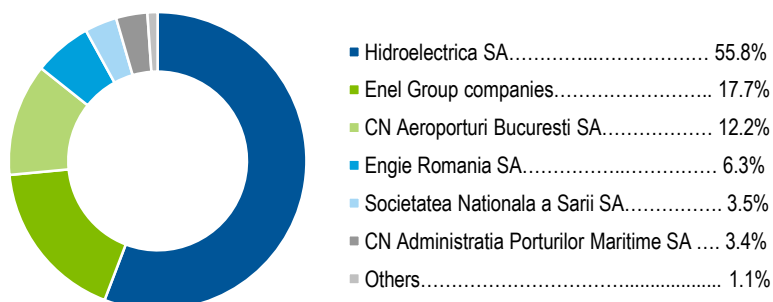
Source: Fondul Proprietatea, data as at 29 March 2019, % in total NAV

Portfolio Structure – by Asset Type¹



Source: Fondul Proprietatea, data as at 29 March 2019, % in total NAV

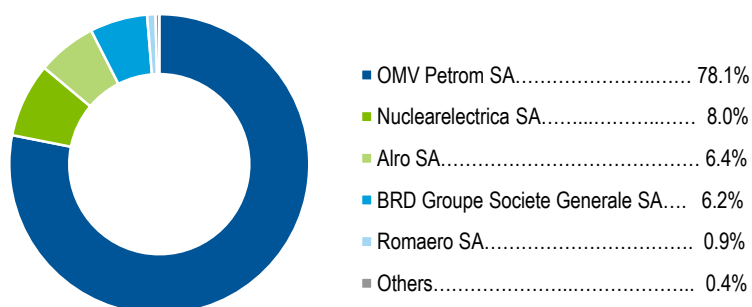
Portfolio Structure – Unlisted holdings



- The largest unlisted holding is Hidroelectrica SA (38.9% of the NAV)

Source: Fondul Proprietatea, data as at 29 March 2019; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

Portfolio Structure – Listed holdings



- The largest listed holding is OMV Petrom SA (19.9% of the NAV)

Source: Fondul Proprietatea, data as at 29 March 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 25.4% as at 29 March 2019

Top 10 equity investments

| No | Name | Fund's stake (%) | Value as at 29 March 2019 ¹ (RON million) | % of NAV as at 29 March 2019 ¹ |
|---------------------------------|---|------------------|--|---|
| 1 | Hidroelectrica SA | 19.94% | 3,955.0 | 38.9% |
| 2 | OMV Petrom SA | 10.00% | 2,021.9 | 19.9% |
| 3 | CN Aeroporturi Bucuresti SA | 20.00% | 861.0 | 8.5% |
| 4 | E-Distributie Banat SA | 24.13% | 472.0 | 4.6% |
| 5 | Engie Romania SA | 12.00% | 445.0 | 4.4% |
| 6 | E-Distributie Muntenia SA | 12.00% | 389.0 | 3.8% |
| 7 | E-Distributie Dobrogea SA | 24.09% | 288.0 | 2.8% |
| 8 | Societatea Nationala a Sarii SA | 49.00% | 250.0 | 2.5% |
| 9 | CN Administratia Porturilor Maritime SA | 20.00% | 244.0 | 2.4% |
| 10 | Nuclearelectrica SA | 7.05% | 206.9 | 2.0% |
| Top 10 equity holdings | | | 9,132.8 | 89.8% |
| Total equity holdings | | | 9,674.9 | 95.1% |
| Net cash and receivables | | | 496.1 | 4.9% |
| Total NAV | | | 10,171.0 | 100.0% |

Source: Fondul Proprietatea, based on NAV reports submitted to FSA (29 March 2019 NAV report)

¹ Rounded to one decimal

Key portfolio developments during the period**Dividends**

During the quarter ended 31 March 2019 the Fund recorded gross dividend income of RON 34.7 million from Alro SA and Alcom SA.

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 value estimation of the Fund's holding in this company during the valuation update performed in December 2018.

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.

Disposals

During the first quarter of 2019 the Fund sold 25.7% of its shares in BRD – Groupe Societe Generale SA at 31 December 2018, for a total value of RON 54.9 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 to be decided by ANRE. Until the date of this report ANRE has not issued a decision in this respect
- 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
- asset tax on banks:
 - 0.4% per year for banks with a market share equal to or exceeding 1% and
 - 0.2% per year for banks with market share below 1%

The tax rate would be applied on the net value of the bank's financial assets, excluding certain assets such as: cash, current account with the National Bank of Romania, deposits and loans granted to credit institutions, loans granted to the non-governmental sector benefitting from a guarantee from the public administration, net loans granted to public administration, debt securities issued by the public administration. The bank tax due could be further reduced if banks achieve the targets set by Government for loan book growth or they narrow the interest rate spread

- 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 contribution 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

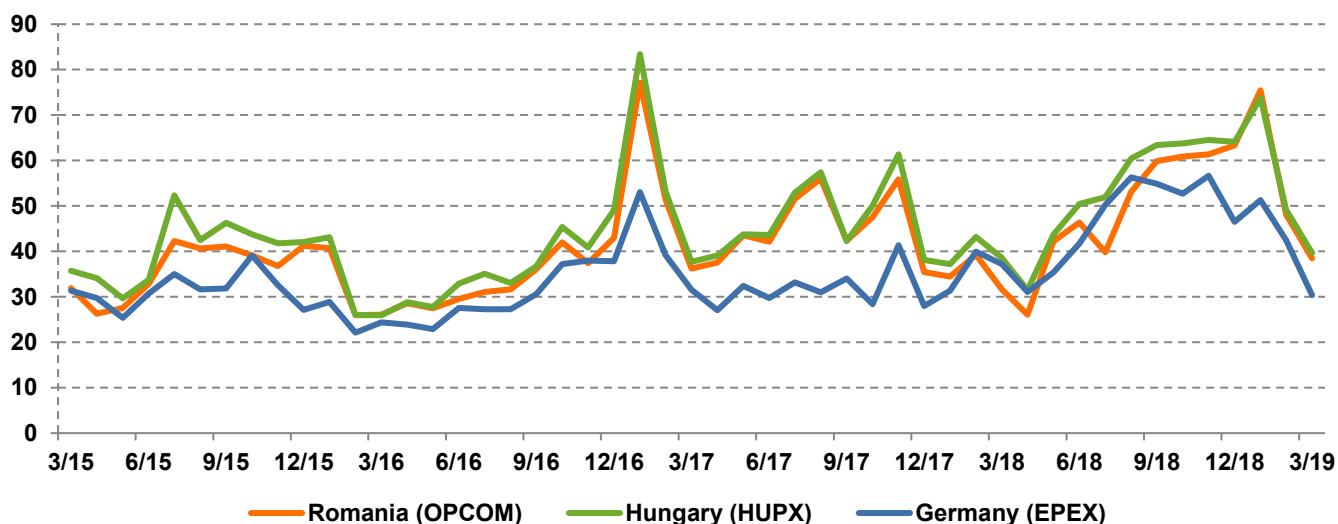
According to the new regulatory provisions, the electricity producers operating nuclear or hydro production units would be required to sell up to 65% of their expected output on the regulated market, at prices approved by ANRE based on a cost plus 5% methodology. Also, according to the methodology, the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

