

# Fondul Proprietatea SA

(this is a translation from the official Romanian version)



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# List of Abbreviations

<b>AIF</b>	Alternative Investment Fund
<b>AIF Law</b>	Romanian Law no. 243/2019 on the regulation of alternative investment funds and amending and supplementing certain normative acts
<b>AIF Regulation</b>	Regulation no. 7/2020 on the authorisation and function of alternative investment funds, issued by the Financial Supervisory Authority
<b>AIFM</b>	Alternative Investment Fund Manager
<b>AIFM Directive</b>	Directive 2011/61/EU on Alternative Investment Fund Managers
<b>ANRE</b>	Romanian Energy Regulatory Authority
<b>ATS</b>	Alternative Trading System
<b>Brexit</b>	The withdrawal of the United Kingdom from the European Union
<b>BVB</b>	Bucharest Stock Exchange
<b>CNVM</b>	National Securities Commission (currently FSA)
<b>Companies' Law</b>	Law 31/1990 regarding companies, with subsequent amendments
<b>Depozitarul Central SA</b>	Romanian Central Depository
<b>EGM</b>	Extraordinary General Shareholders Meeting
<b>EU</b>	European Union
<b>Fondul Proprietatea/ the Fund/ FP</b>	Fondul Proprietatea SA
<b>FSA</b>	Romanian Financial Supervisory Authority
<b>FTIML/ Investment Manager</b>	Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch
<b>FTIS/ Alternative Investment Fund Manager/ Sole Director</b>	Franklin Templeton International Services S.à r.l.
<b>GDP</b>	Gross Domestic Product
<b>GDR</b>	Global Depositary Receipt
<b>GEO</b>	Government Emergency Ordinance
<b>GEO 114/2018</b>	GEO 114/29 December 2018 on the implementation of certain measures in the field of public investments and of fiscal-budgetary measures and the amendment and completion of certain normative acts
<b>GEO 1/2020</b>	GEO 1/ 9 January 2020 regarding some fiscal-budgetary measures and the amendment and completion of some normative acts
<b>GSM</b>	General Shareholders Meeting
<b>IFRS</b>	International Financial Reporting Standards as endorsed by the European Union
<b>IMF</b>	International Monetary Fund
<b>IPS</b>	Investment Policy Statement
<b>LSE</b>	London Stock Exchange
<b>NAV</b>	Net Asset Value
<b>REGS</b>	Main market (Regular) of Bucharest Stock Exchange
<b>RRR</b>	Regulatory Rate of Return

# Overview

## Company Information

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 in force between 1 April 2018 and 31 March 2020, according to 14 February 2018 GSM Resolution. During the 28 June 2019 GSM, the shareholders approved the new mandate of FTIS as AIFM and Sole Director of the Fund for the period 1 April 2020 – 31 March 2022 and the new Management Agreement. 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.

### Share information

Primary listing	Bucharest Stock Exchange
Since	25 January 2011
Secondary listing	London Stock Exchange
Since	29 April 2015
BVB symbol	FP
LSE 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
FSA register no	PJR09SIIR/400006/18.08.2010
LEI code	549300PVO1VWBFH3DO07
CIVM registration no	AC-4522-5/23.10.2019

Source: Fondul Proprietatea

## Shareholder Information

### Shareholder Structure as at 31 March 2020<sup>1</sup>

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights <sup>2</sup>
Romanian institutional shareholders	28.11	29.53	32.36
The Bank of New York Mellon (GDRs) <sup>3</sup>	24.62	25.86	28.22
Romanian private individuals	17.80	18.69	20.48
Foreign institutional shareholders	13.57	14.25	15.61
Foreign private individuals	2.81	2.95	3.23
Romanian State represented by Ministry of Public Finance	4.87	0.09	0.1
Treasury shares <sup>4</sup>	8.22	8.63	-

Source: Depozitarul Central SA

As at 31 March 2020 the Fund had 7,016 shareholders and the total number of voting rights was 6,615,997,282.

<sup>1</sup> Information provided based on settlement date of transactions

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

<sup>3</sup> Fondul Proprietatea held 164,209 GDRs as at 31 March 2020

<sup>4</sup> 625,950,615 treasury shares out of which 403,812,443 treasury shares acquired in the tenth buyback program and 222,138,172 treasury shares acquired in the eleventh buyback program

## Largest Shareholders

Shareholder	Latest ownership disclosure	% of voting rights
NN Group	6 March 2020	10.01%
Anchorage Capital Group LLC	21 September 2018	6.69%
Allianz-Tiriac private pension funds	1 July 2019	5.05%

Source: ownership disclosures submitted by shareholders

## Disclosure of holdings during the period

On 9 March 2020, the Fund announced that Fondul de Pensii Facultative NN Activ, Fondul de Pensii Facultative NN Optim, Fondul de Pensii Administrat Privat NN and NN Investment Partners B.V. have sent an aggregate disclosure of holdings over 10% of the total voting rights in the Fund, according to which, by virtue of acting in concert, they held together as of 6 March 2020, a number of 685,469,767 voting rights, representing 10.01% of the total number of voting rights in the Fund.

## Share Capital Information

Share capital information	31 March 2020	31 March 2019	31 December 2019
Issued share capital (RON)	3,959,264,762.44	4,733,020,898.32	3,959,264,762.44
Paid in share capital (RON)	3,770,082,340.44	4,543,838,476.32	3,770,082,340.44
Number of shares in issue	7,613,970,697	9,101,963,266	7,613,970,697
Number of paid shares	7,250,158,347	8,738,150,916	7,250,158,347
Nominal value per share (RON)	0.52	0.52	0.52

Source: Fondul Proprietatea

## Summary of Financial Results

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

NAV* and share price developments**	Notes	Q1 2020	Q1 2019	YE 2019
Total shareholders' equity at the end of the period (RON million)		9,585.8	10,170.8	11,871.5
Total shareholders' equity change in period (%)		-19.3%	+3.5%	+20.8%
Total NAV at the end of the period (RON million)	a	9,585.8	10,171.0	11,871.5
Total NAV change in period (%)		-19.3%	-0.5%	+16.2%
NAV per share at the end of the period (RON)	a	1.4515	1.4190	1.7339
NAV per share change in the period (%)		-16.3%	+0.7%	+23.0%
NAV per share total return in the period (%)	g	-16.3%	+0.7%	+31.2%
Share price as at the end of the period (RON)	b	1.1100	0.9150	1.2100
Share price low in the period (RON)	b	0.9980	0.8000	0.8000
Share price high in the period (RON)	b	1.3800	0.9150	1.2100
Share price change in the period (%)		-8.3%	+3.6%	+37.0%
Share price total return in the period (%)	h	-8.3%	+3.6%	+49.1%
Share price discount to NAV as at the end of the period (%)	d	23.5%	35.5%	30.2%
Average share price discount in the period (%)	d	25.6%	37.7%	29.4%
Average daily share turnover in the period (RON million)	c, j	11.9	4.2	5.6
GDR price as at the end of the period (USD)	e	12.1000	10.8000	13.7000
GDR price low in the period (USD)	e	11.2000	9.6500	9.6500
GDR price high in the period (USD)	e	15.7000	10.8000	13.9000
GDR price change in the period (%)		-11.7%	+2.9%	+30.5%
GDR price total return in the period (%)	i	-11.7%	+2.9%	+41.4%
GDR price discount to NAV as at the end of the period (%)	d	26.7%	35.4%	32.7%
Average GDR price discount in the period (%)	d	26.8%	38.3%	30.4%
Average daily GDR turnover in the period (USD million)	f, k	1.1	0.8	0.7

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

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

\*\* Period should be read as Q1 2020/ Q1 2019/ year 2019, respectively

**Notes:**

- a. Prepared based on local rules issued by the capital market regulator
- b. Source: BVB - REGS market - Closing prices
- c. Source: BVB
- d. 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
- e. Source: LSE - Closing prices
- f. Source: LSE and Bloomberg
- g. The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per share at the end of the period plus any cash distribution during the period, dividing the resulting sum by the official NAV per share at the beginning of the period. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- h. The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- i. The GDR Price Total Return is calculated in USD by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- j. Including the tender offers carried by the Fund in August 2019/ March 2020 with a total value (excluding transaction costs) of RON 109.0 million/ RON 173.0 million for the 90.1 million shares/ 124.5 million shares acquired on BVB
- k. Including the tender offers carried by the Fund in August 2019/ March 2020 with a total value (excluding transaction costs) of USD 17.0 million/ USD 24.2 million for the 59.9 million shares/ 75.5 million shares equivalent to the GDRs acquired on LSE

The table below presents the unaudited results of the Fund in accordance with IFRS for the three months ended 31 March 2020:

RON million	31 March 2020	31 March 2019
(Loss)/ Profit for the quarter ended	(1,955.0)	414.4
Total shareholders' equity as at	9,585.8	10,170.8

The main contributor to the loss in the first three months of 2020 was the net unrealised loss from equity investments at fair value through profit or loss amounting to RON 2.46 billion, generated by OMV Petrom SA, as a result of the negative evolution of this company's share price during the first quarter of 2020 (total impact RON 889.2 million, share price decrease of 35.1%) and the decrease in the value of unlisted holdings in the portfolio of RON 1,481.9 million following the valuation update process (mostly related to Hidroelectrica SA, CN Aeroporturi Bucuresti SA and E-Distributie companies). This was partially offset by the gross dividend income from portfolio companies of RON 522.9 million recorded during this period.

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

**Contact Details**

Address: 78-80 Buzesti Street, 7<sup>th</sup> floor, District 1,  
postal code 011017, Bucharest, Romania.

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

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

Telephone: +40 21 200 9600

Fax: +40 21 200 9631/32

# Analysis of the Fund's Activity

## Regulated Stock Market Trading

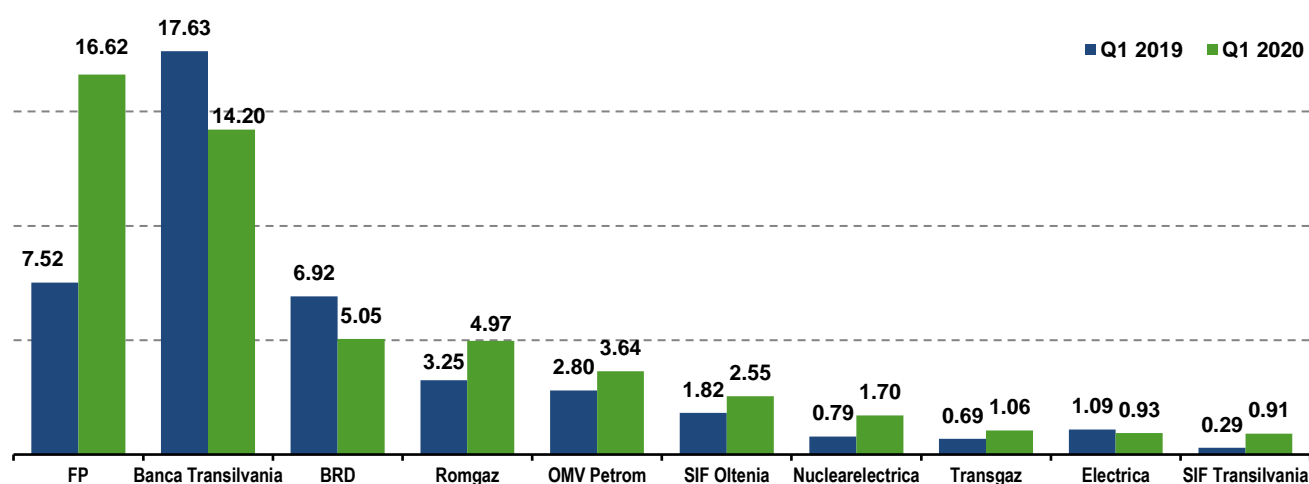
### Local Stock Market Evolution

In the quarter ended 31 March 2020, in the context of COVID-19 pandemic, BVB recorded the lowest decrease compared to the largest markets in Central Europe, in both local currency and EUR terms, as shown in the table below:

% change in Q1 2020	in local currency	in EUR
<b>BET-XT (Romania)</b>	<b>-23.24%</b>	<b>-23.99%</b>
PX (Czech Republic)	-29.20%	-34.19%
BUX (Hungary)	-28.10%	-34.20%
WIG20 (Poland)	-29.64%	-34.35%
ATX (Austria)	-37.19%	-37.19%

Source: Bloomberg

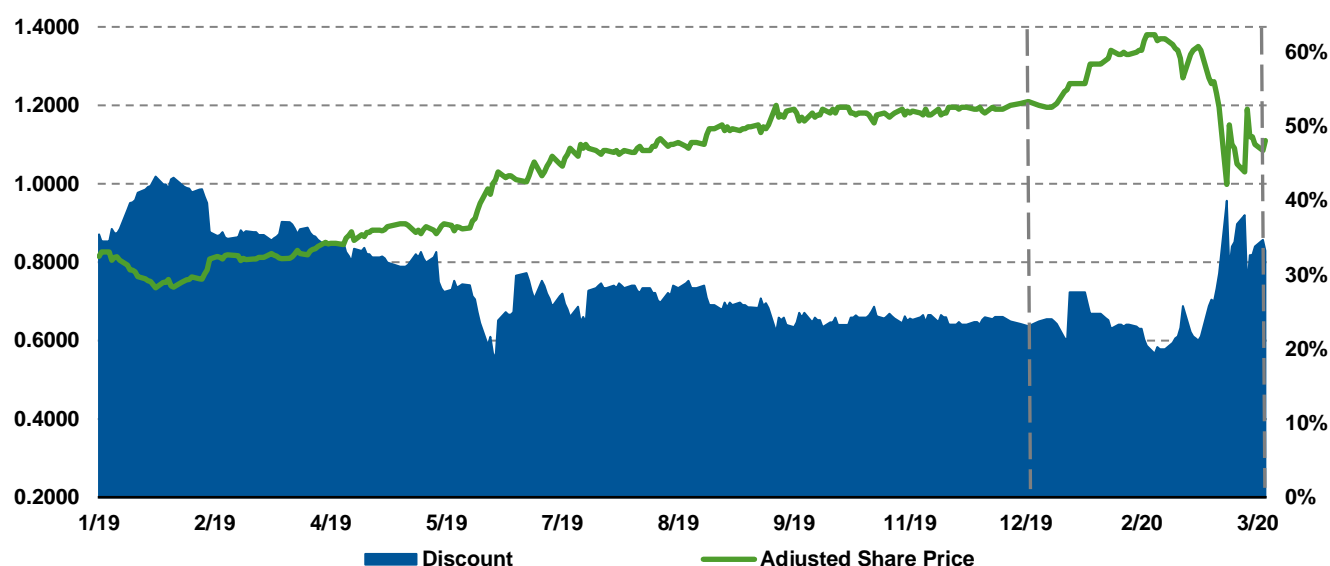
### Average Daily Turnover (RON million)



Source: BVB, Bloomberg

Note: The values for FP, Electrica, OMV Petrom and Romgaz also include the GDR trading on LSE. The values for FP include the tender offer from March 2020, of RON 173.0 million for the 124.5 million shares acquired on BVB and RON 105.0 million for the 75.5 million shares equivalent to the GDRs acquired on LSE.

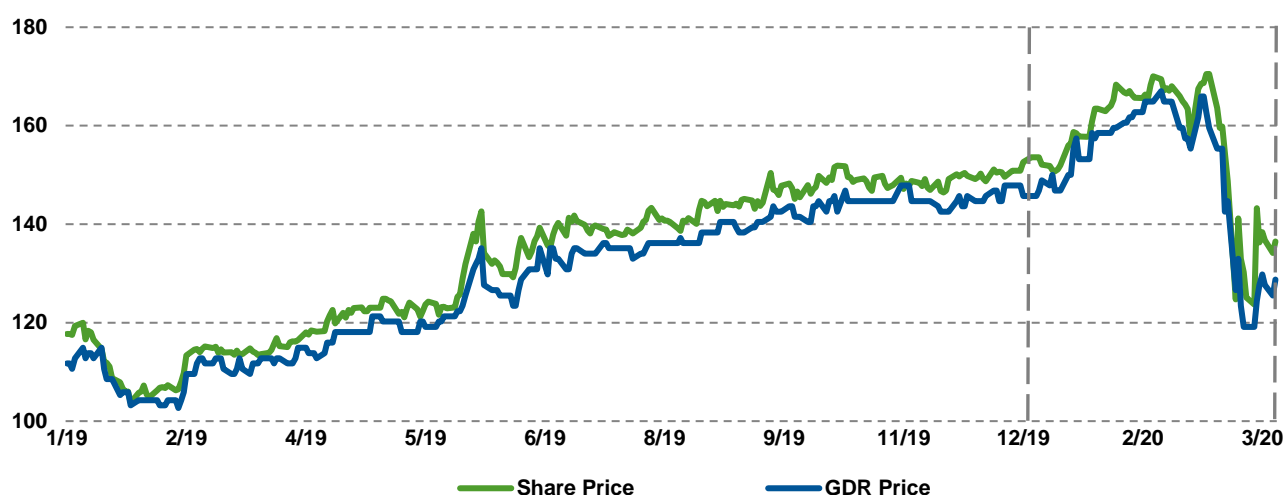
### Fund's Share Price and Discount History (RON per share)



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: Bloomberg

The share price had a strong performance in the first two months of the year, reaching a record high of RON 1.3800 per share on 14 February 2020. The negative impact of COVID-19 pandemic on the economic activity and global capital markets led to a significant drop in the Fund's performance in the last month of the quarter.

