

# Fondul Proprietatea

November 2019



# Fund Information

Open	838.63
Low	856.45
Close	836.23
on Close (50)	845.12
on Close (100)	NA
on Close (200)	NA



# The Fund – Key Facts



## Fund Details<sup>1</sup>

	RON	USD
NAV	<b>10.71 bn</b>	<b>2.51 bn<sup>2</sup></b>
NAV/Share	<b>1.5579</b>	<b>0.3656<sup>2</sup></b>
Price/Share	<b>1.1550</b>	<b>0.2710<sup>2</sup></b>
Price/GDR	<b>57.96</b>	<b>13.60</b>
Market Capitalization as at 14 November 2019 <sup>3</sup>	<b>8.10 bn</b>	<b>1.87 bn<sup>3</sup></b>
Discount/Share as at 14 November 2019	<b>24.08%</b>	
Discount/GDR as at 14 November 2019	<b>22.48%</b>	
Number of Paid Shares less Treasury Shares <sup>4</sup>	<b>6,867,615,903</b>	

## Investment Objective

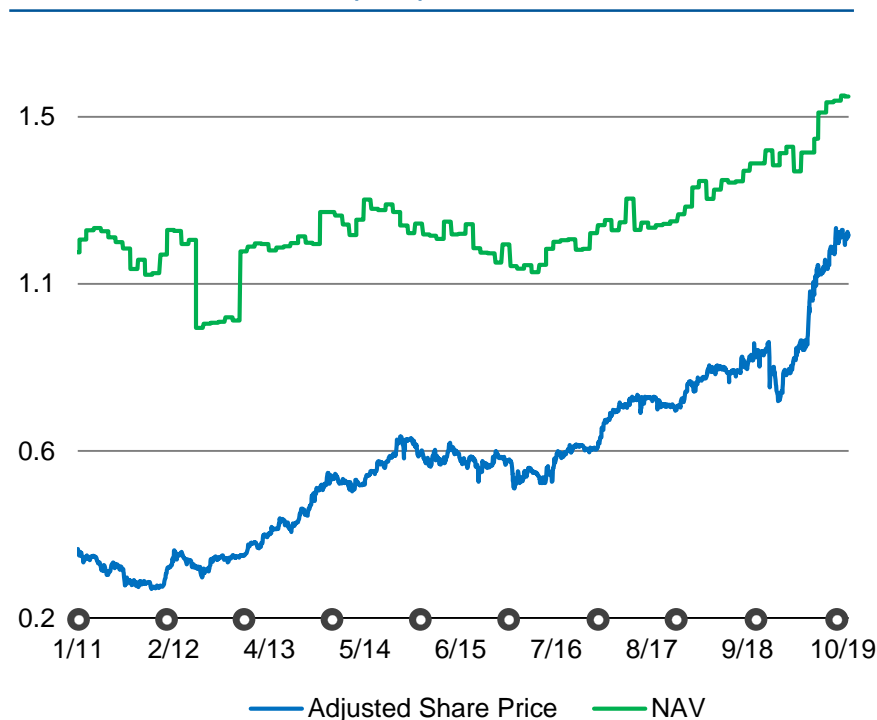
2018 FY Dividend/Share<sup>5</sup> **RON 0.0903**

Dividend Yield for 2018 FY<sup>5</sup> **8.90%**

Maximization of returns to shareholders and increase of the net asset value per share via investments mainly in Romanian equities and equity-linked securities



## FP Share Price<sup>6</sup> and NAV (RON)



Source: BVB, FP October 2019 Factsheet.

1. As at 31 October 2019. Based on local regulator methodology.

2. Computed using the NBR USD/RON FX rate as at 31 October 2019.

3. Excluding Treasury shares and the equivalent number of shares corresponding to the GDRs, repurchased as at 8 November 2019. Computed using the NBR