Note: Day Ahead Market – monthly average for base load

Energy resources (thousand tonnes barrels of oil equivalent)

| | January – March 2019 | | | January – March 2018 | | | % change | | |
|-----------------------------------|----------------------|----------------|----------------|----------------------|----------------|----------------|--------------|--------------|-------------|
| | Total | Production | Import | Total | Production | Import | Total | Production | Import |
| Net coal | 1,116.5 | 981.9 | 134.6 | 1,194.6 | 1,088.9 | 105.7 | -6.5% | -9.8% | 27.3% |
| Crude oil | 2,863.9 | 829.0 | 2,034.9 | 2,944.9 | 827.8 | 2,117.1 | -2.8% | 0.1% | -3.9% |
| Usable natural gas | 2,786.6 | 2,116.2 | 670.4 | 2,747.0 | 2,132.2 | 614.8 | 1.4% | -0.8% | 9.0% |
| Hidro, nuclear, and import energy | 1,337.3 | 1,240.5 | 96.8 | 1,357.0 | 1,302.8 | 54.2 | -1.5% | -4.8% | 78.6% |
| Import oil products | 487.5 | - | 487.5 | 550.0 | - | 550.0 | -11.4% | - | -11.4% |
| Others | 133.2 | - | 133.2 | 104.3 | - | 104.3 | 27.7% | - | 27.7% |
| Total resources | 8,725.0 | 5,167.6 | 3,557.4 | 8,897.8 | 5,351.7 | 3,546.1 | -1.9% | -3.4% | 0.3% |

Source: National Institute of Statistics webpage

Update on the largest 10 portfolio holdings

CN Administratia Porturilor Maritime SA

| RON million | 2017 | 2018* | Budget 2018 | Budget 2019** |
|-------------------|-------|-------|-------------|---------------|
| Operating revenue | 330.5 | 343.3 | 325.9 | 352.3 |
| Operating profit | 93.8 | 104.1 | 75.1 | 75.5 |
| Net profit | 79.7 | 84.1 | 61.9 | 64.7 |
| Dividends | 20.3 | - | 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

*Preliminary 2018 financial results

**pending shareholder approval during the GSM called on 24 May 2019

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.

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 during 2018 and 2017

**to be approved by shareholders during 27 May 2019 GSM

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. 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.

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%).

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%).

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%).

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

*Pending shareholders' approval during 23 May 2019 GSM

**Dividends are based on the separate financial statements

Hidroelectrica SA

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

Source: Financial statements in accordance with applicable Romanian accounting regulations.

*do not include the special dividends declared by the company during 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 Lambriu, 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.

According to the preliminary, unaudited financial results for 2018, the total turnover of the company increased by 30.7% compared to 2017, to RON 4.25 billion, EBITDA increased by 35.0% over the same period, to RON 3.05 billion, while net profit increased by 13.9% compared to 2017, to RON 1.55 billion. The total energy sold from own production during 2018 was MWh 16.9 million, 22.7% higher compared to previous year.

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

OMV Petrom SA

| RON million | 2017 | 2018 | Q1 2018 | Q1 2019 | Budget 2018 | Budget 2019 |
|------------------|----------|----------|---------|---------|-------------|-------------|
| Sales | 19,435.1 | 22,523.2 | 4,874.8 | 5,420.1 | 13,680.0 | 16,762.0 |
| Operating profit | 3,270.4 | 5,212.9 | 1,080.0 | 1,288.5 | 2,936.0 | 3,966.0 |
| Net profit | 2,489.3 | 4,077.8 | 854.1 | 1,151.2 | 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%.

On Black Sea, 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.

Societatea Nationala a Sarii SA (Salrom)

| RON million | 2016 | 2017 | Budget 2017 | Budget 2018 |
|-------------------|-------|-------|-------------|-------------|
| Operating revenue | 315.0 | 388.8 | 338.4 | 373.5 |
| Operating profit | 43.3 | 101.6 | 57.5 | 53.2 |
| Net profit | 30.1 | 86.4 | 48.2 | 42.3 |
| Dividends | 28.1 | 86.4 | 48.2 | 42.3 |

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

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 during 2018 and 2017

February: 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.

Financial Statements Analysis

The unaudited IFRS financial statements for the quarter ended 31 March 2019, prepared in accordance with IAS 34 Interim Financial Reporting and applying the FSA Norm no. 39/2015 with subsequent amendments, are included in full in Annex 1 to this Report. The captions Statement of Financial Position and Statement of Comprehensive Income presented in the quarterly report may differ from the ones included in the IFRS financial statements due to other regulatory requirements.

This section provides an overview of the Fund's financial position and performance for the quarter ended 31 March 2019.

Statement of Financial Position

| RON million | 31 March | 31 December | 31 March 2019 vs. 31 December 2018 (%) |
|-------------------------------------|-----------------|----------------|---|
| | 2019 | 2018 | |
| | Unaudited | Audited | |
| Cash and current accounts | 18.6 | 19.6 | |
| Deposits with banks | 376.4 | 187.1 | |
| Treasury bills | - | 49.6 | |
| Government bonds | 66.4 | 131.6 | |
| Dividend receivables | - | 137.0 | |
| Equity investments | 9,674.9 | 9,337.4 | |
| Other assets | 68.8 | 1.5 | |
| Total assets | 10,205.1 | 9,863.8 | +3.5% |
| Payables | 14.9 | 14.8 | |
| Other liabilities | 19.4 | 20.6 | |
| Total liabilities | 34.3 | 35.4 | -3.1% |
| Total equity | 10,170.8 | 9,828.4 | +3.5% |
| Total liabilities and equity | 10,205.1 | 9,863.8 | +3.5% |

Overview

The cash and cash equivalents of the Fund during the first three 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 18.9% during the three-month period ended 31 March 2019 is mainly due to the cash inflow from the special and interim dividends collected from portfolio companies (RON 171.7 million) and the proceeds from partial disposal of shares in BRD – Groupe Societe Generale SA (RON 54.9 million).

The increase in **equity investments** of RON 337.5 million during the first three months of 2019 is mainly due to the increase in the fair value of OMV Petrom SA (RON 328.5 million) and Hidroelectrica SA (RON 70 million), partially netted off by the disposal of BRD – Groupe Societe Generale SA shares (RON 54.9 million) and decrease in fair value of Alro SA shares (RON 59.8 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 31 March 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.

Statement of Comprehensive Income

| RON million | 3-month period ended 31 March 2019 | 3-month period ended 31 March 2018 |
|---|--|--|
| | Unaudited | Unaudited |
| Net gain from equity investments at fair value through profit or loss | 392.4 | 309.8 |
| Gross dividend income | 34.7 | - |
| Interest income | 2.2 | 2.6 |
| Other income/ (expenses), net* | - | (0.8) |
| Net operating income | 429.3 | 311.6 |
| Administration fees recognised in profit and loss | (9.3) | (11.2) |
| Other operating expenses | (5.4) | (6.8) |
| Operating expenses | (14.7) | (18.0) |
| Finance costs | (0.2) | - |
| Profit before income tax | 414.4 | 293.6 |
| Income tax | - | - |
| Profit for the period | 414.4 | 293.6 |
| Other comprehensive income | - | - |
| Total comprehensive income for the period | 414.4 | 293.6 |

* 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).

Gross dividend income for the three-month period ended 31 March 2019 included the dividend income earned from the Fund's portfolio companies which was collected in January 2019. This included special and interim dividends from Alro SA (RON 33.3 million) and special dividends from Alcom SA (RON 1.3 million).

The **net gain from equity investments at fair value through profit or loss** of RON 392.4 million in the first three months of 2019 was mainly generated by OMV Petrom SA, as a result of the positive share price evolution for this company (RON 328.5 million, share price increase by 19.4%).

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

Details regarding the **administration fees** for the quarter ended 31 March 2019 are presented in the table below:

| RON million | 3-month period ended 31 March 2019 | 3-month period ended 31 March 2018 |
|---|---------------------------------------|---------------------------------------|
| | Unaudited | Unaudited |
| Recognised in profit or loss | 9.3 | 11.2 |
| Base fee | 9.3 | 11.2 |
| Recognised in other comprehensive income | 0.7 | 12.2 |
| Distribution fee for buy-back programmes | 0.7 | 12.2 |
| Total administration fees | 10.0 | 23.4 |

Other operating expenses

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

| RON million | 3-month period ended | 3-month period ended |
|---------------------------------------|----------------------|----------------------|
| | 31 March 2019 | 31 March 2018 |
| | Unaudited | Unaudited |
| FSA monthly fees | 2.4 | 2.4 |
| Transactions costs | 0.2 | 0.5 |
| Depository fees | 0.2 | 0.2 |
| Other expenses | 2.6 | 3.7 |
| Total other operating expenses | 5.4 | 6.8 |

In the first quarter of 2019, **other expenses** caption comprised mainly legal and litigation assistance expenses, Board of Nominees remuneration and related expenses, expenses with external audit and expenses with tax advisory and tax compliance.