## Management and Governance of the Fund

### Management Agreement in force during the reporting period

During the first quarter of 2020 the Fund was managed under the Management Agreement concluded between the Fund and FTIS as AIFM on 14 February 2018, which entered into force on 1 April 2018 with a duration of 2 years (1 April 2018 – 31 March 2020), including the following management structure:

- FTIS is Sole Director and AIFM under AIFM Directive and local implementation regulations;
- Board of Nominees approved the delegation of certain portfolio management and administrative activities from FTIS to FTIML.

### Key commercial terms

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

### The new Management Agreement starting 1 April 2020

During the 28 June 2019 GSM of the Fund the shareholders approved the new mandate of FTIS as AIFM and Sole Director of the Fund for the period 1 April 2020 – 31 March 2022 and the new Management Agreement, under the same key commercial terms as above.

### Board of Nominees succession planning

In the 2019 Annual Report of the Fund it was mentioned that three members of the Board of Nominees will have served for nine years as members of the Board during 2021 and as a result, a plan for succession is under way. The succession planning process is currently suspended due to the COVID-19 pandemic and will be resumed after the situation is improved.



## Performance Objectives

According to the Management Agreement in force starting with 1 April 2020, the First Reporting Period of the mandate is from 1 January until 31 December 2020 and the Second Reporting Period is from 1 January until 31 December 2021.

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 NAV<sup>1</sup> 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.

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

The Adjusted NAV per share as at 31 March 2020 was 16.2% lower than the 31 December 2019 NAV per share of RON 1.7339.

NAV Objective	Amount RON	Details
<b>Total NAV as 31 March 2020</b>	<b>9,585,792,591</b>	
Costs related to buy-backs after 31 December 2019	3,497,199	Fees related to the eleventh buy-back programme, excluding the distribution fees for buy-backs (includes mainly the FSA fee of 1% of the tender offer value finalised in March 2020)
Distribution fees for buy-backs performed after 31 December 2019	3,128,192	Distribution fees for the eleventh buy-back programme
Costs related to the returns of capital and dividends after 31 December 2019	1,736	Fees charged by the Central Depositary and Paying Agent for returns of capital and dividends
<b>Total Adjusted NAV as at 31 March 2020</b>	<b>9,592,419,717</b>	
Number of Fund's paid shares, less treasury shares and GDRs held as at 31 March 2020	6,604,011,425	
<b>Adjusted NAV per share as at 31 March 2020</b>	<b>1.4526</b>	
<b>NAV per share as at 31 December 2019</b>	<b>1.7339</b>	
<b>Difference</b>	<b>(0.2813)</b>	
<b>%</b>	<b>-16.22%</b>	

Source: Fondul Proprietatea

The COVID-19 pandemic generated a severe decline of the financial markets around the world, impacting the Fund's portfolio significantly. The total NAV at 31 March 2020 was 19.3% lower compared to the end of 2019, while the NAV per share dropped by 16.3% over the same period. OMV Petrom SA, the largest listed holding in the portfolio recorded a share price decrease of 35.1% with a total NAV impact of RON 889.2 million. Additionally, the value of unlisted holdings decreased by RON 1,035.8 million following the valuation update in March.

The Sole Director is committed to its continued efforts towards protecting shareholders' value and to implement the necessary measures in accordance with the IPS to address this volatile environment. The Sole Director proposed, and shareholders already approved during the 28 April 2020 shareholders meeting a cash dividend distribution of RON 0.0642 per share with payment date on 1 July. The eleventh buy-back programme is ongoing - a tender offer for 200 million shares was finalised in March and daily buy-backs are carried on both BVB and LSE. Our proactive investor relations program continues online during this period, organising numerous conference calls with current and potential investors of the Fund. We also work closely with the management of portfolio companies and support them in identifying the most suitable actions to tackle the current challenges and protect the company's value.

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

In the period between 1 January 2020 and 31 March 2020, the discount to NAV was greater than 15%, for both shares and GDRs.

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

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

Discount as at 31 March 2020	Minimum discount during the interim monitoring period	Maximum discount during the interim monitoring period	Average discount during the interim monitoring period
33.2%	19.4%	40.0%	25.6%

Source: Fondul Proprietatea

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

**GDR Facility**

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations, or 50,759,804 GDRs as at 31 March 2020, each GDR representing 50 shares. As at 31 March 2020, 1,874,977,800 of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depository bank, accounting for 37,499,556 GDRs, representing 73.87% of the GDR facility.

**Credit Facility Agreement**

The Fund has in place a credit facility from BRD Groupe Societe Generale SA with a maximum committed amount of RON 45 million, expiring on 29 June 2020. The credit facility is for general corporate and operational use. The Fund may access, subject to bank's approval and in accordance with the provisions of the credit facility, additional financing in excess of the said committed amount, without exceeding a total amount of RON 245 million at any given time. The Fund did not use the credit facility during the three months ended 31 March 2020 and the outstanding balance is nil.

**Investor Relations**

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 2 road-shows in the UK and the United States and met with 24 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 26 – 27 February we organised in collaboration with WOOD & Company the seventh edition of the "Romania Investor Days in London" event. 78 representatives from 45 international investments firms, with assets under management of over EUR 2,000 billion, and 45 representatives from 18 Romanian companies, listed or candidates for IPOs, participated in the event. During the event, 204 individual and group meetings were held between the investors and the management teams of the Romanian companies present at the event.

On 28 February, we organised a conference call to present and discuss the 2019 annual results. 29 analysts and investors participated in the call and received information regarding the 2019 financial results published on the same day, and latest updates regarding the Fund and its portfolio holdings.

Between 25 – 26 March we participated in WOOD & Company EME conference that moved online due to COVID-19 pandemic travel restrictions. The Fund's team had 10 conference calls with 15 investors from 13 international asset managers.

Furthermore, during the first quarter, we held 19 additional conference calls with analysts, brokers, current and prospective investors, 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 feedback as we continue to focus on maximising shareholder value.

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

## Buy-back Programmes

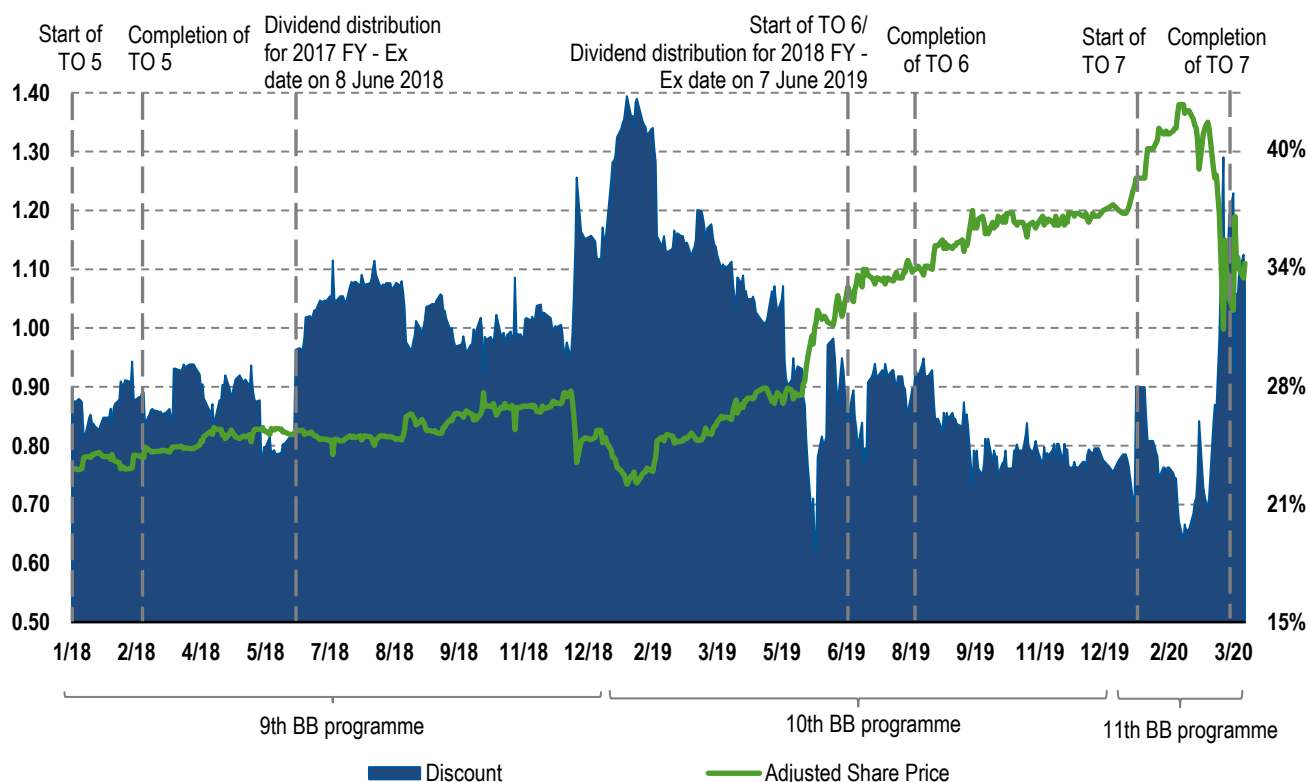
### Overview of share buy-back programmes since listing

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	Completed
Tenth	Jan – Dec 2019	403.8	Jul – Aug 2019	Completed. The cancellation of shares was approved by shareholders during the annual GSM on 28 April 2020 and the implementation process is ongoing.
Eleventh	Jan – Dec 2020	242.3	Jan – Mar 2020	Started on 1 January 2020
<b>TOTAL</b>		<b>6,810.3</b>		

Source: Fondul Proprietatea

### Discount evolution and buy-back programmes

The chart below presents the evolution of the discount and trading price by reference to the buy-back programmes 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 2020, the Fund bought back a total number of 242,334,479 own shares within the eleventh buy-back programme (out of which 155,445,129 ordinary shares and 86,889,350 ordinary shares corresponding to GDRs), representing 3.2% of the total issued shares as at 31 March 2020, for a total acquisition value of RON 324,025,280, excluding transaction costs. The total number of own shares (including shares corresponding to GDRs) held by the Fund as at 31 March 2020 is 646,146,922 own shares, having a total nominal value of RON 335,996,399.44 (RON 0.52 per share). During 2020 the Fund converted 1,510,440 GDRs acquired into 75,522,000 ordinary shares. As at 31 March 2020, the Fund held 227,347 GDRs.

The table below shows a summary of the buy-back programmes during the first quarter of 2020\*:

Programme	Description	No of shares*	Equivalent shares of GDRs	Total no of shares	% of issued share capital***
<b>10th</b>	<b>Opening balance as at 1 January 2020</b>	<b>403,812,443</b>	<b>-</b>	<b>403,812,443</b>	
	Acquisitions	-	-	-	
	Conversions	-	-	-	
	Cancellations	-	-	-	
	<b>Closing balance as at 31 March 2020</b>	<b>403,812,443</b>	<b>-</b>	<b>403,812,443</b>	<b>5.3%</b>
	<b>Weighted average price (RON per share; USD per GDR)**</b>	<b>1.0798</b>	<b>13.0730</b>	<b>1.0872</b>	
<b>11th</b>	<b>Opening balance as at 1 January 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	Acquisitions	155,445,129	86,889,350	242,334,479	
	Conversions	75,522,000	(75,522,000)	-	
	<b>Closing balance as at 31 March 2020</b>	<b>230,967,129</b>	<b>11,367,350</b>	<b>242,334,479</b>	<b>3.2%</b>
	<b>Weighted average price (RON per share; USD per GDR)**</b>	<b>1.3333</b>	<b>15.5050</b>	<b>1.3371</b>	
<b>All</b>	<b>Total balance of treasury shares as at 31 March 2020</b>	<b>634,779,572</b>	<b>11,367,350</b>	<b>646,146,922</b>	<b>8.5%</b>

Source: Fondul Proprietatea

\* Based on the transaction date

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

\*\*\*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)

### The eleventh buy-back programme

During 15 November 2019 GSM the shareholders approved the eleventh buy-back programme for a maximum number of 800,000,000 shares and/ or equivalent GDRs corresponding to shares, starting with 1 January 2020 until 31 December 2020, at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The shares repurchased during the buy-back programme will be cancelled. The Fund selected Auerbach-Grayson in consortium with Swiss Capital to provide brokerage services for the programme. The Fund is allowed to buy back daily up to 25% of the average daily volume of the Fund's shares (in the form of ordinary shares or GDRs) on the regulated market on which the purchase is carried out, calculated in accordance with the applicable law.

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

On 7 January 2020, the Fund submitted to the FSA an application for the endorsement of a tender offer to accelerate the eleventh buy-back programme. Under the tender offer the Fund intended to repurchase up to 200 million shares from its shareholders, both in the form of shares and GDRs.

The daily execution of buy-backs for both shares on BVB and GDRs on LSE was suspended starting with 12 December 2019.

The Fund engaged Swiss Capital SA and Auerbach Grayson as dealer managers and Swiss Capital SA as intermediary in relation to the purchase of shares and The Bank of New York Mellon as tender agent in relation to the purchase of GDRs.

On 22 January 2020, the FSA approved the Fund's application for the tender offer within the eleventh buy-back programme. The purchase price was RON 1.39 per share and the USD equivalent of RON 69.50 per GDR and the initial subscription period was from 29 January 2020 until 4 March 2020. On 26 February 2020, the Fund announced the extension of the subscription period until 13 March 2020.

On 13 March 2020, the Investment Manager announced the results of the tender offer: total subscriptions of 3,371,755,437 shares representing 1,685.9% of the Offer (2,098,546,337 in the form of shares and 1,273,209,100 shares in the form of GDRs, namely 25,464,182 GDRs).

Under the tender offer, the Fund repurchased 200,000,000 shares (124,478,000 in the form of shares and 75,522,000 shares in the form of GDRs, namely 1,510,440 GDRs) at a purchase price of RON 1.39 per share and the USD equivalent of RON 69.50 per GDR, computed in accordance with the terms and conditions of the offer documentation.

The daily execution of the eleventh buy-back programme was resumed on 23 March 2020 on both BVB and LSE.

## 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 from 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 2020, the Fund's equity elements that could be used to cover the negative reserve are sufficient and include retained earnings, reserves and share capital.

### Coverage of the negative reserves

The total negative reserve recorded by the Fund as at 31 March 2020 of RON 640,744,712 was related to the cancellation of the shares acquired within the ninth buy-back programme. There were no changes in the negative reserves balance in the quarter ended 31 March 2020.

During the 28 April 2020 Annual GSM, the shareholders approved the coverage of the negative reserves in amount of RON 640,744,712, as recorded in the annual audited IFRS financial statements of the Fund, from other reserves allocated specifically for this purpose during the 2019 Annual GSM.

The table below shows additional details on the estimated negative reserve that will arise upon the cancellation of the treasury shares in balance as at 31 March 2020:

Negative reserve that would arise on cancellation of the treasury shares in balance as at 31 March 2020		Buy-back programme 10	Buy-back programme 11
Number of shares to be cancelled	(1)	403,812,443	242,334,479
Total costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled in the future (RON)	(2)	446,008,591	330,650,671
Correspondent nominal value (NV = RON 0.52 per share) (RON)	(3)=(1)*NV	209,982,470	126,013,929
<b>Estimated negative reserve to be booked on cancellation (RON)</b>	<b>(4)=(3)-(2)</b>	<b>(236,026,121)</b>	<b>(204,636,742)</b>

Source: Fondul Proprietatea

During the 28 April 2020 Annual GSM, the shareholders approved the cancellation of the 403,812,443 treasury shares repurchased within the tenth buy-back programme and also the allocation RON 236,026,121 from 2019 audited profit to other reserves in order to be available for covering the related negative reserves. The actual coverage of this negative reserve using the amount of RON 236,026,121 transferred to other reserves will be subject to shareholders' approval during the annual shareholders' meeting subsequent to the completion of all cancellation steps.

## March 2017 Return of Capital

The return of capital of RON 0.05 per share approved by the Fund's shareholders through the GSM Resolution no. 10/2016 had the following main important dates:

- registration date on 7 March 2017
- payment date 27 March 2017
- general statute of limitation until 27 March 2020

Considering the establishment of the state of emergency throughout the territory of Romania by President Decree no. 195/16 March 2020, as published in the Official Gazette no. 212/16 March 2020, the AIFM accepted to extend the period for paying unclaimed amounts as approved through the GSM Resolution no. 10/2016 until 27 September 2020.



## Impact of COVID-19 Pandemic on the Fund's Activity

### Overview

On 11 March 2020, the World Health Organisation declared the epidemic of COVID-19 a pandemic. On 16 March 2020, the President of Romania declared the State of Emergency over COVID-19 outbreak. This was initially announced for a period of 30 days and was subsequently extended by another month to 14 May 2020.

Various Military Ordinances have been issued since 16 March setting numerous restrictions with the objective of limiting the virus spread: closure of schools, prohibition of movement outside home or household barring some exceptions, severely restricted domestic and international travel, enforcing additional disinfection measures, etc. Based on the public statements made by the authorities, it is expected that the State of Emergency will not be extended and the lockdown restrictions might be relaxed from 15 May, depending on the pandemic context at that moment.

The Government has also implemented various measures to help the economy deal with COVID-19 pandemic effects, ensure social protection for vulnerable categories, and prepare the health system: extended guarantees for companies taking loans for investments and working capital, covering the costs with technical unemployment for companies that suspend their operations due to the pandemic, procurement of medical equipment and medical protection equipment, additional bonuses to sanitary employees, acquisition of hygiene goods, and the possibility to suspend mortgage and consumer loan payments until 31 December 2020, as well as other measures.

### Economic impact

The widespread nature of the COVID-19 outbreak and the measures taken to contain the spread continue to have a significant impact on global economic activity and it is likely to reverberate for several quarters. The IMF<sup>1</sup> considers it is very likely that in 2020 the global economy will experience its worst **recession** since the Great Depression in 1930s. A partial recovery is projected for 2021, but the level of GDP will remain below the pre-virus trend, with considerable uncertainty about the strength of the rebound.