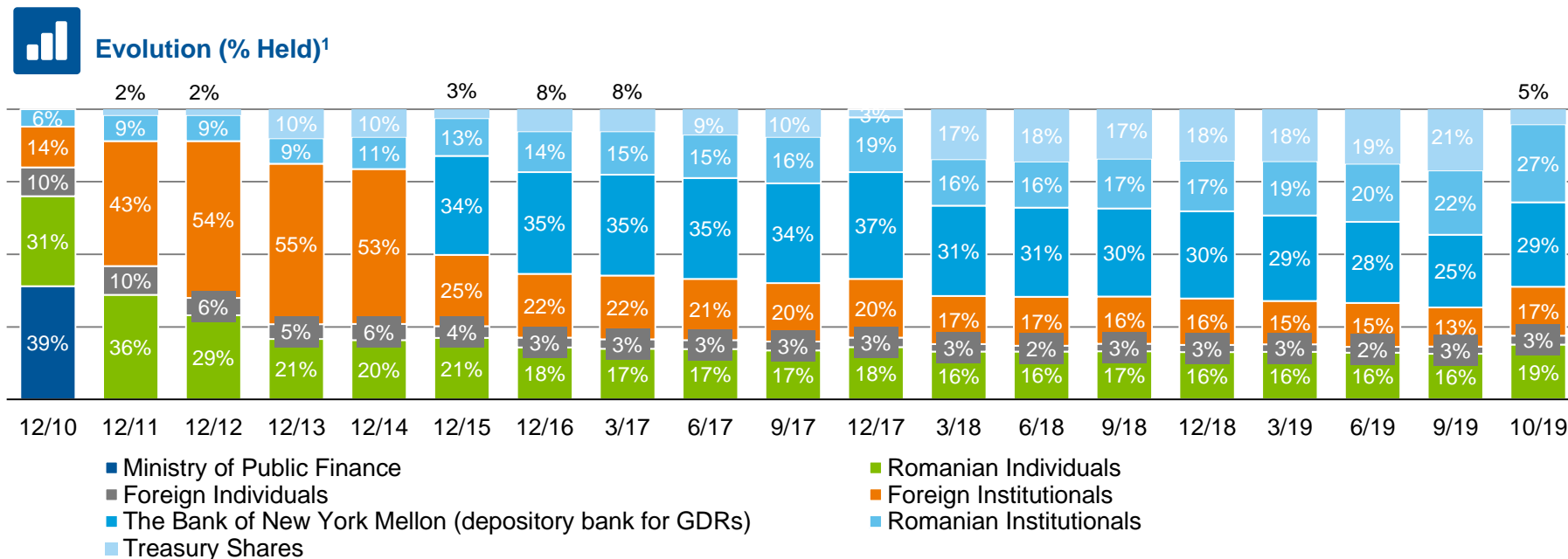
USD/RON FX rate as at 14 November 2019.

4. As at 8 November 2019.

5. As at 10 June 2019, the Registration date for the 2018 dividend distribution.

6. Source: Fund manager NAV reports, Bloomberg, and BVB, until 14 November 2019.

# Shareholders Structure



- All treasury shares repurchased by the Fund are being cancelled on a regularly basis.

**Largest Shareholders<sup>2</sup>**

Anchorage Capital Group	6.70%
Allianz-Tiriatic Private Pension Funds	5.05%
NN Group	5.02%
Total Number of Shareholders <sup>3</sup>	6,363

1. Note: Based on the paid share capital starting December 2011. Source: FP shareholder structure reports.

2. Note: Based on the total voting rights. Source: Ownership disclosures submitted by NN Group on 27 March 2017, Anchorage Capital Group on 20 September 2018, and Allianz-Tiriatic Private Pension Funds on 1 July 2019.

3. Source: FP shareholder structure as at 31 October 2019.

# NAV, Share price and GDR Performance



## Cumulative Performance

	2011	2012	2013	2014	2015	2016	2017	2018	Q3 2019	YTD <sup>1</sup>	Since Performance Inception <sup>1</sup>
NAV (RON)	(0.47)%	8.91%	13.29%	1.39%	(0.60)%	7.33%	13.10%	19.94%	3.03%	17.91%	112.47%
Ordinary Share Price (RON)	(30.32)%	38.30%	61.34%	14.53%	(4.06)%	4.90%	21.46%	9.90%	11.21%	30.80%	212.92%
GDR (USD)	N/A	N/A	N/A	N/A	N/A	1.15%	35.88%	(1.94)%	6.30%	29.52%	59.72%



## Average Annual Discount

2011	2012	2013	2014	2015	2016	2017	2018	YTD <sup>2</sup>	Current Share Price Discount <sup>3</sup>	Current GDR Price Discount <sup>3</sup>
55.67%	50.09%	40.74%	30.87%	29.12%	32.08%	28.05%	29.54%	30.11%	24.08%	22.48%

Source: BVB, LSE, Bloomberg, FP NAV reports.

Note: The discount is calculated based on the latest published NAV available for the day of the calculation.

The Performance Inception date for the NAV is 31 December 2010, for the Share Price is 25 January 2011, and for the GDRs is 29 April 2015.

1. As at 30 September 2019.

2. For the period 3 January –14 November 2019.

3. As at 14 November 2019.

# Attribution to NAV Performance for Q3 2019



## Top Performers

Company	Status	Weight in total NAV <sup>1</sup>	% Change in NAV performance for Q3 2019	% Change in share price/ NAV per share in Q3 2019
OMV Petrom	Listed	22.3%	1.45%	7.0%
Nuclearelectrica	Listed	2.6%	0.44%	20.0%
Salrom	Unlisted	2.5%	0.35%	0.0%
Alro	Listed	1.6%	0.17%	11.6%
Romaero	Listed	0.3%	0.05%	21.7%

**TOTAL NAV PER SHARE CHANGE Q3 2019**

**3.03%**

Source: Fund Manager calculations.

Note: The amounts are adjusted with the dividends declared by the companies, according with FP accounting policy.