Financial Ratios

| Description | 31 March 2019 | | |
|--|---------------|---|-------|
| 1. Current liquidity ratio | | | |
| <u>Current Assets</u> | = | | 15.46 |
| Current Liabilities | | | |
| 2. Debt-to-equity ratio (%) | | | |
| <u>Borrowings</u> | x 100 | = | - |
| Shareholders' Equity | | | |
| <i>The Fund had no borrowings as at 31 March 2019, therefore this ratio is nil</i> | | | |
| 3. Receivables turnover ratio - customers (number of days) | | | |
| <u>Average balance of receivables</u> | x 90 | = | n.a. |
| Turnover | | | |
| <i>This ratio is not applicable to an investment fund and cannot be calculated.</i> | | | |
| 4. Turnover of non-current assets | | | |
| <u>Turnover</u> | | = | 0.044 |
| Non-current assets | | | |
| <i>For the computation of this ratio, "Turnover" includes dividend income, net gain/ (loss) from financial instruments at fair value through profit or loss, interest income and other income for the three-month period ended 31 March 2019, while "Non-current assets" included equity investments and other assets classified as non-current as at 31 March 2019.</i> | | | |
| <i>This ratio has no significance for an investment fund.</i> | | | |

Subsequent Events

The resolutions adopted by shareholders during the 2019 Annual GSM of the Fund

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

- Several amendments to the Constitutive Act – for being effective the changes need to be endorsed by FSA;
- 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 below;
- 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.

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

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

The 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:

- (i) 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 expires on 6 July 2019;
- (ii) FSA endorses the amendment of Article 7 (1) of the Constitutive Act of the Fund as approved by shareholders during the GSM – the process will start after the two months period mentioned above expires;
- (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.

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.

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.

Signatures:

14 May 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 THREE-MONTH PERIOD ENDED 31 MARCH 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)

Contents

| | |
|---|-----------|
| Condensed Statement of Comprehensive Income | 30 |
| Condensed Statement of Financial Position | 31 |
| Condensed Statement of Changes in Shareholders' Equity | 32 |
| Condensed Statement of Cash Flows | 34 |
| Notes to the Condensed Interim Financial Statements | 35 |

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

| | <i>Note</i> | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 |
|---|-------------|---|---|
| Net gain from equity investments at fair value through profit or loss | 5 | 392,370,993 | 309,774,428 |
| Gross dividend income | 6 | 34,687,865 | - |
| Interest income | | 2,218,061 | 2,571,570 |
| Other income/(expenses), net | | 212,452 | (119,832) |
| Net foreign exchange loss | | (186,868) | (581,828) |
| Net operating income | | 429,302,503 | 311,644,338 |
| Operating expenses | 7 | (14,715,016) | (18,068,588) |
| Finance costs | 8 | (160,000) | - |
| Profit before income tax | | 414,427,487 | 293,575,750 |
| Income tax | 9 | - | - |
| Profit for the period | | 414,427,487 | 293,575,750 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | 414,427,487 | 293,575,750 |
| Basic and diluted earnings per share | 10 | 0.0575 | 0.0355 |

These condensed interim financial statements were authorised for issue on 14 May 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 35 to 55 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

| | <i>Note</i> | 31 March 2019 | 31 December 2018 |
|--|---------------|-----------------------|-------------------------|
| Assets | | | |
| Cash and current accounts | <i>11</i> | 18,591,048 | 19,647,401 |
| Deposits with banks | <i>11</i> | 376,401,644 | 187,116,149 |
| Treasury bills | | - | 49,636,197 |
| Government bonds | | 66,440,867 | 131,613,207 |
| Dividends receivable | <i>12</i> | - | 137,018,231 |
| Equity investments | <i>13</i> | 9,674,948,150 | 9,337,440,399 |
| Other assets | <i>15</i> | 68,706,445 | 1,324,379 |
| Total assets | | 10,205,088,154 | 9,863,795,963 |
| Liabilities | | | |
| Payable to shareholders | <i>16 (a)</i> | 18,506,310 | 19,657,190 |
| Other liabilities and provisions | <i>16 (b)</i> | 15,767,610 | 15,692,915 |
| Total liabilities | | 34,273,920 | 35,350,105 |
| Equity | | | |
| Paid share capital | <i>17 (a)</i> | 4,543,838,477 | 4,543,838,477 |
| Reserves related to the unpaid share capital | <i>17 (b)</i> | 189,182,422 | 189,182,422 |
| Other reserves | <i>17 (c)</i> | 297,678,692 | 297,678,692 |
| Treasury shares | <i>17 (d)</i> | (1,486,559,959) | (1,414,500,848) |
| Retained earnings | | 6,626,674,602 | 6,212,247,115 |
| Total equity | | 10,170,814,234 | 9,828,445,858 |
| Total liabilities and equity | | 10,205,088,154 | 9,863,795,963 |

The notes on pages 35 to 55 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 | - | - | - | - | 414,427,487 | 414,427,487 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | 414,427,487 | 414,427,487 |
| Transactions with owners, recorded directly in equity | | | | | | |
| Acquisition of treasury shares | - | - | - | (72,059,111) | - | (72,059,111) |
| Total transactions with owners recorded directly in equity | - | - | - | (72,059,111) | - | (72,059,111) |
| Balance as at 31 March 2019 | <u>4,543,838,477</u> | <u>189,182,422</u> | <u>297,678,692</u> | <u>(1,486,559,959)</u> | <u>6,626,674,602</u> | <u>10,170,814,234</u> |

The notes on pages 35 to 55 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 | - | - | - | - | - | 293,575,750 | 293,575,750 |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | - | 293,575,750 | 293,575,750 |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Acquisition of treasury shares | - | - | - | - | (1,244,969,451) | - | (1,244,969,451) |
| Total transactions with owners recorded directly in equity | - | - | - | - | (1,244,969,451) | - | (1,244,969,451) |
| Balance as at 31 March 2018 | 4,664,852,363 | 189,182,422 | - | 254,954,179 | (1,463,224,958) | 6,193,086,446 | 9,838,850,452 |

The notes on pages 35 to 55 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2019**

(all amounts are in RON unless otherwise stated)

| | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 |
|--|---|---|
| Cash flows from operating activities | | |
| Dividends received (net of withholding tax) | 171,706,095 | - |
| Proceeds from disposal of equity investments | 54,692,593 | 37,636,949 |
| Net proceeds from transactions with treasury bills and bonds | 48,695,743 | 81,369,296 |
| Interest received | 2,121,740 | 4,557,909 |
| Suppliers and other taxes and fees paid | (16,354,819) | (33,566,079) |
| Other payments, net | (67,699,593) | (512,351) |
| Net cash flows from operating activities | 193,161,759 | 89,485,724 |
| Cash flows from financing activities | | |
| Acquisition cost of treasury shares | (70,043,305) | (1,219,116,308) |
| Dividends paid (net of withholding tax) | (1,075,887) | - |
| Payments to shareholders related to the return of capital | (74,992) | (1,739,417) |
| Payment of fees related to the short term bank loans | (160,000) | - |
| Net cash flows used in financing activities | (71,354,184) | (1,220,855,725) |
| Net increase/ (decrease) in cash and cash equivalents | 121,807,575 | (1,131,370,001) |
| 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 | 394,877,374 | 309,818,215 |

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

| | 31 March 2019 | 31 March 2018 |
|---|----------------------|----------------------|
| Cash and current accounts (see Note 11) | 18,591,048 | 17,424,062 |
| Bank deposits with original maturities of less than three months (see Note 11) | 376,286,326 | 292,394,153 |
| | 394,877,374 | 309,818,215 |
| Interest accrued on bank deposits (see Note 11) | 115,318 | 39,657 |
| Treasury bills and government bonds with original maturities of more than three months and less than one year | 66,440,867 | 13,318,214 |
| Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position | 461,433,559 | 323,176,086 |

The notes on pages 35 to 55 are an integral part of these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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, Buzzești 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.