Many countries have taken decisive steps, such as prompt monetary and fiscal policy responses. Central banks in the United States and Europe have started **cutting interest rates** and the National Bank of Romania has also joined the trend and has adjusted the monetary policy to lower interest rates.

Overall, the quantum of the fiscal and monetary policy response to mitigate the impact of the situation is unprecedented and some months will go by before their impact for local economic ecosystems would be fully understood. Governments across the world, Romania included, are taking **ample actions to support their economies**, from extended unemployment benefits to packages targeting small businesses, hospitals and healthcare centres, which will certainly increase budgetary constraints in the short term.

It is expected that the **Romanian economy** will experience a correction in 2020, depending on the evolution of the pandemic and the lifting of restrictions. The IMF<sup>1</sup> estimates that Romania's economy could contract with 5% lower GDP in 2020 and expects a GDP growth of 3.9% in 2021. In this context, the current account deficit could widen to 5.5% of GDP, and the unemployment rate increase to 10.1% in 2020.

The **capital markets** of affected countries, including the BVB, recorded large corrections in the first quarter of 2020, with BET-XT index declining by 23.2% at 31 March 2020 compared to the end of 2019. However, these also offer opportunities for return on the long term, as corrections have been a routine occurrence throughout financial market history.

The **oil price, and energy prices in general**, have declined sharply as a result of lower demand and lack of concomitant response on the production side. Uncertainty and concerns persist in relation to the duration and severity of the economic crisis and the impact on consumption generated by the pandemic. These variables may further trigger volatility of the oil price.

On the Romanian market, **consumption of gas and electricity** has declined with most industrial consumers reducing activity or shutting down facilities. This has led to lower gas and electricity prices on wholesale markets.

In addition, excess gas was already stored as a result of the **price cap** imposed by GEO 114/2018, so the crisis exacerbated pre-existing issues created through legislative and regulatory intervention by the previous Government. This clearly illustrates the need for fully liberalised energy markets in line with EU principles.

<sup>1</sup>International Monetary Fund – World Economic Outlook – April 2020

**Consumption** is expected to rebound gradually as restrictions are lifted. In the short term we could see altered consumer behaviour, with spending directed towards basic products and services as well as an emphasis on increased saving. The fact that the Romanian economy is massively consumption-driven has been a major vulnerability in this period, given that 30% of all economic activity has been suspended, according to the Government<sup>1</sup>.

It is difficult to predict what the global or Romanian economy will look in a few months, as there are still many unknown factors at the moment. What we do see through the uncertainty ahead is that the combination of swift fiscal and monetary actions, on the one hand, and the good economic fundamentals, on the other, can provide the footing for the resumption of growth once the pandemic is under control.

### Portfolio impact

Given the current economic context as a result of COVID-19 pandemic, which caused a significant drop of stock exchanges around the world, the Fund has performed an assessment of the related impact on the valuation of unlisted holdings in the portfolio. KPMG Romania has assisted with the preparation of an analysis of multiples' evolution between 30 September 2019 and 31 March 2020. Using the updated multiples' values and the same methodology and computation algorithm as in the latest available valuation report, the values for 12 unlisted holdings (accounting for more than 99% of the total unlisted portfolio as at 28 February 2020) have been updated as at 31 March 2020. The total impact was a decrease of the unlisted holdings with 13.1%/ RON 1 billion in 31 March 2020 NAV compared to 28 February 2020 NAV.

The Fund will continue to closely monitor the evolution of financial markets and that of the specific industries the unlisted holdings operate in and for each NAV reporting date, during this volatility and uncertainty period, a monthly update of the multiples' analysis would be prepared and the valuation of unlisted holdings would be updated accordingly.

The fully updated valuation reports for 8 largest unlisted holdings in the portfolio would be prepared with the assistance of KPMG Advisory with company financial data as at 31 March 2020, including all relevant subsequent events until reporting date (e.g. such as dividend distributions) and would be available for 30 June 2020 reporting.

### Impact on operations and business continuity

In March 2020, the Sole Director has taken a number of precautionary measures to limit the impact of COVID-19 on the Fund's activity.

The business continuity plan has been activated to protect and minimize risk to employees, while also ensuring no disruption to business operations and management of Fondul Proprietatea. The Sole Director has a robust and regularly tested work-from-home capability and 90% of Bucharest employees have worked remotely since 16 March. The Fund's business operations continue to be fully functional. The Sole Director has also temporarily suspended all business travel and all movements of employees are in accordance with rules imposed by the authorities. At its headquarters, additional hygiene and disinfection measures have been implemented.

The communication with the Fund's shareholders takes place smoothly in the new circumstances: the Sole Director continues to provide regular updates to them via current reports, conference calls, usual calls, e-mails and updates on the Fund's website. The only restriction that temporarily applies is that shareholders are no longer able to visit the Fund's office.

Additionally, the Fund implemented special measures for the organisation of the Annual GSM on 28 April 2020:

- the materials were distributed to shareholders by correspondence or e-mail upon specific request, in addition to the publication on the Fund's website, with no physical contact;
- the Fund addressed the Bucharest Public Health Agency, the Ministry of Public Health, the Ministry of Internal Affairs, the FSA and the Ministry of Justice regarding the possibility of holding the Annual GSM, in the context of the restrictions imposed by the authorities;
- the shareholders were encouraged to exercise their voting right by correspondence, as in the case of any GSM organised by the Fund, and as described in the convening notice;
- the GSM was organised at the Fund's headquarters, under special conditions that observed the measures regarding movement and carrying out of certain activities imposed by the State authorities.

<sup>1</sup> <https://www.europafm.ro/primele-cifre-ale-impactului-covid-19-asupra-economiei-ludovic-orban-activitate-economica-scazuta-cu-30/>

The Sole Director does not envisage difficulties for the Fund in fulfilling commitments to shareholders and obligations to third parties, the current and estimated future cash flows being sufficient to cover the payments and the ongoing distributions to shareholders during the year.

### Brexit Impact on the Fund's activity

The UK left the European Union at 23:00 GMT on 31 January 2020. On the same day, the transition period begun, due to last until 31 December 2020.

During the transition period the EU incorporated issuers admitted to trading on a UK market, will continue to be able to prepare the financial statements in accordance with IFRS as endorsed by the EU. This will continue after the end of the transition period because the UK Government has made an equivalence direction that determines that EU-endorsed IFRS are considered equivalent to UK-adopted international accounting standards for the purpose of preparing financial statements. As a result, from financial reporting perspective, there would be no impact on the Fund both during the transition period and after that, as it would continue to prepare its financial statements in accordance with IFRS as endorsed by the EU.

The Fund is regulated as an AIF under Romanian law, with its AIFM being a Luxembourg company. In light of the UK Temporary Permissions Regime that allows up to a three-year extension of current “passporting” for the AIFM into the UK, we expect that the UK Financial Conduct Authority will continue to recognise the marketing activities for Fondul Proprietatea in UK at least until the end of 2022. The AIFM has, however, developed contingency plans involving the termination of the delegation to the Investment Manager, plans which can be implemented if and when the internal decision will be taken.

The Fund invests the majority of its assets in Romania and even if Brexit has generated a degree of uncertainty, in light of the nature of the Fund's business and the regulatory arrangements described above, the AIFM is of the opinion that Brexit implementation would not have a significant impact on the Fund.

### Regulatory Updates

#### New AIF Law

The AIF Law entered into force on 23 January 2020, repealing, among others, a number of the relevant provisions of Law 247/2005 regulating the Fund, starting with 23 July 2020. According to the AIF Law, the Fund is expressly qualified as an AIF oriented to retail investors. Within six months as of the entry into force of the AIF Law (i.e. until 23 July 2020), the Fund needs to comply with three types of legal requirements:

- amendment of the Fund's constitutive documents in line with the AIF Law – already approved by shareholders during the 28 April 2020 EGM;
- application for authorisation of the Fund by the FSA as an AIF addressed to retail investors;
- alignment of the Fund's activity with the provisions of the AIF Law.

From the date of the entry into force of the AIF Law, the Fund will be subject to specific limitations on the permitted investments, as detailed under Article 35 of the AIF Law. For a transitional period of six months after the entry into force of the AIF Law (i.e. until 23 July 2020), in addition to the specific limitations on the permitted investments detailed under Article 35 of the AIF Law, the Fund will still be subject to the limitations on the permitted investments set out under Article 7<sup>1</sup> of Law no. 247/2005. All investment restrictions are published on the Fund webpage in the *Investments - Investment Strategy* section.

#### GEO 1/2020 for modifying GEO 114/2018 regarding some fiscal-budgetary measures

On 23 December 2019, the Romanian Government assumed its responsibility in Parliament for the changes included in the draft law for modifying GEO 114/2018 regarding some fiscal-budgetary measures and the amendment and completion of some normative acts. This project was challenged in front of the Romanian Constitutional Court and consequently the amendments could not enter into force.

On 12 February 2020, the Constitutional Court admitted the unconstitutionality objection to the draft law, respectively they raised issues on the fact that the draft prepared by the Government replicates the provisions of an already existing draft law which currently is subject to Parliament approval and the unconstitutionality of the provision regarding the prohibition of cumulating the salary with the state pension. The draft has not entered into force as a law.



In January 2020, the Government issued GEO 1/2020 regarding some fiscal-budgetary measures and the amendment and completion of some normative acts that mainly stipulates (replicating the provisions of the draft law from December 2019 - same provisions, different type of act):

- eliminating the cap on gas prices for households and thermal energy producers that supply heating to the centralised systems starting 1 July 2020;
- removing the 2% tax on turnover for companies in the electricity and natural gas sectors;
- eliminating the option to transfer from Pillar II to Pillar I (public pension system);
- eliminating the share capital increase requirements for the private pension fund managers and the provisions regarding their management fees;
- removing the tax on financial assets that was paid by banks;
- eliminating the turnover taxation for the telecom companies;
- freezing the dignitary allowances during 2020;
- prohibition of cumulating the salary with the state pension.

The draft of law for approving GEO 1/2020 is in Parliamentary debate and currently the draft Law is in discussion in the committees of Chamber of Deputies, as deciding chamber of the Romanian Parliament within the legislative process. The Chamber of Deputies debates take place using electronic means. As at the day of this report we cannot estimate when the debate in Chamber of Deputies and the final draft of law will be completed. However, before entering into force the draft needs to follow the steps below:

- be discussed and voted by the plenum of the Chamber of Deputies;
- give members of the Parliament the right to ask for constitutional check;
- be promulgated by the President of Romania; and
- be published in the Official Gazette of Romania.

As a summary, GEO 1/2020 currently remains in force and its provisions are still applicable during the entire process described above. If GEO 1/2020 is rejected by the Parliament or it is declared unconstitutional by the Romanian Constitutional Court, such a decision would not have retrospective effects and would produce effect only for future. The Fund continues to closely monitor any changes in the legislative environment and assess their potential impact on the activity of the portfolio companies.

# NAV Analysis and Portfolio Evolution

## NAV Methodology and NAV Evolution

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 the local rules issued by the capital market regulator, no later than 15 calendar days after the reporting month end.

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

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

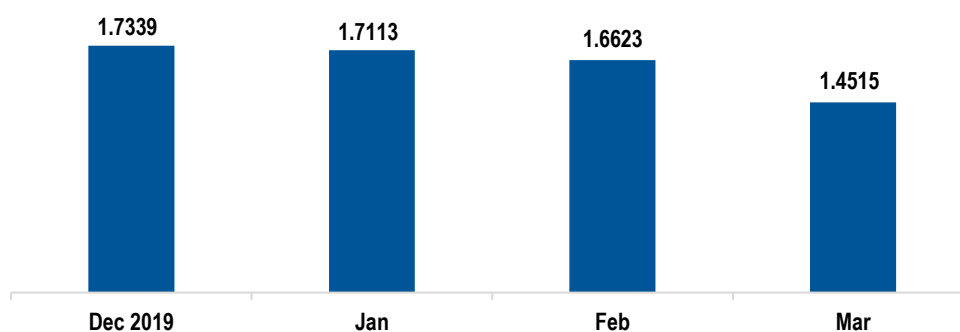
Listed securities are valued either at closing market prices if listed on regulated markets, or at reference prices if listed on an ATS. In case of shares listed on ATS the reference price is considered to be the average price.

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

The shares in the companies under insolvency or reorganisation procedures, 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 is also deducted, together with the number of ordinary own shares bought back and held.

The following chart shows information on the monthly published NAVs per share for the period 31 December 2019 to 31 March 2020:



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 2020**, the NAV per share had an overall decrease of 16.3% compared to the end of the previous year, mainly due to the valuation update of the unlisted holdings in the portfolio (impact on the Fund's NAV of RON 1,035.8 million) and the negative share price evolution of the Fund's listed holdings, principally OMV Petrom SA (impact on the Fund's NAV of RON 889.2 million) which were partially offset by the tender offer within the eleventh buyback programme carried out by the Fund during this period.

In March 2020, the Fund engaged KPMG Romania to assist with the preparation of an analysis of multiples' evolution between 30 September 2019 and 31 March 2020, based on which updated the values for 12 largest unlisted holdings, accounting for more than 99% of the total unlisted portfolio as at 28 February 2020.

The total impact was a decrease of the unlisted holdings with 13.1% / RON 1 billion in 31 March 2020 NAV compared to 28 February 2020 NAV, as detailed in the table below:

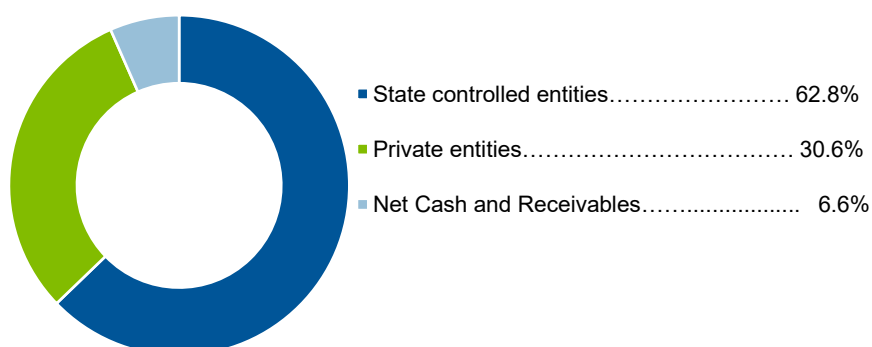
No.	Portfolio company	Value in 31 March 2020 NAV (RON million)	Value in 28 February 2020 NAV (RON million)	Impact on total NAV (RON million)	% 31 March 2020 NAV vs. 28 February 2020 NAV	Impact on NAV per share <sup>1</sup> (RON)
1	Hidroelectrica SA	4,536.8	4,886.5	(349.7)	-7.2%	(0.0511)
2	CN Aeroporturi Bucuresti SA	711.7	1,022.9	(311.2)	-30.4%	(0.0455)
3	Engie Romania SA	441.1	512.4	(71.3)	-13.9%	(0.0104)
4	E-Distributie Banat SA	266.7	337.0	(70.3)	-20.9%	(0.0103)
5	E-Distributie Muntenia SA	218.4	268.1	(49.7)	-18.5%	(0.0073)
6	CN Administratia Porturilor Maritime SA	218.3	248.7	(30.4)	-12.2%	(0.0044)
7	Societatea Nationala a Sariei SA	186.6	275.4	(88.8)	-32.2%	(0.0130)
8	E-Distributie Dobrogea SA	161.6	218.1	(56.5)	-25.9%	(0.0083)
9	Enel Energie Muntenia SA	40.8	41.7	(0.9)	-2.2%	(0.0001)
10	Enel Energie SA	25.4	26.3	(0.9)	-3.4%	(0.0001)
11	Posta Romana SA	10.5	11.5	(1.0)	-8.7%	(0.0001)
12	Aeroportul International Timisoara - Traian Vuia SA	8.8	13.9	(5.1)	-36.7%	(0.0007)
<b>TOTAL</b>		<b>6,826.7</b>	<b>7,862.5</b>	<b>(1,035.8)</b>	<b>-13.1%</b>	<b>(0.1513)</b>

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 93.4% of the Fund's NAV as at 31 March 2020. As at that date, the portfolio was composed of holdings in 33 companies (7 listed and 26 unlisted), a combination of privately held and state-controlled entities.