1. FP NAV report as at 30 September 2019.

# Attribution to NAV Performance for the 9 months 2019



## Top Performers

Company	Status	Weight in total NAV <sup>1</sup>	% Change in NAV performance for 9 months 2019	% Change in share price/ NAV per share for 9 months 2019
OMV Petrom	Listed	22.3%	8.27%	41.3%
Hidroelectrica	Unlisted	38.6%	2.22%	(3.1)%
Nuclearelectrica	Listed	2.6%	1.32%	63.2%
Bucharest Airports	Unlisted	8.5%	1.21%	5.9%
Engie Romania	Unlisted	4.6%	0.59%	9.9%



## Bottom Performers

Company	Status	Weight in total NAV <sup>1</sup>	% Change in NAV performance for 9 months 2019	% Change in share price/ NAV per share for 9 months 2019
Alro	Listed	1.6%	(0.16)%	(22.1)%

**TOTAL NAV PER SHARE CHANGE 9 MONTHS 2019**

**10.5%**

Source: Fund Manager calculations.

Note: The amounts are adjusted with the dividends declared by the companies, according with FP accounting policy.

1. FP NAV report as at 30 September 2019.

# Portfolio



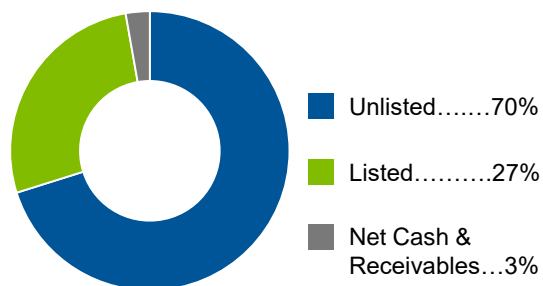


# Portfolio Structure



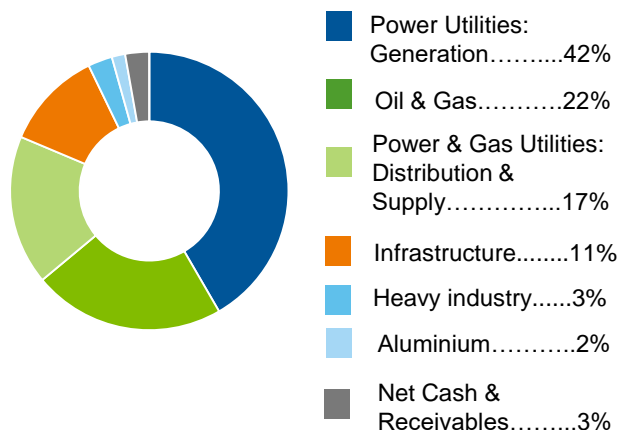
## Listed vs Unlisted

as at 31 October 2019 (% NAV)<sup>1</sup>



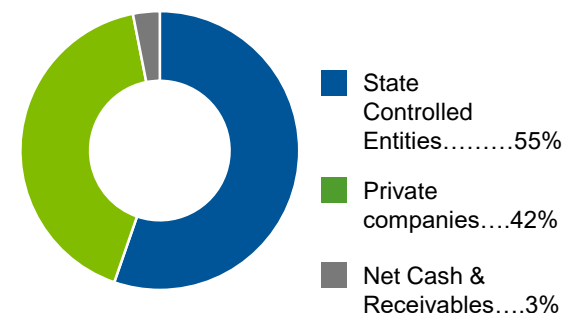
## By Sector

as at 31 October 2019 (% NAV)<sup>1</sup>



## By Controlling Ownership

as at 30 September 2019<sup>2</sup>



- As at 31 October 2019, the portfolio included stakes in 33 companies (7 listed and 26 unlisted)
- Net cash and receivables position as at 31 October 2019 was USD 69.8 mn.

1. Source: FP October 2019 Factsheet.

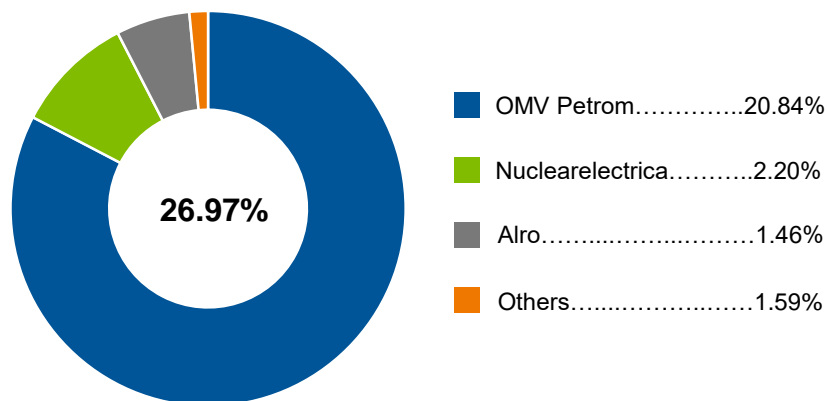
2. Source: FP Q3 2019 Results report.