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 three month period ended 31 March 2019 are not audited.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements for the three month period ended 31 March 2019 have been prepared in accordance with IAS 34 Interim financial reporting and applying the FSA Norm 39/2015. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, prepared in accordance with IFRS. These condensed interim financial statements are available starting with 15 May 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 quarter ended 31 March 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 – Equity investments;
- Note 14 – Deferred tax;
- 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 THREE MONTH PERIOD ENDED 31 MARCH 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 |
|-----------------------------|---|--|--|------------------------------|-----------------------|
| 31 March 2019 | | | | | |
| Cash and current accounts | 18,591,048 | - | - | 18,591,048 | 18,591,048 |
| Deposits with banks | 376,401,644 | - | - | 376,401,644 | 376,401,644 |
| Government bonds | - | 66,440,867 | - | 66,440,867 | 66,440,867 |
| Equity investments | - | 9,674,948,150 | - | 9,674,948,150 | 9,674,948,150 |
| Other financial assets | 67,322,550 | - | - | 67,322,550 | 67,322,550 |
| Other financial liabilities | - | - | (32,231,471) | (32,231,471) | (32,231,471) |
| | 462,315,242 | 9,741,389,017 | (32,231,471) | 10,171,472,788 | 10,171,472,788 |
| 31 December 2018 | | | | | |
| Cash and current accounts | 19,647,401 | - | - | 19,647,401 | 19,647,401 |
| 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 THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

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

| | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 |
|--|---|---|
| Unrealised net gain from equity investments at fair value through profit or loss | 386,548,340 | 305,888,939 |
| Realised net gain from disposal of equity investments at fair value through profit or loss | 5,822,653 | 3,885,489 |
| Total | 392,370,993 | 309,774,428 |

The unrealised net gain from equity investments at fair value through profit or loss for the three month periods ended 31 March 2019 and 31 March 2018 was mainly generated by the change in fair value for the holding in OMV Petrom SA, as a result of the increase of this company's share price during the respective periods.

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 quarter ended 31 March 2019 was generated by the partial disposal of the holding in BRD Groupe Societe Generale SA (quarter ended 31 March 2018: by the partial disposal of the holding in Nuclearelectrica SA).

6. Gross dividend income

| | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 |
|----------|---|---|
| Alro SA | 33,349,130 | - |
| Alcom SA | 1,338,735 | - |
| | 34,687,865 | - |

In December 2018, the shareholders of Alro SA and Alcom SA approved the distribution of special and interim dividends with the payment date in January 2019. The Fund recorded these dividends in January 2019 on the ex-dividend date, according with its accounting policy. The payment of these dividends was performed by both portfolio companies in January 2019. The Fund's shareholding in Alro SA and Alcom SA was above 10% for more than one year prior to the dividend distribution date and consequently a withholding tax exemption was applied.

7. Operating expenses

| | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 |
|---|---|---|
| Administration fees | 9,265,496 | 11,158,433 |
| FSA monthly fees | 2,361,908 | 2,403,590 |
| Third party services | 2,053,469 | 3,083,508 |
| BON remunerations and related taxes | 361,845 | 361,845 |
| Intermediaries and other fees related to disposal of portfolio holdings | 185,637 | 492,712 |
| Depositary bank fee | 157,705 | 164,947 |
| Other operating expenses | 328,956 | 403,553 |
| | 14,715,016 | 18,068,588 |

The total administration fees for the first quarter of 2019 included the base fee of RON 9,265,496 (the first quarter of 2018: RON 11,158,433) and the distribution fee of RON 700,777 which was entirely related to the buybacks and thus recognised directly in equity as buybacks acquisition cost (the first quarter of 2018: RON 12,242,288). The administration fees are invoiced and paid on a quarterly basis.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

7. Operating expenses (continued)

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

Third party services mainly include legal and litigation assistance, the financial auditor's fees, expenses related to the Board of Nominees as accommodation, transport and insurance costs and the tax advisory services.

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 *Related parties* 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. The Fund may access, subject to the bank's approval and in accordance with the provisions of the credit facility agreement, additional financing in excess of the committed amount, without exceeding a total amount of RON 600,000,000 at any given time.

The finance costs of RON 160,000 for the quarter ended 31 March 2019 comprise the commitment fee on undrawn amounts from the credit facility.

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

9. Income tax

There was no current tax and no deferred tax recorded during the first quarter of 2019 and first quarter of 2018.

| | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 |
|---|---|---|
| Reconciliation of effective tax rate | | |
| Net profit for the period | 414,427,487 | 293,575,750 |
| Income tax | - | - |
| Profit excluding income tax | 414,427,487 | 293,575,750 |
| Income tax using the standard tax rate (16%) | | |
| | (66,308,398) | (46,972,120) |
| <i>Impact on the income tax expense of:</i> | | |
| Taxation applied on dividend income | 5,550,058 | - |
| Non-taxable income | 21,366,956 | 26,524,355 |
| Elements similar to revenues (taxable equity items) | - | (33,615,519) |
| Non-deductible expenses | (20,927,290) | (19,441,774) |
| Fiscal result impact in the current period | 60,318,674 | 73,505,058 |
| Income tax | - | - |

As at 31 March 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 14 *Deferred tax* for details regarding the deferred tax computation and recognition.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

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 31 March 2019 and 31 March 2018, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted earnings per share are the same.

| | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 |
|---|---|---|
| Profit for the period | 414,427,487 | 293,575,750 |
| Weighted average number of ordinary shares | 7,207,899,634 | 8,276,767,475 |
| Basic and diluted earnings per share | 0.0575 | 0.0355 |

11. Cash and current accounts and deposits with banks

| | 31 March 2019 | 31 December 2018 |
|----------------------------------|----------------------|-------------------------|
| Petty cash | 199 | 198 |
| Current accounts with banks | 155,104 | 77,148 |
| Distributions bank accounts | 18,435,745 | 19,570,055 |
| Cash and current accounts | 18,591,048 | 19,647,401 |

| | 31 March 2019 | 31 December 2018 |
|--|----------------------|-------------------------|
| Bank deposits with original maturities of less than three months | 376,286,326 | 187,106,218 |
| Interest accrued on bank deposits | 115,318 | 9,931 |
| Deposits with banks | 376,401,644 | 187,116,149 |

The cash held in the distributions bank accounts can only be used for payments to shareholders. Such payments are subject to a general statute of limitation, respectively the shareholders may request the payments only within a three-year term starting with the distribution payment date, except for specific instances that are individually assessed.

12. Dividends receivable

The dividend receivables balance as at 31 March 2019 is nil.

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

13. 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

13. Equity investments (continued)

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.

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

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

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

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

- At fair value, determined 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, judicial reorganisation or with negative shareholders' equity.

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

| | 3 months ended 31 March 2019 | 3 months ended 31 March 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 (ii) | 392,370,993 | 309,774,428 |
| Disposals (iii) | (54,863,242) | (38,232,082) |
| Closing balance | 9,674,948,150 | 9,549,743,691 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

13. Equity investments (continued)

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

The net gain from equity investments at fair value through profit or loss for the first quarter of 2019 and the first quarter of 2018 was mainly generated by the net change in fair value for the holding in OMV Petrom SA, as a result of the increase of this company's share price during the respective period.

(iii) Disposals

During the first quarter of 2019, the Fund sold part of its holding in BRD Groupe Societe Generale SA.