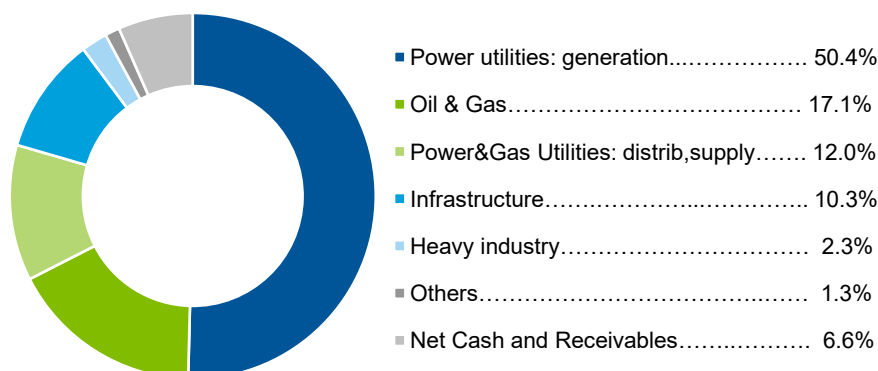
### Portfolio Structure – by Controlling Ownership



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

Source: Fondul Proprietatea, data as at 31 March 2020, % in total NAV

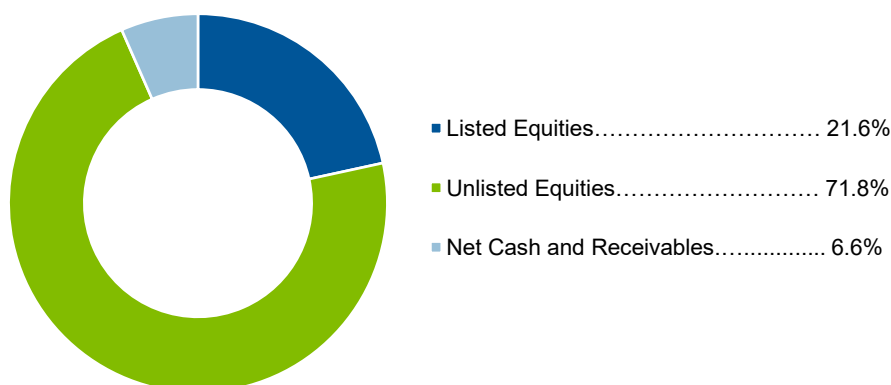
### Portfolio Structure – by Sector



- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 79.5% of the NAV), through several listed and unlisted Romanian companies

Source: Fondul Proprietatea, data as at 31 March 2020, % in total NAV

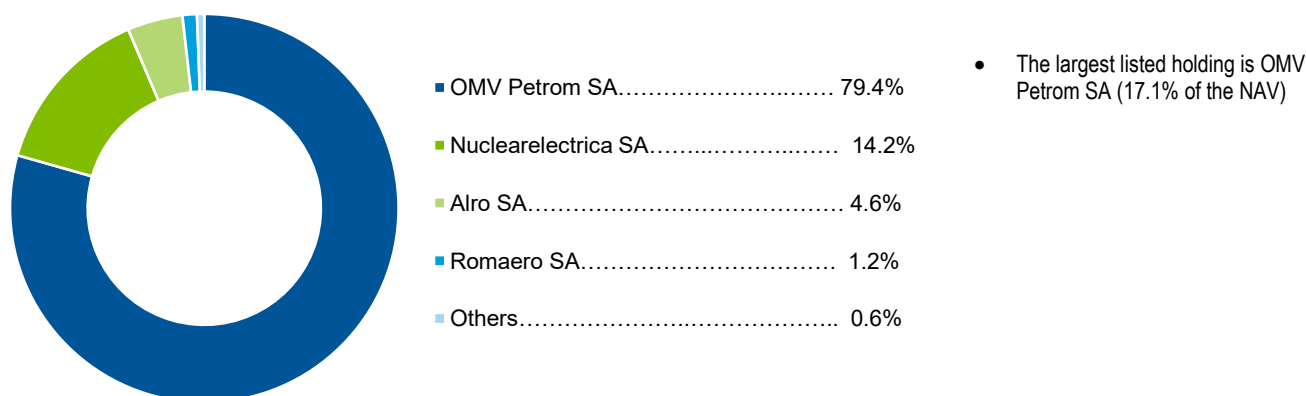
<sup>1</sup> Computed based on the number of shares used in NAV per share computation as at 28 February 2020

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

Source: Fondul Proprietatea, data as at 31 March 2020, % in total NAV

**Portfolio Structure – Unlisted holdings**

Source: Fondul Proprietatea, data as at 31 March 2020; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

**Portfolio Structure – Listed holdings**

Source: Fondul Proprietatea, data as at 31 March 2020; the chart reflects the company NAV value as a % in total NAV value of listed holdings

**Key portfolio developments****Dividends**

On 14 February 2020, the GSMs of E-Distributie Banat SA, E-Distributie Dobrogea SA and E-Distributie Muntenia SA approved a special distribution of dividends of RON 2.96 billion, out of which the total amount of gross dividend income recorded by the Fund is RON 522.9 million.

<sup>1</sup> Note: the value of listed shares compared to total assets of the Fund based on NAV values is 21.4% as at 31 March 2020

## Participation in share capital increases

In December 2019, the Fund subscribed to the share capital increase of Zirom SA with a cash contribution of RON 4.8 million which was effective on 8 January 2020, the date of registration with the Romanian Trade Register.

## Energy Sector Updates

### *Amendments to the Offshore Law*

In September 2019, the Ministry of Energy published a draft law with positive amendments to the Offshore Law. The main changes are presented below:

- Provisions of GEO 114/2018 and GEO 19/2019 will not apply to local offshore gas producers;
- Windfall tax will be applied to gas volumes sold above the price of RON 100 per MWh with the same range of quotas as per the initial law being maintained;
- Reference price for the royalty calculation is changed to the realized weighted average price (from the Austrian benchmark previously used);
- Deductibility threshold of investment for the computation of the windfall tax to be increased from 30% to 60%;
- Minimum amount of offshore gas to be traded on the local market reduced from 50% to 20% until end of 2021; no requirement beginning 2022;
- More assurance given to the stability of the existent fiscal system applied for the entire duration of the offshore exploitation.

### *Updates on the regulatory requirements in the energy sector*

In January 2020, the Government issued GEO 1/2020 in order to repeal most of the fiscal package approved in 2018 through GEO 114/2018. The main provisions of the current form of the GEO with an impact on the Fund's portfolio are presented below:

- eliminating starting with January 2021 of regulated contracts for the supply of electricity by producers to suppliers of last resort in connection to household consumption;
- 2% tax on turnover for companies in the electricity and gas sectors was eliminated. Subsequently, for 2020, ANRE set a 0.1% contribution on the turnover for electricity producers, in line with the practice before the adoption of OUG 114/2018;
- eliminating the RON 68 per MWh cap on gas prices for households and thermal energy producers that supply heating to the centralised systems starting 1 July 2020, instead of 1 March 2022;
- the regulated RRR for energy distribution companies will be determined by ANRE and the provision from GEO 19/2019 which sets the rate at 6.9% were effective until the end of April 2020;
- the higher capital requirements for the Pillar II Pension fund managers were removed;
- the option to transfer from Pillar II to Pillar I (public pension system) was removed.

In December 2019 ANRE issued Order no. 216/ 11 December 2019 updating 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 January 2020 - 31 December 2020 and retains the cost +5% methodology for the calculation of regulated prices.

Details regarding the regulated quantities and prices for the companies in the Fund's portfolio for the period 1 January 2020 – 30 June 2020 are included in the table below:

Company	Volume	Price
Hidroelectrica SA	1.84 TWh	RON 102.54 per MWh
Nuclearelectrica SA	1.09 TWh	RON 188.47 per MWh
CE Oltenia SA	0.05 TWh	RON 239.21 per MWh

Source: ANRE Decisions 2214, 2213, 2216, 2215, 2226, 2225 from 23 December 2019

According to ANRE decision issued in December 2019 for OMV Petrom SA the regulated gas quantities for households and thermal energy producers that supply heating to the centralised systems for January - March 2020 are the following:

Regulated natural gas quantity	Quantity (TWh)
<b>Total regulated quantity, of which:</b>	<b>5.51</b>
Regulated quantity for household consumers	4.52
Regulated quantity for thermal energy producers that supply heating to the centralised systems	0.99

Source: ANRE Decision no. 2101 from 12 December 2019

According to the ANRE orders, the specific electricity distribution tariffs for the three companies in the Fund's portfolio operating in power distribution sector, applicable starting with 16 January 2020, compared to those applicable starting with 1 July 2019 and 1 January 2020, are the following:

Company	Voltage level	Tariffs starting 1 Jul 2019 (RON/MWh)	Tariffs starting 1 Jan 2020 (RON/MWh)	Tariffs starting 16 Jan 2020 (RON/MWh)	change (%)	change (%)
		(1)	(2)	(3)	(3)/(1)-1	(3)/(2)-1
E-Distributie Banat	High Voltage	16.61	15.93	15.64	-5.84%	-1.82%
	Medium Voltage	35.56	36.46	35.80	+0.67%	-1.81%
	Low Voltage	107.45	109.54	107.57	+0.11%	-1.80%
E-Distributie Dobrogea	High Voltage	19.09	20.56	20.21	+5.87%	-1.70%
	Medium Voltage	38.18	41.29	40.58	+6.29%	-1.72%
	Low Voltage	126.41	134.02	131.71	+4.19%	-1.72%
E-Distributie Muntenia	High Voltage	9.73	10.17	10.00	+2.77%	-1.67%
	Medium Voltage	29.82	32.50	31.95	+7.14%	-1.69%
	Low Voltage	112.00	115.67	113.67	+1.49%	-1.73%

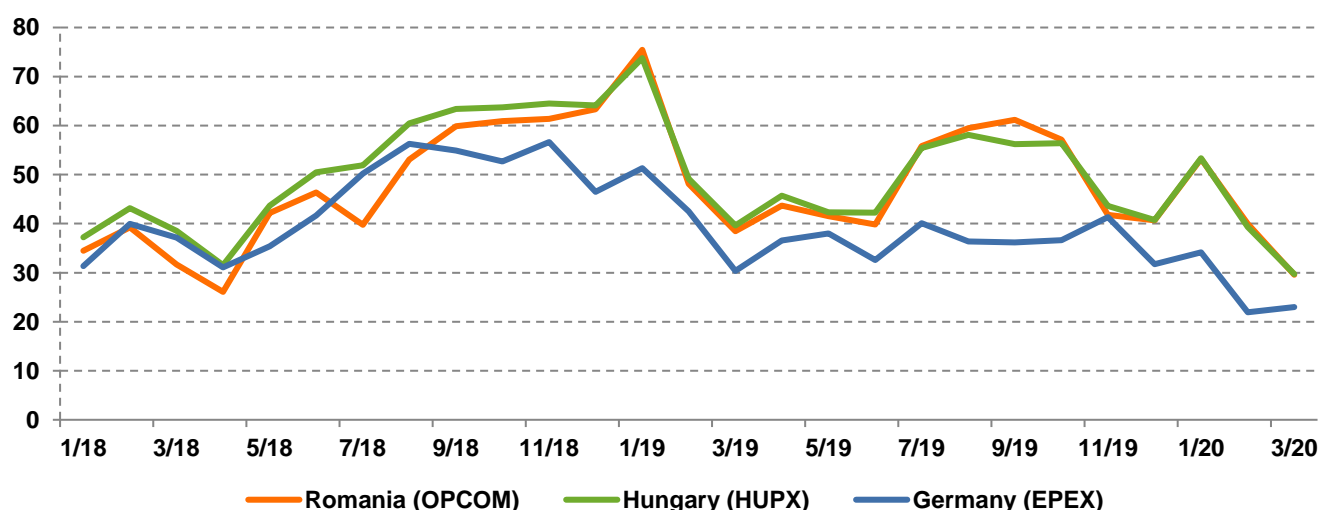
Source: ANRE Orders no. 75, 76 and 77 from 24 June 2019, ANRE Orders 224, 225 and 226 from 17 December 2019, ANRE Orders no. 4, 5 and 6 from 15 January 2020

According to ANRE's Order no. 14/ 5 February 2020, the RRR for electricity and gas distribution companies would be set by the regulator. The provision from GEO 19/2019 setting the rate at 6.9% was effective for the first 120 days of 2020. According to ANRE Order no. 75/6 May 2020 the new RRR level for electricity and gas distribution companies is 6.39% until the end of the fourth regulatory period.

Also, in April 2020, ANRE issued for public consultation a draft order for the introduction of a gas release mechanism for the gas producers aimed to be in place starting July 2020 when the gas market is fully liberalised. The order has been approved by ANRE on 13 May 2020 but has not yet been uploaded by ANRE on its website. The order approved by ANRE may differ from the draft version.

In accordance with Military Ordinance no. 4/2020 issued by the Romanian Government, starting 31 March 2020 the final price of utilities (electricity, gas, water among others) cannot be increased for the duration of the emergency situation.

### Electricity prices (EUR/ MWh)



Source: Bloomberg

**Energy resources (thousand tonnes barrels of oil equivalent)**

	January – March 2020			January – March 2019			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	904.6	772.1	132.5	1,103.9	969.2	134.7	-18.1%	-20.3%	-1.6%
Crude oil	2,717.9	829.6	1,888.3	2,863.9	829.0	2,034.9	-5.1%	+0.1%	-7.2%
Usable natural gas	2,681.5	2,051.9	629.6	2,787.5	2,116.2	671.3	-3.8%	-3.0%	-6.2%
Hidro. nuclear. and import energy	1,461.0	1,279.5	181.5	1,337.3	1,240.5	96.8	+9.2%	+3.1%	+87.5%
Import oil products	639.2	-	639.2	491.8	-	491.8	+30.0%	-	+30.0%
Others	102.5	-	102.5	134.3	-	134.3	-23.7%	-	-23.7%
<b>Total resources</b>	<b>8,506.7</b>	<b>4,933.1</b>	<b>3,573.6</b>	<b>8,718.7</b>	<b>5,154.9</b>	<b>3,563.8</b>	<b>-2.4%</b>	<b>-4.3%</b>	<b>+0.3%</b>

Source: National Institute of Statistics webpage

**Update on the Largest 10 Portfolio Holdings****Top 10 equity investments**

No	Name	Fund's stake (%)	Value as at 31 March 2020 <sup>1</sup> (RON million)	% of NAV as at 31 March 2020 <sup>1</sup>
1	Hidroelectrica SA	19.94%	4,536.8	47.3%
2	OMV Petrom SA	9.99%	1,642.4	17.1%
3	CN Aeroporturi Bucuresti SA	20.00%	711.7	7.4%
4	Engie Romania SA	12.00%	441.1	4.6%
5	Nuclearelectrica SA	7.05%	293.9	3.1%
6	E-Distributie Banat SA	24.13%	266.7	2.8%
7	E-Distributie Muntenia SA	12.00%	218.4	2.3%
8	CN Administratia Porturilor Maritime SA	20.00%	218.3	2.3%
9	Societatea Nationala a Sarii SA	49.00%	186.6	2.0%
10	E-Distributie Dobrogea SA	24.09%	161.6	1.7%
<b>Top 10 equity holdings</b>			<b>8,677.5</b>	<b>90.6%</b>
<b>Total equity holdings</b>			<b>8,949.7</b>	<b>93.4%</b>
<b>Net cash and receivables</b>			<b>636.1</b>	<b>6.6%</b>
<b>Total NAV</b>			<b>9,585.8</b>	<b>100.0%</b>

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

<sup>1</sup> Rounded to one decimal**Hidroelectrica SA**

RON million	2018	2019***	Q1 2019	Q1 2020
Revenues	4,273.1*	4,177.2	989.8	848.4
Operating profit	2,212.3	1,975.3	565.6	467.8
Net profit	1,939.3	1,386.5	498.1	430.3
Dividends**	1,798.7	1,253.3	-	-

Source: Individual IFRS financial statements

\*restated

\*\*do not include the special dividends declared by the company

\*\*\*subject to shareholders approval during 26 May 2020 GSM

April: According to the 2019 audited financial statements, in 2019 the company recorded revenues of RON 4,177.2 million, down 2.3% y.o.y, an operating profit of RON 1,975.3 million, down 10.7% y.o.y, a profit before tax of RON 2,081.2 million, down 9.1% y.o.y and a net profit of RON 1,386.5 million, down 28.5% y.o.y. The higher effective taxation rate was driven by the use of previously untaxed realised revaluation reserves for the distribution of a special dividend in total amount of RON 1.0 bn and for covering the accounting losses of RON 1.57 bn generated by value adjustments of historical complex function investments. The company reported that EBITDA stood at RON 2,934.3 million, down 6.2% y.o.y. Over the full year 2019, the volume of electricity sold stood at 15.88 TWh, down compared to 17.86 TWh in 2018. The average realised price of energy sold in 2019 stood at RON 229.3/ MWh, up 8.8% y.o.y.



May: According to management, over the first three months of 2020, the company reported a turnover of RON 848.4 million, down 14.3% y.o.y, an EBITDA of RON 595.0 million, down 19.5% y.o.y, an operating profit of RON 467.8 million, down 17.3% y.o.y, a profit before tax of RON 489.4 million, down 16.5% y.o.y and a net profit of RON 430.3 million, down 13.6% y.o.y. Over the period, electricity sold reached 3.6 TWh, marginally up 1.1% y.o.y, out of which the electricity sold out of own production reached 3.3 TWh compared to 3.2 TWh during Q1 2019. The average realised electricity selling price was down 16.2% y.o.y to RON 203.0/MWh, being negatively impacted by the obligation of the company to sell over the period a total quantity of 1.1 TWh at the regulated price of RON 102.5/ MWh as compared to only 0.2 TWh sold at the regulated price of RON 111.6/ MWh in Q1 2019. At the end of March 2020, the company's net cash position stood at RON 2.34 bn.

#### COVID-19 considerations

In the context of COVID-19 pandemic, the company has implemented a number of measures aimed at protecting the company personnel, ensuring the safety and continuity of operations and safeguarding the financial position of the company. Among the measures outlined by management are the implementation of work from home measures in shifts for a significant part of the administrative and support personnel, implementation of strict prevention and social distancing measures for production departments, as well as close monitoring of company expenses.

#### OMV Petrom SA

RON million	2018	2019	Q1 2019	Q1 2020	Budget 2019	Budget 2020
Sales	22,523.2	25,485.5	5,420.1	6,085.7	16,762.0	18,088.0
Operating profit	5,212.9	4,245.1	1,288.5	829.6	3,966.0	3,453.0
Net profit	4,077.8	3,634.7	1,151.2	653.4	3,202.0	2,815.0
Dividends*	1,529.4	1,756.0	-	-	-	-

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 2019 preliminary results. The highlights include: the company benefited from higher sales volumes and prices for natural gas and higher sales volumes for petroleum products.