# Portfolio Structure – Listed vs. Unlisted



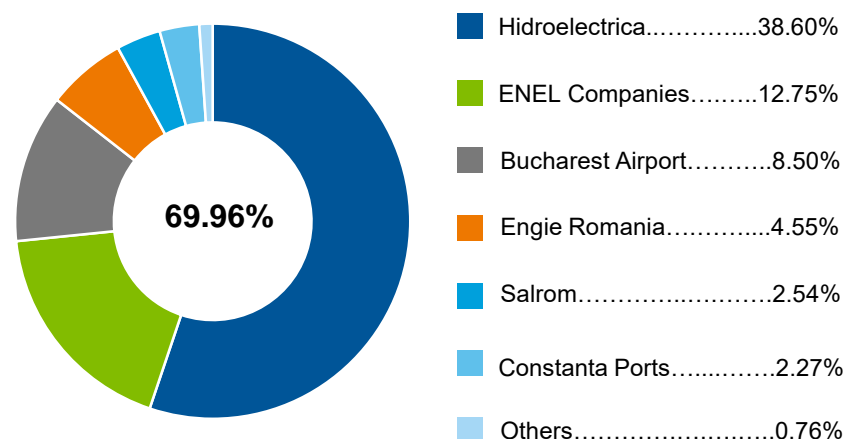
## Listed Companies

(% of NAV as at 30 September 2019)



## Unlisted Companies

(% of NAV as at 30 September 2019)



- According to the Fund's Investment Policy, the Fund cannot actively decrease the listed part of the portfolio under 20% of the NAV.

Source: FP 30 September 2019 Detailed Statement of Investments.

# Largest Holdings by NAV

Portfolio Company	Status	Majority Shareholder	% Stake <sup>1</sup>	NAV as at 31 October 2019 (USD mn)	% in NAV as at 31 October 2019
Hidroelectrica	Unlisted	Romanian State	19.9%	972.45	38.71%
OMV Petrom	Listed	OMV	9.9%	559.52	22.27%
Bucharest Airports	Unlisted	Romanian State	20.0%	214.01	8.52%
E-Distributie Banat	Unlisted	Enel Group	24.1%	120.95	4.81%
Engie Romania	Unlisted	Engie	12.0%	114.75	4.57%
E-Distributie Muntenia	Unlisted	Enel Group	12.0%	99.71	3.97%
E-Distributie Dobrogea	Unlisted	Enel Group	24.1%	76.57	3.05%
Nuclearelectrica	Listed	Romanian State	7.1%	71.47	2.84%
Salrom	Unlisted	Romanian State	49.0%	64.02	2.55%
Constanta Port	Unlisted	Romanian State	20.0%	57.26	2.28%
<b>Top 10 Portfolio Holdings</b>				<b>2,350.71</b>	<b>93.57</b>
<b>NAV</b>				<b>2,512.39</b>	<b>100.00</b>
<b>NAV Per Share (USD)</b>				<b>0.3656</b>	

Note: Values in USD calculated using the USD/RON FX rate as at 31 October 2019.

Source: FP October 2019 Factsheet.

1. Based on the FP 30 September 2019 Detailed Statement of Investments.

# Top Portfolio Holdings – Q3 2019 financials

Company	EBITDA (RON mn)			Net profit (RON mn)		
	9mo 2018	9mo 2019	%yoy	9mo 2018	9mo 2019	%yoy
Hydroelectrica	2,409.2	2,395.1	(0.6)%	1,675.8	1,315.1	(21.5)%
OMV Petrom	5,797.2	6,025.0	3.9%	2,667.2	2,759.9	3.5%
Bucharest Airports	456.2	478.6	4.9%	333.3	321.3	(3.6)%
Nuclearelectrica	798.0	936.3	17.3%	321.0	416.0	29.6%
Alro	294.7	78.7	(73.3)%	202.9	(110.0)	(154.2)%
<b>Total</b>	<b>9,755.3</b>	<b>9,913.7</b>	<b>1.6%</b>	<b>5,200.2</b>	<b>4,702.3</b>	<b>(9.6)%</b>
<b>Weighted Total<sup>1</sup></b>	<b>1,237.7</b>	<b>1,249.8</b>	<b>1.0%</b>	<b>710.9</b>	<b>620.6</b>	<b>(12.7)%</b>

Source: Companies' Q3 2019 financial statements.