During the first quarter of 2018, the Fund sold part of its holding in Nuclearelectrica SA.

Portfolio

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

| | 31 March 2019 | 31 December 2018 |
|---|----------------------|-------------------------|
| Hydroelectrica SA | 3,955,000,000 | 3,885,000,000 |
| OMV Petrom SA | 2,021,886,664 | 1,693,400,875 |
| CN Aeroporturi Bucuresti SA | 861,000,000 | 861,000,000 |
| E-Distributie Banat SA | 472,000,000 | 472,000,000 |
| Engie Romania SA | 445,000,000 | 445,000,000 |
| E-Distributie Muntenia SA | 389,000,000 | 389,000,000 |
| E-Distributie Dobrogea SA | 288,000,000 | 288,000,000 |
| Societatea Nationala a Sarii SA | 250,000,000 | 250,000,000 |
| Administratia Porturilor Maritime SA | 244,000,000 | 244,000,000 |
| Nuclearelectrica SA | 206,941,094 | 173,549,777 |
| Alro SA | 164,719,454 | 224,484,919 |
| BRD Groupe Societe Generale SA | 161,844,670 | 190,965,914 |
| Enel Energie Muntenia SA | 58,000,000 | 58,000,000 |
| Enel Energie SA | 44,000,000 | 44,000,000 |
| Zirom SA | 27,129,000 | 27,129,000 |
| Romaero SA | 22,692,254 | 25,971,482 |
| Aeroportul International Traian Vuia Timisoara SA | 20,000,000 | 20,000,000 |
| Other | 43,735,014 | 45,938,432 |
| Total equity investments | 9,674,948,150 | 9,337,440,399 |

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

13. Equity investments (continued)**Fair value hierarchy**

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

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

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

| 31 March 2019 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|----------------------|----------------|----------------------|----------------------|
| Equity investments | 2,555,391,882 | - | 7,119,556,268 | 9,674,948,150 |
| Government bonds | 66,440,867 | - | - | 66,440,867 |
| | 2,621,832,749 | - | 7,119,556,268 | 9,741,389,017 |
| 31 December 2018 | Level 1 | Level 2 | Level 3 | Total |
| Equity investments | 2,282,401,486 | - | 7,055,038,913 | 9,337,440,399 |
| Treasury bills | 49,636,197 | - | - | 49,636,197 |
| Government bonds | 131,613,207 | - | - | 131,613,207 |
| | 2,463,650,890 | - | 7,055,038,913 | 9,518,689,803 |

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

| | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 |
|--|---|---|
| Opening balance | 7,055,038,913 | 6,884,984,802 |
| Net unrealised gain recognised in profit or loss | 64,517,355 | 9,181,836 |
| Transfers in/(out) of Level 3 | - | - |
| Closing balance | 7,119,556,268 | 6,894,166,638 |

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

13. Equity investments (continued)

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 (for 31 March 2018: as at 30 September 2017), 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.

Except for fiscal measures adopted through Emergency Government Ordinance no. 114 issued on 28 December 2018 and related regulation issued in February 2019 by Romanian Energy Regulatory Authority (ANRE) regarding the pricing methodology for electricity sold by the producers on the basis of regulated contracts and the electricity quantities sold by producers to the suppliers of last resort, 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.

The Fund's management has assessed the potential impact of these changes on the portfolio companies on a best estimates basis and included in these interim financial statements the necessary adjustments for the energy producers based on estimated amounts resulted from various potential scenarios related to the regulated energy market. The Fund's management assessed that the impact on energy suppliers and distributors will not be significant.

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.

As at 31 March 2019, unlisted equity investments and listed illiquid equity investments with a total carrying amount of RON 7,119,556,268 (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 31 March 2019 and 31 December 2018 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

13. Equity investments (continued)

| Financial assets | Fair value as at 31 March 2019 | Valuation technique | Unobservable inputs range (weighted average) | Relationship of unobservable inputs to fair value |
|------------------------------------|--------------------------------|---|---|--|
| Total | 7,119,556,268 | | | |
| Unlisted equity instruments | 6,796,365,118 | 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% (15.01%) | 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 | 34,979,150 | 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 THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

13. 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 31 March 2019 and 31 December 2018, the Fund's investments in companies in insolvency, liquidation, judicial reorganisation, dissolution, bankruptcy or with negative shareholders' equity are valued at nil.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

13. 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).

14. Deferred tax

| 31 March 2019 | Deductible temporary differences | Related deferred tax asset, out of which: | Recognised deferred tax asset | Not recognised deferred tax asset |
|-----------------------------|---|--|--------------------------------------|--|
| Fiscal loss carried forward | 3,342,137,128 | 534,741,940 | - | 534,741,940 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

14. Deferred tax (continued)

| | Deductible temporary differences | Related deferred tax asset, out of which: | Recognised deferred tax asset | Not recognised deferred tax asset |
|-----------------------------|---|--|--------------------------------------|--|
| 31 December 2018 | | | | |
| Fiscal loss carried forward | 3,719,128,842 | 595,060,615 | - | 595,060,615 |

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 is presented in the tables below:

| 3 months ended 31 March 2019 | Balance at 1 January 2019 | Reversed through profit or loss | Balance at 31 March 2019 |
|-------------------------------------|----------------------------------|--|---------------------------------|
| Fiscal loss carried forward | - | - | - |

| 3 months ended 31 March 2018 | Balance at 1 January 2018 | Reversed through profit or loss | Balance at 31 March 2018 |
|-------------------------------------|----------------------------------|--|---------------------------------|
| Equity investments | (33,615,519) | 33,615,519 | - |
| Fiscal loss carried forward | 33,615,519 | (33,615,519) | - |
| | - | - | - |

As at 31 March 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.

15. Other assets

As at 31 March 2019, other assets balance in amount of RON 68,706,445 (31 December 2018: RON 1,324,379) mainly comprises the contribution paid by the Fund in relation with the share capital increase of CN Aeroporturi Bucuresti SA. During December 2018 the shareholders of CN Aeroporturi Bucuresti SA approved a share capital increase, where the Fund contribution was in amount of RON 67,292,520. This amount has been considered in the fair value of this participation included in these financial statements. The actual payment of the contribution was done by the Fund during January 2019 and the legal registration of this share capital increase 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 interim financial statements.

16. Liabilities

(a) Payable to shareholders

The payable to shareholders as at 31 March 2019 in amount of RON 18,506,310 (31 December 2018: RON 19,657,190) comprises the outstanding amounts due to shareholders related to the returns of capital of RON 10,254,591 (31 December 2018: RON 10,329,583) and to the dividends balance due to shareholders in total amount of RON 8,251,719 (31 December 2018: RON 9,327,607).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

16. Liabilities (continued)

(a) Payable to shareholders (continued)

| | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 |
|--|---|---|
| Opening balance | 19,657,190 | 20,705,311 |
| Payments related to the distributions performed from the Fund's dedicated bank accounts | (1,150,880) | (1,739,417) |
| Payments related to 2015 return of capital performed directly by Central Depository from the amount transferred by the Fund in their account in 2015 | - | (5,636) |
| Closing balance | 18,506,310 | 18,960,258 |

(b) Other liabilities and provisions

| | 31 March 2019 | 31 December 2018 |
|--|----------------------|-------------------------|
| Administration fees | 9,938,805 | 10,776,338 |
| Payables related to treasury shares under settlement | 2,341,223 | 1,027,752 |
| Provision for litigations | 856,247 | 856,247 |
| Financial Supervisory Authority fees | 786,096 | 778,414 |
| Intermediaries and other transactions fees related to disposal of portfolio holdings | 510,233 | 489,816 |
| Tax on dividends due to State Budget | 375,489 | 495,092 |
| Other liabilities | 959,517 | 1,269,256 |
| | 15,767,610 | 15,692,915 |

17. Shareholders' equity

(a) Share capital

There was no change in the share capital of the Fund recorded during the first quarter of 2019 and the first quarter of 2018.