Consolidated sales increased by 14% in Q4 2019 compared to Q4 2018, despite lower selling prices for petroleum products and lower sales volumes and prices for electricity. For the entire 2019, sales increased by 13.2% y.o.y, while operating results of the group declined by 18.6% y.o.y to RON 4.2 billion from RON 5.2 billion in 2018. In Q4 2019, Downstream Oil represented 48% of the consolidated sales, while Downstream Gas accounted for 27% and Upstream for 25% (Upstream is largely sold intra group). Net income attributable to stockholders was RON 0.9 billion in Q4 2019 compared to RON 1.4 billion in Q4 2018. Company proposed a dividend of RON 0.031 per share, up 15% y.o.y which represents a 48.3% pay-out ratio.

March: Shareholders approved the revocation of Mrs. Sevil Shhaideh and the appointment of Mr. Niculae Havrilet as supervisory board member following the request from the Ministry of Economy, Energy and Business Environment.

April: Shareholders approved the distribution of RON 1.76 billion as dividends (48% pay-out) and the Fund will receive approx. RON 175.5 million.

The company released the Q1 2020 results. Clean CCS<sup>1</sup> operating result came 21% lower y.o.y while clean CCS<sup>1</sup> net profit was down 28% y.o.y. Consolidated sales revenues increase by 12% compared to Q1 2019 supported by higher volumes of natural gas, partially compensated by lower commodity prices and lower sales volumes of electricity. Downstream Oil represented 63% of consolidated sales, while Downstream Gas accounted for 35% and Upstream for 1% (sales in Upstream is largely intra-group sales rather than third party sales).

#### COVID-19 considerations

The 2020 budget of the company was prepared based on the following main assumptions:

- Average Brent oil price of USD 60/bbl; Management recently changed its guidance to USD 40/bbl
- Refining margins to be above the level of 2019
- Gas price expected to be below the level of 2019

Sales revenues are expected to go down by 9%, while operating result is expected to decrease by 14% in 2020.

<sup>1</sup> without one-off special effects and adjusted by the current cost of supply (CCS)



The management presented the impact of low oil price market environment on company's operation for 2020, thus:

- A decrease of 1 USD/bbl in Brent price is impacting the company by EUR 20 million;
- A decrease of 1 USD/bbl in refining margin is impacting the company by EUR 25 million;
- A 5 cents appreciation of USD against EUR is impacting the company by EUR 50 million;
- A decrease of 1 EUR/MWh in gas price is impacting the company by EUR 18 million.

### CN Aeroporturi Bucuresti SA

RON million	2018	2019*	Budget 2018	Budget 2019
Operating revenue	992.6	1,049.0	1,189.2	1,067.1
Operating profit	445.9	446.5	428.3	399.5
Net profit	371.8	375.1	368.3	318.5
Dividends**	340.1	-	187.6	162.7

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

\*preliminary figures, subject to shareholders approval

\*\*do not include the special dividends declared by the company in 2018 and 2019

January: The company reported that passengers' traffic for 2019 reached 14.7 million (+6.4 % y.o.y.). The board of directors appointed Mr. Florin Dimitrescu as General Manager following the resignation of the former General Manager.

February: Following the resignation of Dan Gheorghe as board member of the company, Fondul Proprietatea proposed, and subsequently shareholders approved, the appointment of Catalin Niculita as board member.

April: The majority shareholder proposed and voted for the appointment of Mr. Adrian Constantin Florescu and Mr. Mircea Cristian Raicu as temporary board members.

### COVID-19 considerations

The company has been heavily impacted by the current crisis: the number of passengers and flights have seen a significant decline since the beginning of the COVID-19 pandemic.

ACI Europe, the airport industry trade body, estimates that European airports would see a decrease of 28% in number of passengers in 2020 compared with a business as usual scenario. The estimates assume that current flight restrictions will be lifted by the end of April and followed by a gradual recovery in demand for air travel.<sup>1</sup>

Based on one of management scenarios, the company would still be slightly profitable in 2020 in case traffic goes down by 45% compared to 2019.

### Engie Romania SA

RON million	2018	2019**	Budget 2019	Budget 2020**
Turnover	5,791.3	6,794.6	6,664.3	7,611.2
Operating profit	485.7	433.7	360.9	271.4
Net profit	428.7	385.2	313.2	241.8
Dividends*	136.8	-	-	-

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

\*Dividends are based on the separate financial statements

\*\*Pending shareholders' approval

### Nuclearelectrica SA

RON million	2018	2019	Q1 2019	Q1 2020	Budget 2019	Budget 2020
Operating revenue	2,128.7	2,377.8	668.7	629.2	2,383.5	2,578.6
Operating profit	536.5	629.4	286.2	242.6	445.5	646.4
Net profit	410.6	535.6	219.3	215.1	350.0	551.5
Dividends*	378.9	498.4	-	-	311.7	467.0

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 in 2018

<sup>1</sup> Source: Financial Times, 23 March 2020

January: The company published its proposal for 2020 budget, which included also the 2019 preliminary financial results, as follows: 11.2% higher y.o.y sales of electricity of RON 2,367.2 million and an operating result of RON 445.6 million. Preliminary 2019 net profit shows an increase of 32.1% to RON 542.6 million compared to 2018. According to 2020 budget, the company expects operating revenues of RON 2,547.3 million in 2020, mainly based on a programmed quantity for sale of 10.4 TWh and an average weighted price of electricity sales at RON 238.63 RON/MWh. The 2020 budget foresees a pay-out ratio proposal of 90% out of 2020 net profit available for dividend distribution.

February: Based on the 2019 preliminary results the total quantity of electricity sold was almost flat y.o.y at 10.6 TWh (minus 0.2% compared to 2018).

March: Following Mr. Adrian Dumitriu's resignation, Board of Directors approved the appointment of Mr. Paul Ichim as interim Chief Financial Officer for a mandate of 4 months starting with 31 March 2020.

April: The company reported strong financial results in 2019, based on 12% y.o.y. higher realised average electricity prices, at 223 RON/MWh. The operating result stood at RON 629.4 million, up by 17.3% y.o.y and net profit increased by 30.4% compared to 2018, reaching RON 535.6 million.

During the GSM held on 27 April 2020 the shareholders approved a gross dividend of RON 1.6531 per share, with payment date 25 June 2020.

May: Operating revenues reached RON 629.2 million in Q1 2020, down by 5.9% y.o.y, due to both lower electricity prices and quantities sold on the free market, as follows: realised average electricity prices decreased by 5.2% y.o.y to 228.9 RON/MWh and quantity of electricity sold on the same market declined by 3.7% at 2.1 TWh compared to Q1 2019. However, total quantity of electricity sold increased slightly at 2.8 TWh in Q1 2020 compared to Q1 2019, as a result of higher quantity of electricity sold on regulated market. Operating result stood at RON 242.6 million, which was lower by 15.3% y.o.y and net profit decreased marginally by 1.9% compared to Q1 2019, reaching RON 215.1 million.

#### COVID-19 considerations

After COVID-19 outbreak was declared a pandemic on 11 March the company took measures and concluded a plan for ensuring the protection of personnel and continuing the operation and production of electricity, especially by isolating the essential staff from the nuclear power plant located in Cernavoda. Moreover, Board of Directors decided to delay the scheduled outage of Unit 1 located in Cernavoda on 6 April, in order to avoid any risk of contamination that could be caused by the new coronavirus.

#### E-Distributie Banat SA

RON million	2018	2019	Budget 2019	Budget 2020
Operating revenue	533.7	550.8	516.7	565.1
Operating profit (EBIT)	(213.2)	149.2	(31.2)	(1.7)
Net profit	(211.9)	167.7	(16.5)	(5.9)
Dividends	-	-	-	-

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

February: the shareholders of the company approved a distribution of special dividends in total amount of RON 886.2 million from retained earnings.

#### E-Distributie Muntenia SA

RON million	2018	2019	Budget 2019	Budget 2020
Operating revenue	909.6	993.8	866.4	989.3
Operating profit (EBIT)	(137.8)	60.3	30.5	90.8
Net profit	(114.9)	96.7	35.2	106.9
Dividends	-	-	-	-

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

February: the shareholders of the company approved a distribution of special dividends in total amount of RON 1,566.3 million from retained earnings.

**CN Administratia Porturilor Maritime SA**

RON million	2018	2019*	Budget 2019	Budget 2020
Operating revenue	345.2	369.0	352.3	380.0
Operating profit	95.8	117.0	75.5	96.3
Net profit	75.7	108.2	64.7	95.7
Dividends	18.4	27.5	17.2	25.1

Source: Financial statements in accordance with applicable Romanian accounting regulations/ Budgeted figures based on company's budgets as approved by shareholders  
 \*Subject to shareholder's approval, audited results

May: According to the audited financial statements, in 2019 the company reported operating revenues of RON 369.0 million, up 6.8% y.o.y, operating profit of RON 117.0 million, up 22.1% y.o.y and a net profit of RON 108.2 million, up 42.9% y.o.y. The company's reported EBITDA reached RON 163.5 million, up 23% y.o.y. At the end of December 2019, the company had a cash position of RON 555.5 million. According to the company, the total volume of goods operated reached 66.6 million tones, up 8.64% y.o.y, driven by a 18.7% y.o.y. increase in the volume of cereals, to 21.3 million tones.

*COVID-19 considerations*

In the context of COVID-19 pandemic, the company has implemented a number of measures aimed at protecting the company personnel, ensuring the safety and continuity of operations and safeguarding the financial position of the company.

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

RON million	2017*	2018	H1 2018	H1 2019	Budget 2018	Budget 2019
Operating revenue	389.1	437.5	195.9	209.0	373.5	411.9
Operating profit	102.8	93.3	57.1	57.7	53.2	63.7
Net profit	81.1	76.4	47.7	48.8	42.3	62.2
Dividends	86.4	76.4	-	-	42.3	62.2

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

January: The majority shareholder proposed and voted for Mr Ionica Simbanu as temporary board member.

March: Following the resignation of Mr Dan Gheorghe as board member of the company, Fondul Proprietatea proposed, and subsequently shareholders approved, the appointment of Mr Catalin Niculita as board member.

The majority shareholder proposed and voted for Mr Nicolae Tulici and Mr Lucian Petrica Rusu as temporary board members.

**E-Distributie Dobrogea SA**

RON million	2018	2019	Budget 2019	Budget 2020
Operating revenue	483.7	506.4	459.0	528.6
Operating profit (EBIT)	(143.2)	81.8	(47.4)	18.0
Net profit	(143.3)	87.6	(32.6)	4.0
Dividends	-	-	-	-

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

February: the shareholders of the company approved a distribution of special dividends in total amount of RON 502.8 million from retained earnings.

# Financial Statements Analysis

The unaudited IFRS financial statements for the three months ended 31 March 2020, 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 three months ended 31 March 2020.

## Statement of Financial Position

RON million

	31 Mar 2020	31 Dec 2019	31 Mar 2020 vs. 31 Dec 2019 (%)
	Unaudited	Audited	
Cash and current accounts	25.9	31.9	
Deposits with banks	641.6	338.4	
Government bonds	-	137.3	
Dividend receivables	24.2	-	
Equity investments	8,949.7	11,413.1	
Other assets	0.7	0.3	
<b>Total assets</b>	<b>9,642.1</b>	<b>11,921.0</b>	<b>-19.1%</b>
Payables	29.5	16.7	
Other liabilities	26.8	32.8	
<b>Total liabilities</b>	<b>56.3</b>	<b>49.5</b>	<b>+13.7%</b>
Total equity	9,585.8	11,871.5	
<b>Total liabilities and equity</b>	<b>9,642.1</b>	<b>11,921.0</b>	<b>-19.1%</b>

Source: IFRS financial statements

## Overview

The cash and cash equivalents of the Fund at the end of the first quarter of 2020 included term **deposits with banks** denominated in RON with maturities of up to one year. The increase in liquid assets at 31 March 2020 compared to 31 December 2019 was mainly due to the cash inflows from the dividends collected from E-Distributie companies (RON 498.7 million) which was offset mainly by the payments for the acquisition of own shares within the eleventh buy-back programme (RON 313.2 million), including the tender offer finalised in March.

The net decrease in **equity investments** of RON 2,463.4 million during the first three months of 2020 is principally generated by OMV Petrom SA, as a result of the negative evolution of this company's share price (total impact RON 889.2 million, share price decrease of 35.1%) and the decrease in the value of unlisted holdings in the portfolio of 1,481.9 million following the valuation update process (mostly related to Hidroelectrica SA, CN Aeroporturi Bucuresti SA and E-Distributie companies).

## Equity investments

### Classification and measurement of equity investments

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

Starting 1 January 2018, the Fund adopted IFRS 9 and classified all its equity investments (other than subsidiaries and associates) as equity investments at fair value through profit or loss (the default option under IFRS 9).

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 2020 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 calculated and approved by the Fund's Sole Director using valuation techniques in accordance with International Valuation Standards, based on independently appraised valuation reports.

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

## Capital Expenditure

Capital expenditure comprises the costs for the acquisition and upgrade of the intangible assets of the Fund, which include the value of the licences, the implementation costs and the updates of the Fund's accounting and reporting software, net of the accumulated amortisation. During the first quarter of 2020 the Fund did not incur any capital expenditure costs.

## Statement of Comprehensive Income

RON million	Q1 2020 Unaudited	Q1 2019 Unaudited
Net (loss)/ gain from equity investments at fair value through profit or loss	(2,463.3)	392.4
Gross dividend income	522.9	34.7
Interest income	3.4	2.2
Other income, net*	0.1	-
<b>Net operating (loss)/ income</b>	<b>(1,936.9)</b>	<b>429.3</b>
Administration fees recognised in profit and loss	(13.0)	(9.3)
Other operating expenses	(5.1)	(5.4)
<b>Operating expenses</b>	<b>(18.1)</b>	<b>(14.7)</b>
Finance costs	-	(0.2)
<b>(Loss)/ Profit before income tax</b>	<b>(1,955.0)</b>	<b>414.4</b>
Income tax	-	-
<b>(Loss)/ Profit for the period</b>	<b>(1,955.0)</b>	<b>414.4</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>(1,955.0)</b>	<b>414.4</b>

Source: IFRS financial statements

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

The **net unrealised loss from equity investments at fair value through profit or loss** for the first three months of 2020 of RON 2,463.3 million was mainly generated by OMV Petrom SA (RON 889.2 million, decrease in share price of 35.1%), Hidroelectrica SA (RON 349.7 million), CN Aeroporturi Bucuresti SA (RON 311.2 million), E-Distributie Banat SA (RON 252.6 million), E-Distributie Muntenia SA (RON 210.1 million) and E-Distributie Dobrogea SA (RON 159.9 million).

**Gross dividend income** for Q1 2020 included the dividends from E-Distributie Banat SA, E-Distributie Dobrogea SA and E-Distributie Muntenia SA as a result of a special dividend distribution from retained earnings approved by the shareholders of the companies.

Details regarding the **administration fees** for the three-month period ended 31 March 2020 are presented in the table below:

RON million	Q1 2020 Unaudited	Q1 2019 Unaudited
<b>Recognised in profit or loss</b>	<b>13.0</b>	<b>9.3</b>
Base fee	13.0	9.3
Distribution fee for dividend distribution	-	-
<b>Recognised in other comprehensive income</b>	<b>3.1</b>	<b>0.7</b>
Distribution fee for buy-back programmes	3.1	0.7
<b>Total administration fees</b>	<b>16.1</b>	<b>10.0</b>

Source: IFRS financial statements

The increase in the base fee Q1 2020 compared to Q1 2019 was mainly as a result of the increase in the Fund's share price on BVB while the increase in the distribution fee was as a result of the tender offer finalised by the Fund in March 2020.

### Other Operating Expenses

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

	Q1 2020 Unaudited	Q1 2019 Unaudited
<b>RON million</b>		
FSA monthly fees	2.8	2.4
Transactions costs	0.1	0.2
Depository fees	0.2	0.2
Other expenses	2.0	2.6
<b>Total other operating expenses</b>	<b>5.1</b>	<b>5.4</b>

Source: IFRS financial statements

In Q1 2020, **other expenses** caption comprised mainly Board of Nominees remuneration and related expenses, legal and litigation assistance expenses, investor relations expenses, PR expenses and tax compliance and tax advisory expenses.

## Financial Ratios

Description	31 March 2020
<b>1. Current liquidity ratio</b>	
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	= 12.30
<b>2. Debt-to-equity ratio (%)</b>	
$\frac{\text{Borrowings}}{\text{Shareholders' Equity}}$	x 100 = -
<i>The Fund had no borrowings as at 31 March 2020 therefore this ratio is nil</i>	
<b>3. Receivables turnover ratio - customers (number of days)</b>	
$\frac{\text{Average balance of receivables}}{\text{Turnover}}$	x 90 = n.a.
<i>This ratio is not applicable to an investment fund and cannot be calculated.</i>	
<b>4. Turnover of non-current assets</b>	
$\frac{\text{Turnover}}{\text{Non-current assets}}$	= (0.22)
<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 2020, while "Non-current assets" included equity investments and other assets classified as non-current as at 31 March 2020.</i>	
<i>This ratio has no significance for an investment fund.</i>	



## Subsequent Events

### The resolutions adopted by shareholders during the 2020 Annual GSM of the Fund

During the 28 April 2020 Annual GSM of the Fund the shareholders approved:

- Several changes to Constitutive Act that will be effective only after FSA endorsement, according to regulations in force;
- Decrease of the subscribed share capital of the Fund from RON 3,959,264,762.44 to RON 3,749,282,292.08 following the cancellation of the 403,812,443 shares acquired within the tenth buy-back programme;
- Amended Investment Policy Statement as a result of changes in Romanian legislation;
- Annual Activity Report of the AIFM for the period ended on 31 December 2019 and the financial statements;
- Coverage of the negative reserves incurred in 2019 from the cancellation of treasury shares;
- Net profit allocation and approval of a gross dividend of RON 0.0642 per share from 2019 year profit;
- Continuation vote for the current mandate of AIFM;
- Appointment of Deloitte Audit SRL as financial auditor of the Fund for 2021.