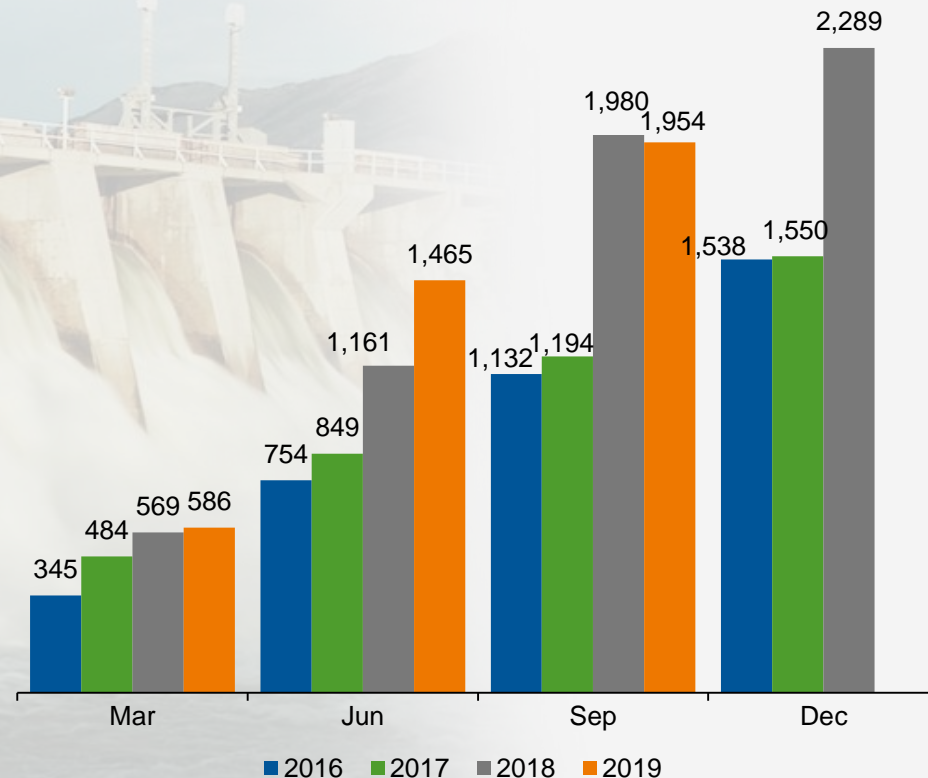
Note: EBITDA is calculated as Operational result + Depreciation and Amortization.

1. Weighted for the Fund's stake in the companies as at 30 September 2019.

## \$↑ 9 months 2019 results:

- Net profit reached RON 1.3 bn, a 21.5% decrease compared to the same period last year, mainly due to one-off fiscal obligations paid during the second quarter.
- In the first 9 months of the year, turnover increased to RON 3.3 bn, compared to RON 3.2 bn in the same period of 2018, helped by higher realized electricity prices, while the volume of electricity sold declined by c. 10% yoy.
- The energy delivered from own sources was down 13% compared to the 9-month period of 2018, to 12 TWh, determined by a more prudent utilization of the water in the reservoirs in the context of winter weather, uncertainties due to the OUG 114 / 2018 and lower water flows on the interior rivers.

## Pre-tax Cumulated Profit (RON mn)



Source: Hidroelectrica 2016 – 2018 Annual reports and individual financial statements, press articles, company presentations, management estimations.



## 9mo 2019 results

- Sales to external consumers reached RON 18.2 bn in the first 9 months of the year, approximately 13% higher compared to the same period of 2018, supported mainly by an over 11% increase of the volume of refined products sold.
- The net profit increased by 3.5% to RON 2,760 mn, despite a decrease in production for both oil and gas but supported by an increase of almost 19% of the refinery utilization

Financial and Operational highlights	9mo 18	9mo 19	%YoY
<b>Sales to external costumers (mn RON)</b>	<b>16,111</b>	<b>18,189</b>	<b>12.90%</b>
• Downstream Oil	12,487	13,639	9.23%
• Downstream Gas	3,210	4,176	30.09%
<b>Clean CCS Operating Result</b>	<b>3,378</b>	<b>3,452</b>	<b>2.19%</b>
Operating Result (mn RON)	3,462	3,196	(7.68)%
• Upstream	2,396	2,093	(12.65)%
• Downstream	1,312	1,309	(0.23)%
• Corporate and consolidation	(247)	(206)	(16.60)%
<b>Clean CCS net income</b>	<b>2,597</b>	<b>2,926</b>	<b>12.67%</b>
<b>Net income (mn RON)</b>	<b>2,667</b>	<b>2,760</b>	<b>3.49%</b>
Hydrocarbon production (mn boe)	43.91	41.39	(5.74)%
Average Group realized crude price (\$/bbl)	62.83	56.64	(9.85)%
OPEX (\$/boe)	11.32	11.10	(1.94)%
Refining margin (USD/bbl)	6.63	4.67	(29.56)%
Refinery utilisation (%)	81	96	18.52%
Refined product sales (million tons)	3.64	4.05	11.26%
Gas sales volume (TWh)	34.44	35.00	1.63%
Net electrical output (TWh)	2.35	2.13	(9.36)%

Source: Group's quarterly historical IFRS figures spreadsheet from OMV Petrom 's website.