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

| | 31 March 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 31 March 2019 was as follows:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

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

| Shareholder categories | % of subscribed share capital | % of paid share capital |
|---|-------------------------------|-------------------------|
| The Bank of New York Mellon (depository bank for the Fund's GDRs) | 28.26% | 29.44% |
| Romanian institutional investors | 17.97% | 18.72% |
| Romanian private individuals | 15.70% | 16.36% |
| Foreign institutional investors | 14.35% | 14.94% |
| Foreign private individuals | 2.43% | 2.53% |
| Romanian State | 0.07% | 0.08% |
| Treasury shares | 17.22% | 17.93% |
| 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.

(c) Other reserves

| | 31 March 2019 | 31 December 2018 |
|--|--------------------|--------------------|
| Legal reserve | 377,333,401 | 377,333,401 |
| Losses from cancellation of treasury shares | (80,910,369) | (80,910,369) |
| Distributions for which the statute of limitation occurred | 1,255,660 | 1,255,660 |
| | 297,678,692 | 297,678,692 |

The legal reserve cannot be used for distributions to shareholders.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

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

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.

(d) Treasury shares

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

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

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

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

| | Opening balance 1 Jan 2019 | Acquisitions during the period | Cancellations during the period | Closing balance 31 Mar 2019 |
|-----------------------|---------------------------------------|---|--|--|
| Ninth buy-back | 1,487,992,569 | - | - | 1,487,992,569 |
| Tenth buy-back | - | 82,715,862 | - | 82,715,862 |
| | 1,487,992,569 | 82,715,862 | - | 1,570,708,431 |

| | Opening balance 1 Jan 2018 | Acquisitions during the period | Cancellations during the period | Closing balance 31 Mar 2018 |
|-------------------------|---------------------------------------|---|--|--|
| Seventh buy-back | 90,849,151 | - | - | 90,849,151 |
| Eighth buy-back | 141,869,861 | - | - | 141,869,861 |
| Ninth buy-back | 19,159,328 | 1,304,843,206 | - | 1,324,002,534 |
| | 251,878,340 | 1,304,843,206 | - | 1,556,721,546 |

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

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

| | Opening balance 1 Jan 2019 | Cost of treasury shares acquired | Cancellation of treasury shares | Closing balance 31 Mar 2019 |
|----------------|-------------------------------|-------------------------------------|------------------------------------|--------------------------------|
| Ninth buy-back | 1,414,500,848 | - | - | 1,414,500,848 |
| Tenth buy-back | - | 72,059,111 | - | 72,059,111 |
| | 1,414,500,848 | 72,059,111 | - | 1,486,559,959 |

| | Opening balance 1 Jan 2018 | Cost of treasury shares acquired | Cancellation of treasury shares | Closing balance 31 Mar 2018 |
|------------------|-------------------------------|-------------------------------------|------------------------------------|--------------------------------|
| Seventh buy-back | 78,310,155 | - | - | 78,310,155 |
| Eighth buy-back | 123,615,960 | - | - | 123,615,960 |
| Ninth buy-back | 16,329,392 | 1,244,969,450 | - | 1,261,298,842 |
| | 218,255,507 | 1,244,969,450 | - | 1,463,224,957 |

(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 profits.

The shareholders registered in the shareholders' registry with the Central Depository on 10 June 2019 have the right to receive a gross dividend of RON 0.0903 per share, proportionally with their participation in the paid in share capital of the Fund. The payment will start on 1 July 2019.

18. Contingencies
Litigations

At 31 March 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

18. Contingencies (continued)

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 4 June 2019 and the file is in the first stage.

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

| | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 |
|--|---|---|
| Total Fund's cost with BON remuneration, <i>out of which</i> : | 361,845 | 361,845 |
| Net remuneration paid to BON members | 249,675 | 211,680 |
| Related taxes and contributions payable to State Budget | 112,170 | 150,165 |

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

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

(ii) Sole Director and Investment Manager

FTIS is the Sole Director and Alternative Investment Fund Manager of the Fund starting with 1 April 2016. The initial mandate was for a two-year period and this was renewed for another two years starting with 1 April 2018. 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:

| | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 |
|---------------------|---|---|
| Transactions | | |
| Administration fees | 9,966,273 | 23,400,720 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

19. Related parties (continued)

(a) Key management (continued)

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

| Transactions | 3 months ended 31 March 2019 | 3 months ended 31 March 2018 |
|------------------------------------|---|---|
| Rent expense charged to the Fund | 21,580 | 20,380 |
| Operating cost charged to the Fund | 6,961 | 6,459 |
| | <u>28,541</u> | <u>26,839</u> |

During the first quarter of 2019, the Fund also recorded RON 44,974 representing expenses incurred by FTIML on its behalf (first quarter of 2018: RON 89,057). 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: | 31 March 2019 | 31 December 2018 |
|------------------------|-------------------------|--------------------------|
| FTIS | 9,938,805 | 10,776,338 |
| FTIML | 9,559 | 193,877 |
| | <u>9,948,364</u> | <u>10,970,215</u> |

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

(b) Subsidiaries

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

| Ownership interest | 31 March 2019 | 31 December 2018 |
|---------------------------|----------------------|-------------------------|
| Zirom SA | 100% | 100% |
| Alcom SA | 72% | 72% |
| Comsig SA | 70% | 70% |

In January 2019, the Fund recorded and collected from Alcom SA a dividend of RON 1,338,735.

During the first quarter of 2018, the Fund did not carry out any transaction with its subsidiaries.

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

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

| | 31 March 2019 | 31 December 2018 |
|-----------|--------------------------|--------------------------|
| Zirom SA | 27,129,000 | 27,129,000 |
| Alcom SA | 11,493,897 | 12,832,632 |
| Comsig SA | - | - |
| | <u>38,622,897</u> | <u>39,961,632</u> |

As at 31 March 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

(all amounts are in RON unless otherwise stated)

19. Related parties (continued)

(c) Associates

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

| | 31 March 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 quarter of 2019 or in the first quarter of 2018.

As at 31 March 2019, the balance due by Societatea Nationala a Sarii SA to the Fund amounted RON 6,492 (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 114 (31 December 2018: RON 11). The outstanding balance due by Societatea Nationala a Sarii SA to the Fund is fully impaired.

20. Subsequent events

4 April 2019 General Shareholders' Meeting decisions

The main shareholders decisions at the 4 April 2019 General Shareholders' Meeting were the following:

- the approval of the Annual Activity Report of the Sole Director of the Fund for the financial year 2018, including the statutory IFRS financial statements for the year ended 31 December 2018 and the auditor's report;
- the approval of the coverage of the negative reserves incurred in 2018 financial year derived from the cancellation of treasury shares;
- the approval of the net profit allocation registered for the financial year 2018 and the approval of the distribution of a gross dividend of RON 0.0903 per share;
- the approval of the cancellation of 1,487,992,569 own shares acquired by Fondul Proprietatea during the ninth buy-back programme and the decrease of the subscribed share capital from RON 4,733,020,898.32 to RON 3,959,264,762.44.