### FSA AIF Regulation for implementing the AIF Law

The AIF Regulation was published in the Official Gazette of Romania on 24 April 2020 and it sets the rules for the registration of the Fund as an AIF. The Investment Manager will update the investors on the future actions taken for complying with legal requirements for the registration process as an alternative investment fund.

### Legal representation changes at the level of the Fund

Following Ms. Denisse Voss resignation from Franklin Templeton, with effect from 13 April 2020, the legal representation of the Fund at the level of the AIFM will be as follows: Mr. Eric Bedell, Mr. Craig Blair, Mr. John Hosie, Mr. Rafal Kwasny, Mr. Calin Metes, Mr. Johan Meyer, Mr. Daniel Naftali, Mr. Luis Perez and Mr. Boris Petrovic, as permanent representatives, with Mr. Johan Meyer being also the portfolio manager of the Fund.

### COVID-19 state of emergency

On 16 March 2020, due to the COVID-19 pandemic, the President of Romania declared the state of emergency throughout Romania for 30 days. On 14 April 2020, the President signed a new decree extending this state of emergency up to and including 14 May 2020. Due to the fact that during this special period the Romanian authorities are empowered to take exceptional measures, such as suspension of different business activities and restriction of movement, certain holdings from the Fund's portfolio may be significantly impacted. Such impact will be closely evaluated during and also after lifting of the state of emergency as these measures may have a long-time effect.

### Signatures:

14 May 2020

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 2020**

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

(This is a translation from the official Romanian version)

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

(all amounts are in RON unless otherwise stated)

		<b>3 months ended 31 March 2020</b>	<b>3 months ended 31 March 2019</b>
	<i>Note</i>		
Net (loss)/gain from equity investments at fair value through profit or loss	5	(2,463,345,249)	392,370,993
Gross dividend income	6	522,949,943	34,687,865
Interest income		3,436,183	2,218,061
Other income, net		310,269	212,452
Net foreign exchange loss		(278,141)	(186,868)
<b>Net operating (loss)/income</b>		<b>(1,936,926,995)</b>	<b>429,302,503</b>
<b>Operating expenses</b>	7	<b>(18,057,237)</b>	<b>(14,715,016)</b>
<b>Finance costs</b>	8	<b>(18,200)</b>	<b>(160,000)</b>
<b>(Loss)/Profit before income tax</b>		<b>(1,955,002,432)</b>	<b>414,427,487</b>
Income tax	9	-	-
<b>(Loss)/Profit for the period</b>		<b>(1,955,002,432)</b>	<b>414,427,487</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>(1,955,002,432)</b>	<b>414,427,487</b>
<b>Basic and diluted (loss)/earnings per share</b>	10	<b>(0.2869)</b>	<b>0.0575</b>

These condensed interim financial statements were authorised for issue on 14 May 2020 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 38 to 57 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020**

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	<b>31 March 2020</b>	<b>31 December 2019</b>
<b>Assets</b>			
Cash and current accounts	<i>11</i>	86,370	83,551
Distributions bank accounts	<i>11</i>	25,788,739	31,799,616
Deposits with banks	<i>11</i>	641,552,137	338,381,995
Government bonds		-	137,303,498
Dividends receivable	<i>12</i>	24,226,179	-
Equity investments	<i>14</i>	8,949,738,133	11,413,083,382
Other assets		691,348	332,386
<b>Total assets</b>		<b>9,642,082,906</b>	<b>11,920,984,428</b>
<b>Liabilities</b>			
Payable to shareholders	<i>15 (a)</i>	25,978,092	31,988,947
Other liabilities and provisions	<i>15 (b)</i>	30,305,928	17,543,492
<b>Total liabilities</b>		<b>56,284,020</b>	<b>49,532,439</b>
<b>Equity</b>			
Paid share capital	<i>16 (a)</i>	3,770,082,341	3,770,082,341
Reserves related to the unpaid share capital	<i>16 (b)</i>	189,182,422	189,182,422
Other reserves	<i>16 (c)</i>	536,545,225	536,545,225
Treasury shares	<i>16 (d)</i>	(776,659,262)	(446,008,591)
Retained earnings		5,866,648,160	7,821,650,592
<b>Total equity</b>		<b>9,585,798,886</b>	<b>11,871,451,989</b>
<b>Total liabilities and equity</b>		<b>9,642,082,906</b>	<b>11,920,984,428</b>

The notes on pages 38 to 57 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 2020**

(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
<b>Balance as at 1 January 2020</b>	<b>3,770,082,341</b>	<b>189,182,422</b>	<b>536,545,225</b>	<b>(446,008,591)</b>	<b>7,821,650,592</b>	<b>11,871,451,989</b>
Loss for the period	-	-	-	-	(1,955,002,432)	(1,955,002,432)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,955,002,432)</b>	<b>(1,955,002,432)</b>
<b>Transactions with owners, recorded directly in equity</b>						
Acquisition of treasury shares	-	-	-	(330,650,671)	-	(330,650,671)
<b>Total transactions with owners recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(330,650,671)</b>	<b>-</b>	<b>(330,650,671)</b>
<b>Balance as at 31 March 2020</b>	<b>3,770,082,341</b>	<b>189,182,422</b>	<b>536,545,225</b>	<b>(776,659,262)</b>	<b>5,866,648,160</b>	<b>9,585,798,886</b>
	Share capital	Reserves related to the unpaid share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
<b>Balance as at 1 January 2019</b>	<b>4,543,838,477</b>	<b>189,182,422</b>	<b>297,678,692</b>	<b>(1,414,500,848)</b>	<b>6,212,247,115</b>	<b>9,828,445,858</b>
Profit for the period	-	-	-	-	414,427,487	414,427,487
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>414,427,487</b>	<b>414,427,487</b>
<b>Transactions with owners, recorded directly in equity</b>						
Acquisition of treasury shares	-	-	-	(72,059,111)	-	(72,059,111)
<b>Total transactions with owners recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(72,059,111)</b>	<b>-</b>	<b>(72,059,111)</b>
<b>Balance as at 31 March 2019</b>	<b>4,543,838,477</b>	<b>189,182,422</b>	<b>297,678,692</b>	<b>(1,486,559,959)</b>	<b>6,626,674,602</b>	<b>10,170,814,234</b>

The notes on pages 38 to 57 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED  
31 MARCH 2020**

(all amounts are in RON unless otherwise stated)

	<b>3 months ended 31 March 2020</b>	<b>3 months ended 31 March 2019</b>
<b>Cash flows from operating activities</b>		
Dividends received (net of withholding tax)	498,684,280	171,706,095
Proceeds from transactions with treasury bills and bonds	101,199,715	49,409,649
Interest received	4,116,836	2,121,740
Suppliers and other taxes and fees paid	(23,022,810)	(16,354,819)
Proceeds from disposal of equity investments	-	54,692,593
Subscriptions to share capital increase of portfolio companies	-	(67,322,550)
Other payments, net	(317,266)	(377,043)
<b>Net cash flows from operating activities</b>	<b>580,660,755</b>	<b>193,875,665</b>
<b>Cash flows from financing activities</b>		
Acquisition cost of treasury shares	(313,160,721)	(70,043,305)
Dividends paid (net of withholding tax)	(4,533,253)	(1,075,887)
Payments to shareholders related to the return of capital	(1,477,602)	(74,992)
Payment of fees related to the short term bank loans	(18,200)	(160,000)
<b>Net cash flows used in financing activities</b>	<b>(319,189,776)</b>	<b>(71,354,184)</b>
<b>Net increase in cash and cash equivalents</b>	<b>261,470,979</b>	<b>122,521,481</b>
Cash and cash equivalents at the beginning of the period	405,776,121	272,355,893
<b>Cash and cash equivalents at the end of the period as per the Statement of Cash Flows</b>	<b>667,247,100</b>	<b>394,877,374</b>
<b><i>Reconciliation of Statement of Cash Flows with the equivalent items reported in the Statement of Financial Position</i></b>		
	<b>31 March 2020</b>	<b>31 March 2019</b>
Cash and current accounts (see Note 11)	86,370	155,303
Distributions bank accounts (see Note 11)	25,788,739	18,435,745
Bank deposits with original maturities of less than three months (see Note 11)	641,371,991	376,286,326
	<b>667,247,100</b>	<b>394,877,374</b>
Interest accrued on bank deposits (see Note 11)	180,146	115,318
Treasury bills and government bonds with original maturities of more than three months and less than one year	-	66,440,867
<b>Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position</b>	<b>667,427,246</b>	<b>461,433,559</b>

The notes on pages 38 to 57 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 2020

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

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

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

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

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

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

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

These condensed interim financial statements for the three month period ended 31 March 2020 are not audited.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(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 2020 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 2019, prepared in accordance with IFRS. These condensed interim financial statements are available starting with 15 May 2020, on the Fund's official webpage, [www.fondulproprietatea.ro](http://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 2020 and continues to meet them.

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

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

#### (d) Use of estimates

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

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

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

- Note 13 – Deferred tax;
- Note 14 – Equity investments;
- Note 17 – Contingencies.

#### (e) The impact of the outbreak of COVID-19 pandemic on the Fund's financial position

Due to the negative impact of the COVID-19 pandemic on the global economic activity and global financial markets, the Fund's Sole Director estimates that the financial position and performance of the Fund may be affected, especially by the negative change in fair value of the Fund's holdings which is recorded in profit or loss and also by the decrease of income from dividends received from portfolio companies. As at 31 March 2020, a fair value adjustment on equity investments was recorded by the Fund (see Note 5 for further details). However, an accurate quantification of the further impact is difficult to estimate due to limited availability of the information, high volatility and uncertainties existing in the market. Nevertheless, the Fund's Sole Director does not estimate difficulties in fulfilling the Fund's commitments to shareholders and obligations to third parties, the current and estimated future cash flows being sufficient to cover the payments to third parties and the distributions to shareholders during the year.



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

### 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 2019 and have been applied consistently to all periods presented in these condensed interim financial statements.

### 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
<b>31 March 2020</b>					
Cash and current accounts	86,370	-	-	86,370	86,370
Distributions bank accounts	25,788,739	-	-	25,788,739	25,788,739
Deposits with banks	641,552,137	-	-	641,552,137	641,552,137
Dividends receivable	24,226,179	-	-	24,226,179	24,226,179
Equity investments	-	8,949,738,133	-	8,949,738,133	8,949,738,133
Other financial assets	30,030	-	-	30,030	30,030
Other financial liabilities	-	-	(54,495,901)	(54,495,901)	(54,495,901)
	<b>691,683,455</b>	<b>8,949,738,133</b>	<b>(54,495,901)</b>	<b>9,586,925,687</b>	<b>9,586,925,687</b>

	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
<b>31 December 2019</b>					
Cash and current accounts	83,551	-	-	83,551	83,551
Distributions bank accounts	31,799,616	-	-	31,799,616	31,799,616
Deposits with banks	338,381,995	-	-	338,381,995	338,381,995
Government bonds	-	137,303,498	-	137,303,498	137,303,498
Equity investments	-	11,413,083,382	-	11,413,083,382	11,413,083,382
Other financial liabilities	30,030	-	-	30,030	30,030
Other financial liabilities	-	-	(46,977,791)	(46,977,791)	(46,977,791)
	<b>370,295,192</b>	<b>11,550,386,880</b>	<b>(46,977,791)</b>	<b>11,873,704,281</b>	<b>11,873,704,281</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

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

	3 months ended 31 March 2020	3 months ended 31 March 2019
Unrealised net loss/(gain) from equity investments at fair value through profit or loss	(2,463,345,249)	386,548,340
Realised net gain from disposal of equity investments at fair value through profit or loss	-	5,822,653
<b>Total</b>	<b>(2,463,345,249)</b>	<b>392,370,993</b>

The unrealised net loss from equity investments at fair value through profit or loss for the three month period ended 31 March 2020 was generated by the negative change in fair value of the Fund's holdings as a result of the negative impact of the COVID-19 pandemic on the economic activity and global capital markets. The most significant decreases of fair value were recorded by the holdings in OMV Petrom (RON 889,177,048), Hidroelectrica SA (RON 349,700,000) and CN Aeroporturi Bucuresti SA (RON 311,200,000).

The unrealised net gain from equity investments at fair value through profit or loss for the three month period ended 31 March 2019 was mainly generated by the change in fair value for the holding in OMV Petrom SA (328,485,789 Lei), as a result of the increase of this company's share price during the respective period.

The realised net 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.

### 6. Gross dividend income

	3 months ended 31 March 2020	3 months ended 31 March 2019
E-Distributie Banat SA	213,812,923	-
E-Distributie Muntenia SA	187,961,077	-
E-Distributie Dobrogea SA	121,130,893	-
CN Administratia Porturilor Dunarii Fluviale SA	45,050	-
Alro SA	-	33,349,130
Alcom SA	-	1,338,735
	<b>522,949,943</b>	<b>34,687,865</b>

The dividend income was subject to 5% Romanian withholding tax during the three month periods ended 31 March 2020 and 31 March 2019. In cases where the relevant shareholding of the Fund was above 10% of total share capital of the paying company, for at least one year prior to the dividend distribution date, a withholding tax exemption is applied.

The General Shareholders Meetings of E-Distributie Banat SA, E-Distributie Dobrogea SA and E-Distributie Muntenia SA have approved on 14 February 2020, a special distribution of dividends from retained earnings. The Fund's shareholding in these holdings companies was above 10% for an uninterrupted period greater than one year prior to the dividend distribution date and consequently a withholding tax exemption was applied.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

### 6. Gross dividend income (continued)

According to the Annual Cash Distribution Policy of the Fund, the special cash distributions received from portfolio companies are not subject to Fund's dividend distribution to shareholders. The Fund Manager may propose the distribution to shareholders of such amounts after considering the on-going measures imposed by the Discount Control Mechanism and the available cash. For the purpose of the Annual Cash Distribution Policy of the Fund, the special cash distributions are the amounts distributed by the portfolio companies from other sources than the annual net profit included in the latest annual financial statements. From the total gross dividend income for the three month period ended 31 March 2020 a total amount of RON 522,904,893 represented special cash distributions (three month period ended 31 March 2019: RON 34,687,865).

### 7. Operating expenses

	3 months ended 31 March 2020	3 months ended 31 March 2019
Administration fees	13,003,292	9,265,496
FSA monthly fees	2,774,660	2,361,908
Third party services	1,469,596	2,053,469
BON remunerations and related taxes	361,845	361,845
Depository bank fee	155,434	157,705
Intermediaries and other fees related to disposal of portfolio holdings	64,816	185,637
Other operating expenses	227,594	328,956
	<b>18,057,237</b>	<b>14,715,016</b>

The total administration fees for the three month period ended 31 March 2020 included the base fee of RON 13,003,292 (three month period ended 31 March 2019: RON 9,265,496) and the distribution fee of RON 3,128,192 related to the buy-backs and thus recognised directly in equity as buy-backs acquisition cost (three month period ended 31 March 2019: RON 700,777 represented distribution fee related to the buy-backs recognised directly in equity). The administration fees are invoiced and paid on a quarterly basis.

During the first quarter of 2020 and the first quarter of 2019, the FSA fee was 0.0078% per month applied on the total net asset value.

Third party services for the three month period ended 31 March 2020 mainly included legal consultancy and litigation assistance of RON 372,171 (three month period ended 31 March 2019: RON 893,849), investor's relations expenses of RON 313,002 (three month period ended 31 March 2019: RON 30,479), expenses related to the Board of Nominees such as accommodation, transport and insurance costs of RON 130,573 (three month period ended 31 March 2019: RON 228,326), tax advisory services of RON 120,922 (three month period ended 31 March 2019: RON 159,034) and public relations services of RON 90,002 (three month period ended 31 March 2019: RON 93,231).

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 18 (a) for further details).

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

### 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 had a maximum committed amount of RON 400,000,000.

The Fund announced on 25 July 2019 that it decided to partially waive the existing credit facility with effective date 19 August 2019. The new maximum committed amount starting 19 August 2019 is RON 45,000,000. All other provisions of the credit facility agreement, including the provisions regarding the additional funding did not change. Thus, the Fund may access, subject to the bank's approval and in accordance with the provisions of the credit facility agreement, additional financing in excess of the committed amount, without exceeding a total amount of RON 245,000,000 at any given time.

The finance costs for the three month period ended 31 March 2020 of RON 18,200 (three month period ended 31 March 2019: RON 160,000) comprise the commitment fee on undrawn amounts from the credit facility.

There are no outstanding amounts from the credit facility as at 31 March 2020 and 31 December 2019.

### 9. Income tax

No current tax and no deferred tax were recorded during the three month periods ended 31 March 2020 and 31 March 2019.

	3 months ended 31 March 2020	3 months ended 31 March 2019
<b>Reconciliation of effective tax rate</b>		
Net (loss)/profit for the period	(1,955,002,432)	414,427,487
Withholding tax on the dividend income	-	-
<b>(Loss) /Profit excluding income tax</b>	<b>(1,955,002,432)</b>	<b>414,427,487</b>
<b>Income tax benefit/(expense) using the standard tax rate (16%)</b>	<b>312,800,389</b>	<b>(66,308,398)</b>
<i>Impact on the income tax of:</i>		
Taxation applied on dividend income	83,671,991	5,550,058
Non-taxable income (other than dividend income)	9,742,539	21,366,956
Non-deductible expenses	(261,119,102)	(20,927,290)
Fiscal result impact in the current period	(145,095,817)	60,318,674
<b>Tax on income</b>	<b>-</b>	<b>-</b>

The fiscal result impact as at 31 March 2020 of RON 145,095,817 included in the table above represents the unrecognised deferred tax for the tax losses recorded in the first quarter of 2020 (see Note 13 for further details). The fiscal impact as at 31 March 2019 of RON 60,318,674 represents the current tax on profit for the first quarter of 2019 which was offset by the Fund's tax losses carried forward.