Financial Performance	2016	2017	2018	9mo 2018	9mo 2019	%yoy
Operating revenues (mn RON)	754.7	890.9	992.6	733.5	786.0	7.2%
Operating profit (mn RON)	263.6	337.6	445.9	449.9	469.9	4.4%
Net Income (mn RON)	224.7	290.7	371.8	333.3	321.3	(3.6)%
Number of passengers (mn)	10.99	12.84	13.84	10.51	11.22	6.8%



## Traffic

- Passenger traffic reached 11.22 mn in first 9 months of the year, 6.8% higher compared to the same period 2018.
- Aircraft movements increased to 110.6 thousands in the same period, 5.8% higher compared to the first nine months of last year
- Cargo traffic decreased by 2.9% to 28.5 thousands tons in January – September 2019, compared to the same period last year.



## 9mo 2019 Financials

- Operating revenues reached RON 786 million, over 7% higher compared to the same period last year, while the Operating profit reached RON 469.9 million.
- Net income was RON 321.3 million.

# Update on the liberalization of the electricity market

- On November 8, ANRE issued for public consultation a draft order regarding regulated electricity market re-liberalization, in order to revise ANRE Order no. 10/1 February 2019.
- According to the draft order, the regulated market would cover up to:
  - 60% of households' consumption during the first half of 2020;
  - 40% of households' consumption during the second half of 2020;
  - 20% of households' consumption during the first half of 2021.
- The methodology follows a cost-plus approach of 5%. Hidroelectrica and Nuclearelectrica could be required to deliver up to 40% of their average annual production in the first half of 2020.



# Corporate Actions

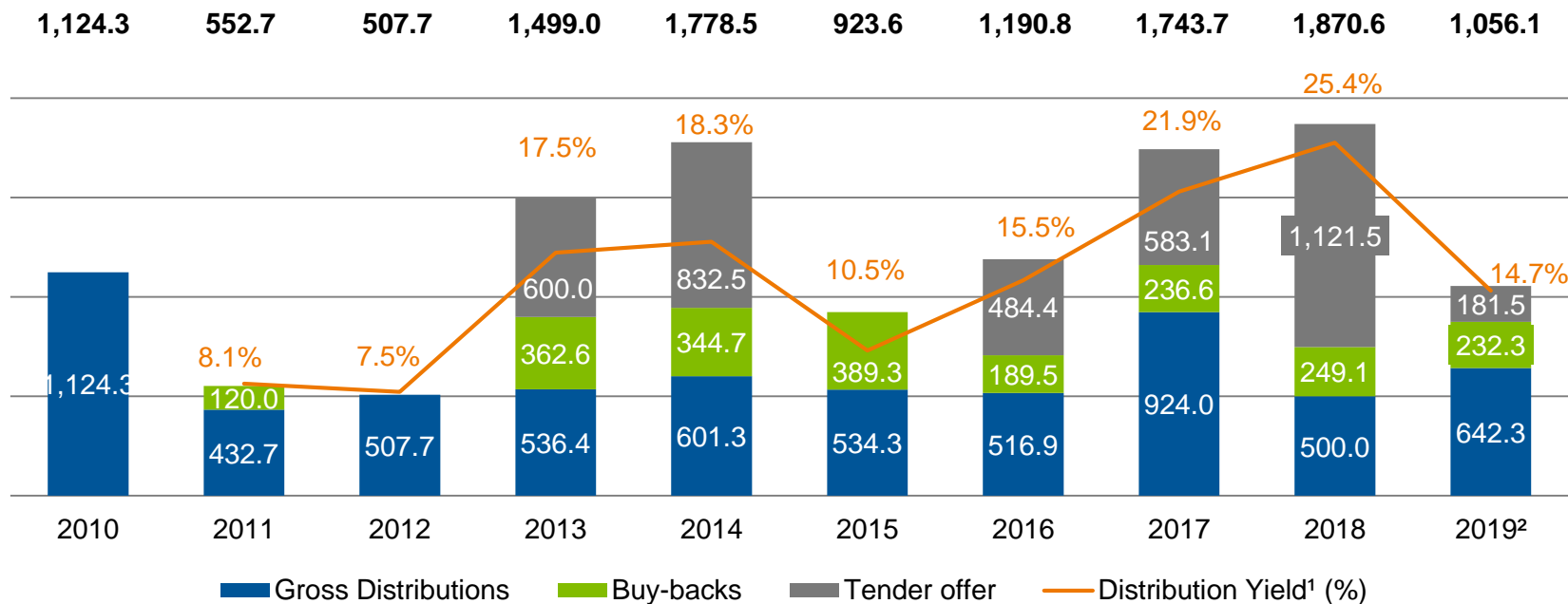


Open	838.63
Low	856.45
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on Close (50)	845.12
on Close (100)	NA
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# Distributions to shareholders



## Annual Distributions to Shareholders (RON mn)



The total distributions through buy-backs and cash would amount to RON 12.25 bn/USD 3.34 bn<sup>3</sup>

Source: Fund Manager calculations, Fund Manager annual results reports, Fund Manager current reports.