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 29 March 2019, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

| Item | 31 December 2018 | | | | 29 March 2019 | | | | Differences RON |
|---|-----------------------|-------------------------|------------|--------------------------|-----------------------|-------------------------|--------------|--------------------------|------------------------|
| | % of the net asset | % of the total asset | Currency | RON | % of the net asset | % of the total asset | Currency | RON | |
| I. Total assets | 100.3458% | 100.0000% | | 10,254,794,184.46 | 100.3344% | 100.0000% | | 10,205,031,177.96 | (49,763,006.50) |
| 1 Securities and money market instruments, out of which:* | 24.0176% | 23.9350% | | 2,454,476,486.94 | 26.1212% | 26.0341% | | 2,656,802,995.12 | 202,326,508.18 |
| 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 | 26.1212% | 26.0341% | - | 2,656,802,995.12 | 202,326,508.18 |
| 1.1.1 listed shares traded in the last 30 trading days | 22.6042% | 22.5265% | - | 2,310,030,648.67 | 25.3551% | 25.2705% | - | 2,578,877,134.99 | 268,846,486.32 |
| 1.1.2 listed shares not traded in the last 30 trading days | 0.1256% | 0.1251% | - | 12,832,631.77 | 0.1130% | 0.1126% | - | 11,493,896.77 | (1,338,735.00) |
| 1.1.3 Government bonds | 1.2878% | 1.2834% | - | 131,613,206.50 | 0.6531% | 0.6510% | - | 66,431,963.36 | (65,181,243.14) |
| 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 | 69.6545% | 69.4224% | - | 7,084,570,729.07 | (321,004,611.07) |
| - shares not admitted at trading on a regulated market | 72.4656% | 72.2156% | - | 7,405,575,340.14 | 69.6545% | 69.4224% | - | 7,084,570,729.07 | (321,004,611.07) |
| 4 Bank deposits, out of which: | 1.8309% | 1.8246% | - | 187,116,148.99 | 3.7004% | 3.6879% | - | 376,359,886.13 | 189,243,737.14 |
| 4.1. bank deposits made with credit institutions from Romania | 1.8309% | 1.8246% | - | 187,116,148.99 | 3.7004% | 3.6879% | - | 376,359,886.13 | 189,243,737.14 |
| - in RON | 1.8309% | 1.8246% | - | 187,116,148.99 | 3.7004% | 3.6879% | - | 376,359,886.13 | 189,243,737.14 |
| - in euro | - | - | - | - | - | - | - | - | - |
| 4.2. bank deposits made with credit institutions from an EU state | - | - | - | - | - | - | - | - | - |
| 4.3. bank deposits made with credit institutions from a non-EU state | - | - | - | - | - | - | - | - | - |
| 5 Derivatives financial instruments traded on a regulated market | - | - | - | - | - | - | - | - | - |
| 6 Current accounts and petty cash out of which: | 0.1923% | 0.1916% | - | 19,647,401.47 | 0.1828% | 0.1822% | - | 18,591,123.90 | (1,056,277.57) |
| - in RON | 0.1923% | 0.1916% | - | 19,643,299.83 | 0.1825% | 0.1819% | - | 18,564,517.28 | (1,078,782.55) |
| - in euro | 0.0000% | 0.0000% | EUR 380.61 | 1,775.13 | 0.0000% | 0.0000% | EUR 303.29 | 1,444.51 | (330.62) |
| - in USD | 0.0000% | 0.0000% | USD 228.23 | 929.72 | 0.0002% | 0.0003% | USD 5,526.11 | 23,449.50 | 22,519.78 |
| - in GBP | 0.0000% | 0.0000% | GBP 268.97 | 1,396.79 | 0.0000% | 0.0000% | GBP 309.13 | 1,712.61 | 315.82 |
| 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 | - | - | - | - | (49,636,197.39) |
| - Treasury bills with original maturities of less than 1 year | 0.4857% | 0.4840% | - | 49,636,197.39 | - | - | - | - | (49,636,197.39) |
| 8 Participation titles of OCIU and/or UCITS (A.O.P.C./O.P.C.V.M.) | - | - | - | - | - | - | - | - | - |
| 9 Other assets out of which: | 1.3537% | 1.3492% | - | 138,342,609.53 | 0.6755% | 0.6734% | - | 68,706,443.74 | (69,636,165.79) |
| - net dividend receivable from Romanian companies | 1.3408% | 1.3362% | - | 137,018,230.51 | - | - | - | - | (137,018,230.51) |
| - tax on dividends to be recovered from the State Budget | 0.0082% | 0.0082% | - | 838,000.00 | 0.0071% | 0.0071% | - | 718,397.00 | (119,603.00) |
| - intangible assets | 0.0033% | 0.0033% | - | 336,522.13 | 0.0029% | 0.0029% | - | 293,404.52 | (43,117.61) |
| - other receivables out of which: | - | - | - | - | 0.6627% | 0.6605% | - | 67,400,173.20 | 67,400,173.20 |
| - in RON | - | - | - | - | 0.6627% | 0.6605% | - | 67,400,173.20 | 67,400,173.20 |
| - prepaid expenses | 0.0015% | 0.0015% | - | 149,856.89 | 0.0029% | 0.0029% | - | 294,469.02 | 144,612.13 |
| II. Total liabilities | 0.3458% | 0.3447% | | 35,350,104.78 | 0.3344% | 0.3332% | | 33,999,801.05 | (1,350,303.73) |
| 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 | 0.0956% | 0.0953% | - | 9,722,160.89 | (1,054,177.47) |
| 2 Liabilities related to the fees payable to the depositary bank | 0.0005% | 0.0005% | - | 49,303.67 | 0.0005% | 0.0005% | - | 48,733.10 | (570.57) |
| 3 Liabilities related to the fees payable to intermediaries | 0.0048% | 0.0048% | - | 489,816.18 | 0.0050% | 0.0050% | - | 510,233.21 | 20,417.03 |
| 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 | 0.0073% | 0.0072% | - | 735,380.53 | (43,033.92) |
| 8 Liabilities related to audit fees | 0.0020% | 0.0020% | - | 203,055.52 | 0.0000% | 0.0000% | - | 767.12 | (202,288.40) |
| 9 Other Liabilities, out of which: | 0.2256% | 0.2248% | - | 23,053,176.60 | 0.2260% | 0.2252% | - | 22,982,526.20 | (70,650.40) |
| - liabilities to the Fund's shareholders related to the dividend distribution | 0.0912% | 0.0911% | - | 9,327,606.80 | 0.0811% | 0.0809% | - | 8,251,718.76 | (1,075,888.04) |
| - liabilities related to the return of capital | 0.1011% | 0.1007% | - | 10,329,582.90 | 0.1008% | 0.1005% | - | 10,254,591.05 | (74,991.85) |
| - provisions | 0.0084% | 0.0083% | - | 856,247.22 | 0.0084% | 0.0084% | - | 856,247.22 | - |
| - liabilities related to buybacks under settlement | 0.0101% | 0.0100% | - | 1,027,752.33 | 0.0230% | 0.0229% | - | 2,341,223.42 | 1,313,471.09 |
| - 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 | - | - | - | - | 0.0000% | 0.0000% | - | 1,483.30 | 1,483.30 |

FONDUL PROPRIETATEA SA

| Item | 31 December 2018 | | | | 29 March 2019 | | | | Differences RON |
|--|--------------------|----------------------|----------|--------------------------|--------------------|----------------------|---------------|--------------------------|------------------------|
| | % of the net asset | % of the total asset | Currency | RON | % of the net asset | % of the total asset | Currency | RON | |
| - tax on dividends payable to State Budget | 0.0048% | 0.0048% | - | 495,092.04 | 0.0037% | 0.0037% | - | 375,489.04 | (119,603.00) |
| - other liabilities out of which: | 0.0095% | 0.0094% | - | 966,840.31 | 0.0087% | 0.0085% | - | 866,916.41 | (99,923.90) |
| - in RON | 0.0095% | 0.0094% | - | 966,840.31 | 0.0059% | 0.0058% | - | 596,379.84 | (370,460.47) |
| - in euro | - | - | - | - | 0.0028% | 0.0027% | EUR 56,802.00 | 270,536.57 | 270,536.57 |
| III. Net Asset Value (I - II) | 100.0000% | 99.6553% | | 10,219,444,079.68 | 100.0000% | 99.6668% | | 10,171,031,376.91 | (48,412,702.77) |

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

Unitary Net Asset Value

| Item | 29 March 2019 | 31 December 2018 | Differences |
|------------------------------|-------------------|-------------------|-----------------|
| Net Asset Value | 10,171,031,376.91 | 10,219,444,079.68 | (48,412,702.77) |
| Number of outstanding shares | 7,167,442,485 | 7,250,158,347 | (82,715,862) |
| Unitary net asset value | 1.4190 | 1.4095 | 0.0095 |