As at 31 March 2020 and 31 December 2019 there is no tax on profit due or to be recovered from the State Budget by the Fund.

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

### 10. Basic and diluted (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the loss or 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 2020 and 31 March 2019, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted (loss)/earnings per share are the same.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

(all amounts are in RON unless otherwise stated)

**10. Basic and diluted (loss)/earnings per share (continued)**

	<b>3 months ended 31 March 2020</b>	<b>3 months ended 31 March 2019</b>
(Loss)/Profit for the period	(1,955,002,432)	414,427,487
Weighted average number of ordinary shares	6,814,238,422	7,207,899,634
<b>Basic and diluted (loss)/earnings per share</b>	<b>(0.2869)</b>	<b>0.0575</b>

**11. Cash and current accounts and deposits with banks**

	<b>31 March 2020</b>	<b>31 December 2019</b>
Petty cash	114	114
Current accounts with banks	86,256	83,437
Distributions bank accounts	25,788,739	31,799,616
<b>Cash and current accounts</b>	<b>25,875,109</b>	<b>31,883,167</b>

	<b>31 March 2020</b>	<b>31 December 2019</b>
Bank deposits with original maturities of less than three months	641,371,991	338,295,751
Interest accrued on bank deposits	180,146	86,244
<b>Deposits with banks</b>	<b>641,552,137</b>	<b>338,381,995</b>

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**

	<b>31 March 2020</b>	<b>31 December 2019</b>
<b>Dividends receivable</b>		
E-Distributie Dobrogea SA	24,226,179	-
CN Aeroporturi Bucuresti SA	10,668,574	10,668,574
Other dividends receivable	114,574	711,095
	<b>35,009,327</b>	<b>11,379,669</b>
<b>Impairment loss allowance</b>	<b>(10,783,148)</b>	<b>(11,379,669)</b>
	<b>24,226,179</b>	<b>-</b>

The dividend receivable as at 31 March 2020 mainly comprises the remaining balance of special dividend approved by the shareholders of E-Distributie Dobrogea SA on 14 February 2020 for which the payment date is on 15 August 2020. The remaining dividends receivable balances as at 31 March 2020 are overdue and fully provided.

As at 31 December 2019, the Fund has a receivable from dividends in total amount of RON 11,379,669, which is fully provided and mainly comprises the outstanding dividend from CN Aeroporturi Bucuresti SA of RON 10,668,574.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

### 13. Deferred tax

As at 31 March 2020 and 31 December 2019 there is no difference between the carrying amount and tax base of assets and liabilities that could result in amounts that are deductible/ taxable when determining taxable profit or tax loss of future periods. In consequence, as at 31 March 2020 and 31 December 2019, the net deferred tax position is nil as the Fund did not recognise any deferred tax asset or deferred tax liability.

As at 31 March 2020 the unused fiscal loss carried forward amounts to RON 3,826,904,444 (31 December 2019: RON 2,920,055,589) out of which RON 2,920,055,589 will expire on 31 December 2022 and RON 906,848,855 will expire on 31 December 2027.

As at 31 March 2020 and 31 December 2019 the Fund did not recognise any deferred tax asset for the unused tax losses carried forward as there is a high probability that there will be insufficient future taxable profit against which the loss carried forward can be utilised.

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

There was no movement in the deferred tax position during the three month periods ended 31 March 2020 and 31 March 2019. The deferred tax balances during both these periods were zero.

### 14. Equity investments

As a result of the application of IFRS 9 starting 1 January 2018, the Fund changed its accounting policies classifying all its equity investments at fair value through profit or loss.

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

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

The movement in the carrying amounts of equity investments at fair value through profit or loss during the three month periods ended 31 March 2020 and 31 March 2019 is presented below:

	3 months ended 31 March 2020	3 months ended 31 March 2019
<b>Opening balance</b>	<b>11,413,083,382</b>	<b>9,337,440,399</b>
Net (loss)/gain from equity investments at fair value through profit or loss (see Note 5)	(2,463,345,249)	392,370,993
Disposals	-	(54,863,242)
<b>Closing balance</b>	<b>8,949,738,133</b>	<b>9,674,948,150</b>

#### *Disposals*

During the first quarter of 2020, there was no disposal of the Fund's portfolio holdings.

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

#### *Portfolio*

As at 31 March 2020 and 31 December 2019 the Fund's portfolio comprised the following holdings:

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

(all amounts are in RON unless otherwise stated)

**14. Equity investments (continued)**

	31 March 2020	31 December 2019
Hidroelectrica SA	4,536,800,000	4,886,500,000
OMV Petrom SA	1,642,428,943	2,531,605,991
CN Aeroporturi Bucuresti SA	711,700,000	1,022,900,000
Engie Romania SA	441,100,000	512,400,000
Nuclearelectrica SA	293,928,666	303,286,742
E-Distributie Banat SA	266,700,000	519,300,000
E-Distributie Muntenia SA	218,400,000	428,500,000
Administratia Porturilor Maritime SA	218,300,000	248,700,000
Societatea Nationala a Sarii SA	186,600,000	275,400,000
E-Distributie Dobrogea SA	161,600,000	321,500,000
Alro SA	94,385,705	170,550,231
Enel Energie Muntenia SA	40,800,000	41,700,000
Zirom SA	31,705,400	31,705,400
Enel Energie SA	25,400,000	26,300,000
Romaero SA	24,135,114	30,431,231
CN Administratia Canalelor Navigabile SA	14,899,840	14,899,840
Other	40,854,465	47,403,947
<b>Total equity investments</b>	<b>8,949,738,133</b>	<b>11,413,083,382</b>

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

**Fair value hierarchy**

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

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

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

31 March 2020	Level 1	Level 2	Level 3	Total
Equity investments	2,030,743,313	-	6,918,994,820	8,949,738,133
Government bonds	-	-	-	-
	<b>2,030,743,313</b>	<b>-</b>	<b>6,918,994,820</b>	<b>8,949,738,133</b>
31 December 2019	Level 1	Level 2	Level 3	Total
Equity investments	3,005,442,964	-	8,407,640,418	11,413,083,382
Government bonds	137,303,498	-	-	137,303,498
	<b>3,142,746,462</b>	<b>-</b>	<b>8,407,640,418</b>	<b>11,550,386,880</b>



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

### 14. Equity investments (continued)

The table below presents the movement in Level 3 equity investments during the three month periods ended 31 March 2020 and 31 March 2019:

	3 months ended 31 March 2020	3 months ended 31 March 2019
<b>Opening balance</b>	<b>8,407,640,418</b>	<b>7,055,038,913</b>
Net unrealised (loss)/gain recognised in profit or loss	(1,488,645,598)	64,517,355
Disposals	-	-
Transfers in/(out) of Level 3	-	-
<b>Closing balance</b>	<b>6,918,994,820</b>	<b>7,119,556,268</b>

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

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

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

For Level 3, the equity investments valuations were performed using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, which ensures that the underlying data is accurate, and that appropriate inputs were used in the valuation.

As the valuation reports were prepared as at 30 September 2019 (for 31 March 2019: as at 30 September 2018), based on financial information available for the companies under valuation at the respective dates, the Fund's management has analysed the period between the date of the latest annual audited financial statements (i.e. 31 December 2019) which already include the updated values up to that date and the date when these condensed interim financial statements were authorised for issue and updated the equity investments values accordingly, as follows:

- considering the negative impact of the COVID-19 pandemic on the global economic activity and capital markets, the values for the unlisted holdings representing over 99% of the total Fund's unlisted portfolio were updated using (i) the multiples values as at 31 March 2020 of publicly traded peers companies (provided by an independent valuer) and (ii) the same methodology and computation algorithm as in the latest available valuation report prepared with the assistance of an independent valuer. All other variables were kept at the same level as in the latest valuation report;
- where the case, the values of the unlisted holdings were adjusted in order to incorporate the impact of any significant corporate action (such as the cash distributions performed by E-Distributie companies) that took place after the latest audited annual financial statements date.

Considering the economic uncertainties, the increased economic risk and the strong volatility existing in the capital markets due to the negative impact of the COVID-19 pandemic, the Fund's Sole Director closely monitors the evolution of the economic environment and the effects of the economic measures on the Fund's portfolio companies. The Fund's Sole Director will perform a periodic analysis of multiples values of publicly traded peers companies and will adjust the value of unlisted holdings accordingly, if the case. The Fund's Sole Director believes that the fair values of the equity investments presented in these condensed interim financial statements represent the best estimates under the current conditions based on available information.

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.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

### 14. Equity investments (continued)

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.

The following table sets out information about the significant unobservable inputs used at 31 March 2020 and 31 December 2019 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

Financial assets	Fair value as at 31 March 2020	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
<b>Total</b>	<b>6,918,994,820</b>			
Unlisted equity instruments	6,650,422,140	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.20 - 9.52 (8.37)  Discount for lack of marketability: 14.7% or 20% (14.72%)	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	219,980,200	Income approach - discounted cash flow method	Weighted average cost of capital: 12.09% or 12.90% or 13.40% (12.97%)  Discount for lack of marketability: 12% or 14.6% or 16.2% (14.81%)  Discount for lack of control: 0% or 19.1% or 24.9% (16.39%)  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	10,500,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 7.70 (7.70)  Discount for lack of marketability: 24.2% (24.2%)	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	1,393,800	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.29 (0.29)  Discount for lack of marketability: 14.7% (14.7%)	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: 0.49 (0.49)	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	36,698,680	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 2020

(all amounts are in RON unless otherwise stated)

### 14. Equity investments (continued)

Financial assets	Fair value as at 31 December 2019	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
<b>Total</b>	<b>8,407,640,418</b>			
Unlisted equity instruments	8,042,522,140	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.84 - 10.64 (9.29)  Discount for lack of marketability: 14.7% or 20% (14.71%)	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	308,780,200	Income approach - discounted cash flow method	Weighted average cost of capital: 12.09% or 12.90% or 13.40% (12.95%)  Discount for lack of marketability: 12% or 14.6% or 16.2% (14.75%)  Discount for lack of control: 0% or 19.1% or 24.9% (17.17%)  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	11,500,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 8.79 (8.79)  Discount for lack of marketability: 24.2% (24.2%)	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	1,393,800	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.29 (0.29)  Discount for lack of marketability: 14.7% (14.7%)	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: 0.49 (0.49)	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	43,444,278	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 2020 and 31 December 2019, the Fund's investments in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity are valued at nil.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

### 14. Equity investments (continued)

Significant unobservable inputs are the following:

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

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

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

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

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

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

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

### 15. Liabilities

#### (a) Payable to shareholders

The payable to shareholders as at 31 March 2020 in amount of RON 25,978,092 (31 December 2019: RON 31,988,947) comprises the outstanding amounts due to shareholders related to the dividends in total amount of RON 21,730,956 (31 December 2019: RON 26,264,210) and to the returns of capital of RON 4,247,136 (31 December 2019: RON 5,724,737).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

(all amounts are in RON unless otherwise stated)

**15. Liabilities (continued)**
**(a) Payable to shareholders (continued)**

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

	<b>3 months ended 31 March 2020</b>	<b>3 months ended 31 March 2019</b>
<b>Opening balance</b>	<b>31,988,947</b>	<b>19,657,190</b>
Payments of the distributions performed from the dedicated bank accounts	(6,010,855)	(1,150,880)
<b>Closing balance</b>	<b>25,978,092</b>	<b>18,506,310</b>

**(b) Other liabilities and provisions**

	<b>31 March 2020</b>	<b>31 December 2019</b>
Administration fees	16,142,554	12,907,820
Payables related to treasury shares under settlement	10,852,892	-
Financial Supervisory Authority fees	887,702	840,591
Provision for litigations	856,247	856,247
Intermediaries and other transactions fees related to disposal of portfolio holdings	813,227	1,035,658
Tax on dividends due to State Budget	6,107	762,056
Other liabilities	747,199	1,141,120
	<b>30,305,928</b>	<b>17,543,492</b>

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

There was no change in the share capital of the Fund recorded either during the first quarter of 2020 or during the first quarter of 2019.

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

	<b>31 March 2020</b>	<b>31 December 2019</b>
Number of shares in issue	7,613,970,697	7,613,970,697
Number of paid shares	7,250,158,347	7,250,158,347
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 2020 was as follows:

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

(all amounts are in RON unless otherwise stated)

**16. Shareholders' equity (continued)**
**(a) Share capital (continued)**

Shareholder categories	% of subscribed share capital	% of paid share capital
Romanian institutional investors	28.11%	29.53%
The Bank of New York Mellon (depository bank for the Fund's GDRs)	24.62%	25.86%
Romanian private individuals	17.80%	18.69%
Foreign institutional investors	13.57%	14.25%
Foreign private individuals	2.81%	2.95%
Romanian State	0.09%	0.09%
Treasury shares	8.22%	8.63%
Unpaid shares (see Note 16(b))	4.78%	-
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

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 2020	31 December 2019
Other reserves	640,744,712	640,744,712
Legal reserve	533,826,946	533,826,946
Distributions for which the statute of limitation occurred	2,718,279	2,718,279
Losses from cancellation of treasury shares (negative equity reserves)	(640,744,712)	(640,744,712)
	<b>536,545,225</b>	<b>536,545,225</b>

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

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



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

### 16. Shareholders' equity (continued)

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

The amounts allocated to other reserves are to be used to cover the negative reserves recorded from cancellation of shares acquired during the ninth buy-back programme, subject to Fund's shareholders' approval during 28 April 2020 General Shareholders' Meeting.

The legal reserve cannot be used for distributions to shareholders.

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

The Fund's share nominal value was constantly lower than its market price starting January 2017, situation which did not change up to the date of these condensed interim financial statements. All buy-backs performed after this date were made at an acquisition price higher than the nominal value and consequently all cancellations of treasury shares acquired through the buy-back programmes generated negative reserves.

There was no negative reserve recorded during the three month periods ended 31 March 2020 and 31 March 2019.

#### (d) Treasury shares

The table below summarises the details regarding the eleventh buy-back programme, respectively the buy-back programme carried during 2020:

	GSM date approving the buy-back programme	Starting date	Completion date	Acquisition price range as approved by GSM
<b>Eleventh buy-back programme</b>	15-Nov-2019	1-Jan-2020	31-Dec-2020	RON 0.2 - 2 per share

The eleventh buy-back programme refers to the acquisition by the Fund of a maximum number of 800,000,000 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 2020 and the first quarter of 2019 is presented in the table below:

	Opening balance 1 January 2020	Acquisitions during the period	Cancellations during the period	Closing balance 31 March 2020
<b>Tenth buy-back</b>	403,812,443	-	-	403,812,443
<b>Eleventh buy-back</b>	-	242,334,479	-	242,334,479
	<b>403,812,443</b>	<b>242,334,479</b>	-	<b>646,146,922</b>

	Opening balance 1 January 2019	Acquisitions during the period	Cancellations during the period	Closing balance 31 March 2019
<b>Ninth buy-back</b>	1,487,992,569	-	-	1,487,992,569
<b>Tenth buy-back</b>	-	82,715,862	-	82,715,862
	<b>1,487,992,569</b>	<b>82,715,862</b>	-	<b>1,570,708,431</b>



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

### 16. Shareholders' equity (continued)

#### (d) Treasury shares (continued)

The movement of the buy-back programmes carrying amounts during the first quarter of 2020 and the first quarter of 2019 is presented in the table below:

	Opening balance 1 January 2020	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 31 March 2020
<b>Tenth buy-back</b>	446,008,591	-	-	446,008,591
<b>Eleventh buy-back</b>	-	330,650,671	-	330,650,671
	<b>446,008,591</b>	<b>330,650,671</b>	-	<b>776,659,262</b>

	Opening balance 1 January 2019	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 31 March 2019
<b>Ninth buy-back</b>	1,414,500,848	-	-	1,414,500,848
<b>Tenth buy-back</b>	-	72,059,111	-	72,059,111
	<b>1,414,500,848</b>	<b>72,059,111</b>	-	<b>1,486,559,959</b>

#### (e) Dividend distribution

During the 28 April 2020 General Shareholders Meeting, the Fund's shareholders approved the distribution of a gross dividend of RON 0.0642 per share, in relation to 2019 statutory profit.

The shareholders registered in the shareholders' registry with the Central Depository on 10 June 2020 have the right to receive a gross dividend of RON 0.0642 per share, proportionally with their participation in the paid in share capital of the Fund. The payment will start on 1 July 2020.

### 17. Contingencies

#### Litigations

At 31 March 2020, the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets the Fund considers that there are no litigations which may have significant effects on the Fund's financial position or profitability.

#### Other contingencies

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

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

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

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

### 17. Contingencies (continued)

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.

On 18 February 2020, the Court ruled in favour of the Fund in the case started 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. The decision was issued in the first stage and can be appealed.

### 18. Related parties

#### (a) Key management

##### (i) Board of Nominees ("BON")

	3 months ended 31 March 2020	3 months ended 31 March 2019
Total Fund's cost with BON remuneration, <i>out of which</i> :	361,845	361,845
- Net remuneration paid to BON members	257,274	249,675
- Related taxes and contributions payable to State Budget	104,571	112,170

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 2020 nor in the first quarter of 2019.