Note: Values exclude related acquisition fees. USD values based on the NBR average USD/RON FX for each year. For 2019, average USD/RON FX as at 14 November.

1. Based on the total annual distributions through buy-backs and cash, based on the average closing share price on BVB for the respective year and the average number of paid shares, excluding Treasury shares. For 2019, average closing share price as at 14 November.

2. Buy-backs as at 8 November.

3. As at 8 November 2019, USD value calculated using the NBR USD/RON FX as at 14 November.

# Buy – back programs

Program	Period	Status	No. of shares to be repurchased/ % of the Fund's issued share capital	Average share price (RON/share)	Broker	Cancellation of shares <sup>1</sup>
Tenth	1 Jan – 31 Dec 2019	Ongoing	750.0 mn/8.2%	0.9244 <sup>2</sup>	Auerbach Grayson, BCR	The cancellation of shares will be subject to shareholders' approval in 2020
Eleventh <sup>3</sup>	1 Jan – 31 Dec 2020	Approved by shareholders	800.0 mn/10.5%	-	-	The cancellation of shares will be subject to shareholders' approval in 2021

Source: Fund Manager current reports, Fund Manager calculations.

1. To be effective, the FSA endorsement is legally required, and the shareholders' resolution for the share capital decrease needs to be registered with the Trade Register.

2. As at 8 November 2019. Estimated value based on the 382,542,444 shares repurchased (288,606,294 ordinary shares and 93,936,150 equivalent shares of the GDRs repurchased).

3. Buy-back programme approved by the Fund's for shareholders during the 15 November 2019 GSM.

# Past buy – back programs

Program	No. of shares repurchased (mn shares)	% of the Fund's issued share capital <sup>1</sup>	Average share price (RON/share)	Broker
First	240.30	1.74%	0.4994	Wood & Co.
Second	1,100.95	7.99%	0.8743	Wood & Co., BCR
Third	252.86	1.84%	0.8123	Raiffeisen
Fourth	990.86	7.19%	1.0557	Raiffeisen
Fifth	227.57	1.65%	0.8501	Wood & Co.
Sixth	891.77	6.47%	0.8208	Wood & Co., Goldman Sachs Int.
Seventh	830.25	6.03%	0.8967	Wood & Co., Goldman Sachs Int.
Eighth	141.9	1.03%	0.8624	Wood & Co., Jefferies Internat.
Ninth	1,487.99	10.80%	0.9319	Wood & Co., Jefferies Internat.
<b>Total</b>	<b>6,164.42</b>	<b>44.74%</b>	<b>0.8448</b>	

Source: Fund Manager current reports and annual results reports, Fund Manager calculations.  
1. Based on the Fund's issued share capital as at 31 January 2011.

# Total dividend income from portfolio companies

	FP Net Dividend (RON mn)						
	2013	2014	2015	2016	2017	2018	2019
Total Dividends from Listed Companies (RON mn)	373.9	538.6	251.5	36.0	148.1	199.6	223.0
Total Dividends from Unlisted Companies (RON mn)	275.8 <sup>2</sup>	143.5	315.9	315.2	404.5	366.9	490.5
Total Annual Dividend Income (RON mn)	649.7	682.1	567.4	351.2	552.6	566.5	673.7
Total Special Dividend Income (RON mn)	-	-	-	-	185.2	199.5	39.8 <sup>9</sup>
<b>Total Dividends (RON mn)</b>	<b>649.7</b>	<b>682.1</b>	<b>567.4</b>	<b>351.2</b>	<b>737.8</b>	<b>766.0</b>	<b>713.5</b>
Total Annual Dividend Income per Share (RON) <sup>1</sup>	0.04954	0.05674	0.05310	0.0331	0.0750	0.0797	0.0981
Total Special Dividend Income per Share (RON) <sup>1</sup>	-	-	-	-	0.0251	0.0281	0.0058
<b>Dividend/Distribution per Share (RON)</b>	<b>0.05000</b>	<b>0.05000</b>	<b>0.05000</b>	<b>0.05000</b>	<b>0.0678</b>	<b>0.0903</b>	<b>0.1039<sup>10</sup></b>
Share Price (RON)	0.7640 <sup>3</sup>	0.8130 <sup>4</sup>	0.7200 <sup>5</sup>	0.9180 <sup>6</sup>	0.8990 <sup>7</sup>	1.0150 <sup>8</sup>	
Yield	6.54%	5.84%	6.94%	8.76%	7.54%	8.90% <sup>8</sup>	
Yield for Romanian companies (BET)	5.10%	3.50%	4.56%	7.07%	8.59%	9.17%	

Source: Fund Manager calculations.