DETAILED STATEMENT OF INVESTMENTS AS AT 29 MARCH 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 | 29-Mar-2019 | 72,884,714 | 0.5 | 2.2600 | 164,719,453.64 | 10.21% | 1.6141% | 1.6195% | Closing price |
| BRD-Groupe Societe Generale SA | BRD | 29-Mar-2019 | 12,449,590 | 1 | 13.0000 | 161,844,670.00 | 1.78% | 1.5859% | 1.5912% | Closing price |
| IOR SA | IORB | 15-Feb-2019 | 2,622,273 | 0.1 | 0.1650 | 432,675.05 | 1.18% | 0.0042% | 0.0043% | Reference price - Average price |
| Mecon SA | MECP | 21-Mar-2019 | 60,054 | 11.6 | 6.0000 | 360,324.00 | 12.51% | 0.0035% | 0.0035% | Reference price - Average price |
| OMV Petrom SA | SNP | 29-Mar-2019 | 5,663,548,078 | 0.1 | 0.3570 | 2,021,886,663.85 | 9.99% | 19.8126% | 19.8789% | Closing price |
| Romaero SA | RORX | 19-Mar-2019 | 1,311,691 | 2.5 | 17.3000 | 22,692,254.30 | 18.87% | 0.2224% | 0.2231% | Reference price - Average price |
| Nuclearelectrica SA | SNN | 29-Mar-2019 | 21,268,355 | 10 | 9.7300 | 206,941,094.15 | 7.05% | 2.0278% | 2.0346% | Closing price |
| Total | | | | | | 2,578,877,134.99 | | 25.2705% | 25.3551% | |

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% | 0.1126% | 0.1130% | Fair value (Shareholders' equity as of 31 December 2017 adjusted with dividends per share) |
| Total | | | | | | 11,493,896.77 | | 0.1126% | 0.1130% | |

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% | 0.0144% | 0.0144% | 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% | 0.1960% | 0.1966% | 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% | 0.1431% | 0.1436% | 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% | 0.0171% | 0.0172% | 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% | 0.0394% | 0.0395% | 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% | 2.3910% | 2.3990% | 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 | 299.4321 | 860,999,935.92 | 20.00% | 8.4370% | 8.4652% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 30 September 2018) |
| 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 | 51.1894 | 471,999,233.97 | 24.12% | 4.6252% | 4.6406% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 30 September 2018) |
| E-Distributie Dobrogea SA | 6,753,127 | 19-Jul-2005 | 114,760,053 | 42.6469 | 287,999,931.86 | 24.09% | 2.8221% | 2.8316% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 30 September 2018) |
| E-Distributie Muntenia SA | 3,256,396 | 19-Jul-2005 | 107,277,263 | 119.4572 | 388,999,948.25 | 12.00% | 3.8118% | 3.8246% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 30 September 2018) |
| Enel Energie Muntenia SA | 444,054 | 19-Jul-2005 | 2,833,769 | 130.6147 | 57,999,979.99 | 12.00% | 0.5683% | 0.5702% | 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% | 0.4312% | 0.4326% | 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 | 186.1381 | 444,999,983.39 | 11.99% | 4.3606% | 4.3752% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 30 September 2018) |
| Gerovital Cosmetics SA | 1,350,988 | 19-Jul-2005 | 340,996 | 0.0000 | 0.00 | 9.76% | 0.0000% | 0.0000% | Bankruptcy | Priced at zero |
| Hydroelectrica SA | 89,396,405 | 19-Jul-2005 | 3,019,591,996 | 44.2411 | 3,954,995,293.25 | 19.94% | 38.7553% | 38.8849% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 30 September 2018) |
| Plafar SA | 132,784 | 28-Jun-2007 | 3,160,329 | 21.9604 | 2,915,989.75 | 48.99% | 0.0286% | 0.0287% | 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% | 0.0657% | 0.0659% | 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 | 124.6333 | 249,999,942.34 | 48.99% | 2.4498% | 2.4580% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 30 September 2018) |
| World Trade Center Bucuresti SA | 198,860 | 19-Jul-2005 | 42,459 | 0.0000 | 0.00 | 19.90% | 0.0000% | 0.0000% | Insolvency | Priced at zero |
| World Trade Hotel SA | 17,912 | 19-Jul-2005 | 17,912 | 0.0000 | 0.00 | 19.90% | 0.0000% | 0.0000% | Unlisted companies, in function | Priced at zero (lack of annual financial statements for the year-ended 31 December 2017) |
| Zirom SA | 5,912,083 | 28-Jun-2007 | 58,908,072 | 4.5887 | 27,128,775.26 | 100.00% | 0.2658% | 0.2667% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 30 September 2018) |
| Total | | | 4,597,144,345 | | 7,084,570,729.07 | | 69.4224% | 69.6545% | | |

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
Government bonds

| Issuer | ISIN code | No. of instruments | Date of acquisition | Coupon date | Due Date | Initial Value | Daily interest | Cumulated interest | Cumulated discount/premium | Market price / Reference composite price | Current value | Stake in FP total assets | Stake in FP net asset | Evaluation method |
|---------------------|--------------|--------------------|---------------------|-------------|-------------|---------------|----------------|---------------------|----------------------------|--|----------------------|--------------------------|-----------------------|---|
| Ministry of Finance | RO1519DBN037 | 13,000 | 27-Nov-2018 | 29-Apr-2019 | 29-Apr-2019 | 65,000,000.00 | 4,452.06 | 1,491,438.36 | - | 99.9085% | 66,431,963.36 | 0.6510% | 0.6531% | Fair value (reference composite price published by Reuters, including the cumulated interest) |
| Total | | | | | | | | 1,491,438.36 | | | 66,431,963.36 | 0.6510% | 0.6531% | |

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 | 18-Mar-2019 | 1-Apr-2019 | 37,000,000.00 | 1,541.67 | 18,500.00 | 37,018,500.00 | 0.3627% | 0.3640% | |
| CITI Bank | 21-Mar-2019 | 4-Apr-2019 | 62,000,000.00 | 3,186.11 | 28,675.00 | 62,028,675.00 | 0.6078% | 0.6099% | |
| Banca Comerciala Romana | 28-Mar-2019 | 4-Apr-2019 | 95,700,000.00 | 5,050.84 | 10,101.67 | 95,710,101.67 | 0.9379% | 0.9410% | |
| ING BANK | 28-Mar-2019 | 11-Apr-2019 | 95,700,000.00 | 5,183.75 | 10,367.50 | 95,710,367.50 | 0.9379% | 0.9410% | Bank deposit value cumulated with the daily related interest for the period from starting date |
| Raiffeisen Bank | 29-Mar-2019 | 1-Apr-2019 | 76,300,000.00 | 5,298.61 | 5,298.61 | 76,305,298.61 | 0.7477% | 0.7502% | |
| BRD Groupe Societe Generale | 29-Mar-2019 | 1-Apr-2019 | 9,586,325.56 | 617.79 | 617.79 | 9,586,943.35 | 0.0939% | 0.0943% | |
| Total | | | 376,286,325.56 | | 73,560.57 | 376,359,886.13 | 3.6879% | 3.7004% | |

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

| | 29 December 2017 | 31 December 2018 | 29 March 2019 |
|-----------|-------------------|-------------------|-------------------|
| Net Asset | 10,790,418,333.80 | 10,219,444,079.68 | 10,171,031,376.91 |
| NAV/share | 1.2375 | 1.4095 | 1.4190 |

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

BRD Groupe Societe Generale

 Johan Meyer
 Permanent representative

 Claudia Ionescu
 Director

 Victor Strâmbei
 Manager Depository Department

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

 Marius Nechifor
 Compliance Officer



FONDUL
PROPRIETATEA

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