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. During the 28 June 2019 General Shareholders Meeting, the Fund's shareholders approved a new mandate of FTIS as AIFM and Sole Director of the Fund for the period 1 April 2020 – 31 March 2022. The role of Investment Manager and certain administrative functions have been delegated by FTIS to FTIML.

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

Transactions	3 months ended 31 March 2020	3 months ended 31 March 2019
Administration fees	16,131,484	9,966,273

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

Transactions	3 months ended 31 March 2020	3 months ended 31 March 2019
Rent expense charged to the Fund	22,096	21,580
Operating cost charged to the Fund	6,833	6,961
	<b>28,929</b>	<b>28,541</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

### 18. Related parties (continued)

#### (a) Key management (continued)

##### (ii) Sole Director and Investment Manager (continued)

During the first quarter of 2020, the Fund also recorded RON 346,319 representing expenses incurred by FTIML on its behalf (first quarter of 2019: RON 44,974). 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 2020	31 December 2019
FTIS	16,142,554	12,907,820
FTIML	308,742	144,334
	<b>16,451,296</b>	<b>13,052,155</b>

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:

	31 March 2020	31 December 2019
<b>Ownership interest</b>		
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	70%	70%

On 8 January 2020, the registration with Romanian Trade Register of the share capital increase of Zirom SA performed in December 2019 was completed. During the first quarter of 2020, the Fund did not carry out any transaction with its subsidiaries.

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

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 2020	31 December 2019
Zirom SA	31,705,400	31,705,400
Alcom SA	11,493,897	11,493,897
Comsig SA	-	-
	<b>43,199,297</b>	<b>43,199,297</b>

As at 31 March 2020, the Fund has no commitment to provide financial or other support to its subsidiaries, including commitments to assist the subsidiaries in obtaining financial support.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(all amounts are in RON unless otherwise stated)

### 18. Related parties (continued)

#### (c) Associates

As at 31 March 2020 and 31 December 2019 the Fund had two associates, both incorporated in Romania:

	31 March 2020	31 December 2019
<b>Ownership interest</b>		
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

The Fund did not carry out any transaction with its associates in the first quarter of 2020 or in the first quarter of 2019.

As at 31 March 2020, the balance due by Societatea Nationala a Sarii SA to the Fund amounted RON 6,906 (31 December 2019: RON 6,804) and comprised the outstanding dividend receivable of RON 6,378 (31 December 2019: RON 6,378) and the penalties for delay payment of dividends of RON 528 (31 December 2019: RON 426). The outstanding balance due by Societatea Nationala a Sarii SA to the Fund is fully impaired.

### 19. Subsequent events

#### a) 28 April 2020 GSM's resolutions

The main shareholders resolutions at the 28 April 2020 GSM were the following:

- the approval of several changes of the Constitutive Act, that will enter into force after FSA endorsement;
- the approval of the Annual Activity Report of the Sole Director of the Fund for the financial year 2019, including the statutory IFRS financial statements for the year ended 31 December 2019 and the auditor's report;
- the approval of the coverage of the negative reserves incurred in 2019 financial year derived from the cancellation of treasury shares;
- the approval of the net profit allocation registered for the financial year 2019 and the approval of the distribution of a gross dividend of RON 0.0642 per share;
- the approval of the cancellation of 403,812,443 own shares acquired by Fondul Proprietatea during the tenth buy-back programme and the decrease of the subscribed share capital from RON 3,959,264,762.44 to RON 3,749,282,292.08.

#### b) COVID-19 state of emergency

On 16 March 2020, due to the COVID-19 pandemic, the President of Romania declared the state of emergency throughout Romania for 30 days. On 14 April 2020, the President signed a new decree which extended this state of emergency up to and including 14 May 2020. Because during such state, the Romanian authorities are empowered to take exceptional measures such as suspension of different businesses and restriction of movement, certain holdings from the Fund's portfolio may be significantly impacted. Such impact will be closely evaluated during and also after the lifting of the state of emergency as these measures may have a long-time effect.

## Annex 2

## Statement of Assets and Obligations of Fondul Proprietatea SA as at 31 March 2020, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	31 December 2019				31 March 2020				Differences RON
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
<b>I. Total assets</b>	<b>100.4202%</b>	<b>100.0000%</b>		<b>11,921,320,295.07</b>	<b>100.5906%</b>	<b>100.0000%</b>		<b>9,642,422,260.14</b>	<b>(2,278,898,034.93)</b>
1 <b>Securities and money market instruments, out of which:*</b>	26.8392%	26.7270%		3,186,190,739.37	21.5678%	21.4412%		2,067,441,993.11	(1,118,748,746.26)
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	26.8392%	26.7270%	-	3,186,190,739.37	21.5678%	21.4412%	-	2,067,441,993.11	(1,118,748,746.26)
1.1.1 listed shares traded in the last 30 trading days	25.5857%	25.4788%	-	3,037,393,345.00	21.4479%	21.3220%	-	2,055,948,096.34	(981,445,248.66)
1.1.2 listed shares not traded in the last 30 trading days	0.0968%	0.0964%	-	11,493,896.77	0.1199%	0.1192%	-	11,493,896.77	-
1.1.3 Government bonds	1.1567%	1.1518%	-	137,303,497.60	0.0000%	0.0000%	-	-	(137,303,497.60)
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:	70.4565%	70.1617%	-	8,364,189,591.93	71.7965%	71.3752%	-	6,882,289,846.22	(1,481,899,745.71)
- shares not admitted at trading on a regulated market	70.4565%	70.1617%	-	8,364,189,591.93	71.7965%	71.3752%	-	6,882,289,846.22	(1,481,899,745.71)
4 Bank deposits, out of which:	2.8502%	2.8383%	-	338,381,995.05	6.6928%	6.6535%	-	641,552,136.57	303,170,141.52
4.1. bank deposits made with credit institutions from Romania	2.8502%	2.8383%	-	338,381,995.05	6.6928%	6.6535%	-	641,552,136.57	303,170,141.52
- in RON	2.8502%	2.8383%	-	338,381,995.05	6.6928%	6.6535%	-	641,552,136.57	303,170,141.52
- 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:	0.2686%	0.2674%	-	31,883,167.06	0.2699%	0.2683%	-	25,875,109.47	(6,008,057.59)
- in RON	0.2686%	0.2674%	-	31,872,899.07	0.2699%	0.2683%	-	25,867,638.19	(6,005,260.88)
- in euro	0.0000%	0.0000%	EUR 817.05	3,904.93	0.0000%	0.0000%	EUR 893.77	4,312.80	407.87
- in USD	0.0000%	0.0000%	USD 658.17	2,804.33	0.0000%	0.0000%	USD 387.70	1,705.22	(1,099.11)
- in GBP	0.0000%	0.0000%	GBP 634.49	3,558.73	0.0000%	0.0000%	GBP 267.98	1,453.26	(2,105.47)
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:	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
- Treasury bills with original maturities of less than 1 year	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
8 Participation titles of OCIU and/or of UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.0057%	0.0056%	-	674,801.66	0.2635%	0.2618%	-	25,263,174.77	24,588,373.11
- net dividend receivable from Romanian companies	0.0000%	0.0000%	-	-	0.2527%	0.2512%	-	24,226,178.59	24,226,178.59
- receivables related to the cash contributions to the share capital increases performed by portfolio companies	0.0003%	0.0003%	-	30,030.00	0.0003%	0.0002%	-	30,030.00	-
- tax on dividends to be recovered from the State Budget	0.0029%	0.0029%	-	348,524.00	0.0036%	0.0036%	-	348,524.00	-
- intangible assets	0.0014%	0.0014%	-	161,372.47	0.0012%	0.0012%	-	117,361.80	(44,010.67)
- other receivables out of which:	0.0003%	0.0002%	-	45,163.46	0.0004%	0.0004%	-	37,198.35	(7,965.11)
- in RON	0.0003%	0.0002%	-	45,163.46	0.0004%	0.0004%	-	37,198.35	(7,965.11)
- prepaid expenses	0.0008%	0.0008%	-	89,711.73	0.0053%	0.0052%	-	503,882.03	414,170.30
<b>II. Total liabilities</b>	<b>0.4202%</b>	<b>0.4184%</b>		<b>49,874,855.48</b>	<b>0.5908%</b>	<b>0.5873%</b>		<b>56,629,669.44</b>	<b>6,754,813.96</b>
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1087%	0.1083%	-	12,907,820.28	0.1684%	0.1674%	-	16,142,553.54	3,234,733.26
2 Liabilities related to the fees payable to the depositary bank	0.0005%	0.0005%	-	60,266.97	0.0005%	0.0005%	-	44,875.25	(15,391.72)
3 Liabilities related to the fees payable to intermediaries	0.0087%	0.0087%	-	1,035,658.41	0.0085%	0.0084%	-	813,226.63	(222,431.78)
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	0.0071%	0.0071%	-	840,591.36	0.0093%	0.0092%	-	887,701.50	47,110.14
8 Liabilities related to audit fees	0.0000%	0.0000%	-	767.12	0.0000%	0.0000%	-	767.12	-
9 Other Liabilities, out of which:	0.2952%	0.2938%	-	35,029,751.34	0.4041%	0.4018%	-	38,740,545.40	3,710,794.06
- liabilities to the Fund's shareholders related to the dividend distribution	0.2212%	0.2203%	-	26,264,210.09	0.2267%	0.2254%	-	21,730,956.64	(4,533,253.45)
- liabilities related to the return of capital	0.0482%	0.0480%	-	5,724,736.70	0.0443%	0.0440%	-	4,247,135.70	(1,477,601.00)
- provisions	0.0072%	0.0072%	-	856,247.22	0.0089%	0.0089%	-	856,247.22	-

## Fondul Proprietatea SA

Item	31 December 2019				31 March 2020				Differences RON
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
- liabilities related to buybacks under settlement	0.0000%	0.0000%	-	-	0.1132%	0.1126%	-	10,852,892.18	10,852,892.18
- remunerations and related contributions	0.0003%	0.0003%	-	34,857.00	0.0004%	0.0003%	-	34,857.00	-
- VAT payable to State Budget	0.0005%	0.0005%	-	60,896.06	0.0000%	0.0000%	-	3,206.60	(57,689.46)
- tax on dividends payable to State Budget	0.0094%	0.0093%	-	1,110,580.00	0.0037%	0.0037%	-	354,631.00	(755,949.00)
- other liabilities out of which:	0.0084%	0.0082%	-	978,224.27	0.0069%	0.0069%	-	660,619.06	(317,605.21)
- in RON	0.0084%	0.0082%	-	978,224.27	0.0069%	0.0069%	-	660,619.06	(317,605.21)
<b>III. Net Asset Value (I - II)</b>	<b>100.0000%</b>	<b>99.5816%</b>		<b>11,871,445,439.59</b>	<b>100.0000%</b>	<b>99.4127%</b>		<b>9,585,792,590.70</b>	<b>(2,285,652,848.89)</b>

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

## Unitary Net Asset Value

Item	31 March 2020	31 December 2019	Differences
<b>Net Asset Value</b>	<b>9,585,792,590.70</b>	<b>11,871,445,439.59</b>	<b>(2,285,652,848.89)</b>
Number of outstanding shares	6,604,011,425	6,846,345,904	(242,334,479)
Unitary net asset value	1.4515	1.7339	(0.2824)

## DETAILED STATEMENT OF INVESTMENTS AS AT 31 MARCH 2020

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	31/Mar/2020	72,884,714	0.5	1.2950	94,385,704.63	10.21%	0.9789%	0.9846%	Closing price
IOR SA	IORB	11/Mar/2020	2,622,273	0.1	0.1560	409,074.59	0.86%	0.0042%	0.0043%	Reference price - Average price
Mecon SA	MECP	12/Mar/2020	60,054	11.6	11.0000	660,594.00	12.51%	0.0069%	0.0069%	Reference price - Average price
OMV Petrom SA	SNP	31/Mar/2020	5,663,548,078	0.1	0.2900	1,642,428,942.62	9.99%	17.0334%	17.1340%	Closing price
Romaero SA	RORX	12/Mar/2020	1,311,691	2.5	18.4000	24,135,114.40	18.87%	0.2503%	0.2518%	Reference price - Average price
Nuclearelectrica SA	SNN	31/Mar/2020	21,268,355	10	13.8200	293,928,666.10	7.05%	3.0483%	3.0663%	Closing price
<b>Total</b>						<b>2,055,948,096.34</b>		<b>21.3220%</b>	<b>21.4479%</b>	

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

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	10/Feb/2017	89,249	2.5	128.7846	11,493,896.77	71.89%	0.1192%	0.1199%	Fair value/share (Shareholders' equity as at 31 December 2018 adjusted with dividends per share)
<b>Total</b>						<b>11,493,896.77</b>		<b>0.1192%</b>	<b>0.1199%</b>	



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

## Unlisted shares

Issuer	No. of shares held	Date of acquisition *	Acquisition price (total price of acquisition of shares)**	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19/Jul/2005	1,490,898	60.1839	1,393,798.94	20.00%	0.0145%	0.0145%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	274.8625	8,799,997.80	20.00%	0.0913%	0.0918%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 31 Mar 2020 derived from the analysis of publicly traded peers companies)
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	73.3404	14,899,835.66	20.00%	0.1545%	0.1554%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	60.8884	1,677,718.97	20.00%	0.0174%	0.0175%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
CN Administratia Porturilor Dunarii Maritime SA	21,237	19/Jul/2005	1,351,671	199.8672	4,244,579.73	20.00%	0.0440%	0.0443%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	52,691,564	82.1254	218,299,825.25	19.99%	2.2640%	2.2773%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 31 Mar 2020 derived from the analysis of publicly traded peers companies)
CN Aeroporturi Bucuresti SA ***	2,875,443	5/Feb/2010	131,168,263	247.5096	711,699,746.75	20.00%	7.3809%	7.4245%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 31 Mar 2020 derived from the analysis of publicly traded peers companies)
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 2019)
Cornisig 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	28.9242	266,699,751.18	24.12%	2.7659%	2.7822%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 31 Mar 2020 derived from the analysis of publicly traded peers companies)
E-Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	23.9296	161,599,627.86	24.09%	1.6759%	1.6858%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 31 Mar 2020 derived from the analysis of publicly traded peers companies)
E-Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	67.0680	218,399,966.93	12.00%	2.2650%	2.2784%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 31 Mar 2020 derived from the analysis of publicly traded peers companies)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	91.8807	40,799,992.36	12.00%	0.4231%	0.4256%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 31 Mar 2020 derived from the analysis of publicly traded peers companies)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	15.1190	25,399,920.00	12.00%	0.2634%	0.2650%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 31 Mar 2020 derived from the analysis of publicly traded peers companies)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	184.5067	441,099,798.68	11.99%	4.5746%	4.6016%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 31 Mar 2020 derived from the analysis of publicly traded peers companies)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,396,405	19/Jul/2005	3,019,591,996	50.7492	4,536,796,036.63	19.94%	47.0504%	47.3283%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 31 Mar 2020 derived from the analysis of publicly traded peers companies)
Plafar SA	132,784	28/Jun/2007	3,160,329	12.6129	1,674,791.31	48.99%	0.0174%	0.0175%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	0.7060	10,499,594.58	6.48%	0.1089%	0.1095%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 31 Mar 2020 derived from the analysis of publicly traded peers companies)
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	93.0263	186,599,966.75	48.99%	1.9352%	1.9466%	Unlisted companies, in	Fair value (Value based on valuation report as at



## Fondul Proprietatea SA

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
									function	30 Sep 2019 updated using the multiples values as at 31 Mar 2020 derived from the analysis of publicly traded peers companies)
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	Unlisted companies, in function
										the financial statements for the last 6 financial years including the financial statements for the year-ended 31 December 2018; last available financial statements are those for the year-ended 31 December 2012)
Zirom SA	6,542,083	28/Jun/2007	65,208,072	4.8463	31,704,896.84	100.00%	0.3288%	0.3307%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
<b>Total</b>	<b>173,337,716</b>		<b>4,602,787,659</b>		<b>6,882,289,846.22</b>		<b>71.3752%</b>	<b>71.7965%</b>		

### Legend:

\* = where the date of acquisition is shown as earlier than the Fund'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 the Fund on its future incorporation.

\*\* = The acquisition price includes the initial value of the Fund'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). The Fund 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 the Fund (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.

## 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
Banca Comerciala Romana	23/Mar/2020	6/Apr/2020	167,200,000.00	10,450.00	94,050.00	167,294,050.00	1.7350%	1.7452%	Bank deposit value cumulated with the daily related interest for the period from starting date
Unicredit Tiriac Bank	25/Mar/2020	8/Apr/2020	161,300,000.00	8,065.00	56,455.00	161,356,455.00	1.6734%	1.6833%	
ING BANK	30/Mar/2020	21/Apr/2020	155,600,000.00	10,373.34	20,746.67	155,620,746.67	1.6139%	1.6235%	
CITI Bank	31/Mar/2020	1/Apr/2020	147,200,000.00	8,382.22	8,382.22	147,208,382.22	1.5267%	1.5357%	
BRD Groupe Societe Generale	31/Mar/2020	1/Apr/2020	10,071,990.69	511.99	511.99	10,072,502.68	0.1045%	0.1051%	
<b>Total</b>			<b>641,371,990.69</b>		<b>180,145.88</b>	<b>641,552,136.57</b>	<b>6.6535%</b>	<b>6.6928%</b>	

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

	31 December 2018	31 December 2019	31 March 2020
Net Asset	10,219,444,079.68	11,871,445,439.59	9,585,792,590.70
NAV/share	1.4095	1.7339	1.4515

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

Johan Meyer  
Permanent representative

BRD Groupe Societe Generale

Claudia Ionescu  
Director

Victor Strâmbei  
Manager Depositary Department

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

Marius Nechifor  
Compliance Officer



FONDUL  
PROPRIETATEA

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