1. Calculation based on the number of paid shares at the registration date for each year excluding treasury shares at the same date. For 2019, the calculation is based on the number of paid shares excluding treasury shares acquired as at 8 November 2019. Note: The Fund Manager's dividend proposals are calculated based on the Fund's Annual Cash Distribution Policy.

2. Includes dividends from Romgaz and Nuclearelectrica, which were unlisted at that time.

3. As at 30 April 2014.

4. As at 29 May 2015.

5. As at 9 June 2016.

6. As at 6 June 2017.

7. As at 11 June 2018.

8. As at 10 June 2019.

9. As at 24 June 2019.

10. Estimation based on the Total dividends for 2019 as at 31 October 2019 and the number of paid shares excluding treasury shares acquired as at 8 November 2019.

Note: The Fund Manager's dividend proposals are calculated based on the Fund's Annual Cash Distribution Policy.

# Potential special dividends in 2019

Company	Available cash (RON mn)	Special dividend requested (RON mn)	FP's Share of Special Dividends( RON mn) <sup>4</sup>	Date of approving GSM
Hidroelectrica	2,522.0 <sup>1</sup>	1,250.0	249.3	17 December 2019
Nuclearelectrica	1,508.0 <sup>2</sup>	512.5	35.3	19 December 2019
Bucharest Airports	300.0 <sup>3</sup>	147.0	29.4	9 December 2019
<b>Total</b>	<b>4,330.0</b>	<b>1,909.5</b>	<b>314.0</b>	

1. As at 30 September 2019. Source: company estimates.

2. As at 30 September 2019. Source: company financial statements.

3. As at 31 December 2019. Source: company financial statements.

4. Source: Fund manager calculations, based on FP 30 September 2019 Detailed Statement of Investments.

# Financial results

Open	838.63
Low	856.45
Close	836.23
on Close (50)	845.12
on Close (100)	NA
on Close (200)	NA



# Statement of Financial Position

RON mn	30 September 2019 Unaudited	31 December 2018 Audited
Cash and current accounts	34.5	19.6
Deposits with banks	206.9	187.1
Treasury bills	49.7	49.6
Government bonds	101.0	131.6
Dividend receivables	-	137.0
Equity investments	10,405.9	9,337.4
Other assets	0.9	1.5
<b>Total assets</b>	<b>10,798.9</b>	<b>9,863.8</b>
Payables	26.6	14.8
Other liabilities	36.7	20.6
<b>Total liabilities</b>	<b>63.3</b>	<b>35.4</b>
Total equity	10,735.6	9,828.4
<b>Total liabilities and equity</b>	<b>10,798.9</b>	<b>9,863.8</b>

Source: FP Q3 2019 Results report.



# Statement of Comprehensive Income

RON mn	9 Months 2019 Unaudited	9 Months 2018 Unaudited
Net gain from equity investments at fair value through profit or loss	1,267.9	425.9
Gross dividend income	723.4	575.0
Interest income	8.0	6.8
Other income/ (expenses), net <sup>1</sup>	3.2	6.3
<b>Net operating income</b>	<b>2,002.5</b>	<b>1,014.0</b>
Administration fees recognised in profit and loss	(38.0)	(36.5)
Other operating expenses	(18.0)	(18.7)
<b>Operating expenses</b>	<b>(56.0)</b>	<b>(55.2)</b>
Finance costs	(0.4)	(0.2)
<b>Profit before income tax</b>	<b>1,946.1</b>	<b>958.6</b>
Income tax	(10.0)	(8.4)
<b>Profit for the period</b>	<b>1,936.1</b>	<b>950.2</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>1,936.1</b>	<b>950.2</b>

Source: FP Q3 2019 Results report.

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

# Disclaimer (I)

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The Fund's headquarters are located at 78-80 Buzesti Street, 7th Floor, Bucharest, 1st District, 011017, Romania. Fund's Fiscal Identification Code is 18253260 and Trade Registry registration number is J40/21901/2005. The subscribed share capital is RON 3,959,264,762.44 and paid up share capital is RON 3,770,082,340.44.

Starting with 1 April 2016, in view of complying with the AIFMD, implemented in the Romanian legislation through Law no. 74/2015 on managers of alternative investment funds and Regulation no. 10/2015 on alternative investment fund management, Fondul Proprietatea SA, qualifying as an alternative investment fund, is managed by Franklin Templeton Investment Services S.À R.L. ("FTIS a société à responsabilité limitée qualifying as an alternative investment fund manager under article 5 of the Luxembourg law of 12 July 2013 on alternative investment fund managers, authorized by the Commission de Surveillance du Secteur Financier under no. A00000154/21 November 2013, whose registered office is located at 8a, rue Albert Borschette, L-1246 Luxembourg, registered with the Luxembourg register of commerce and companies under number B36.979, registered with the Romanian Financial Supervisory Authority under number PJM07.1AFIASMDLUX0037/10 March 2016.

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FTIML acts herein as a delegate of FTIS with respect to the portfolio management functions as well as administration services over the Fund.

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