

Fondul Proprietatea – Performance Report

1 January – 31 December 2020



Performance report

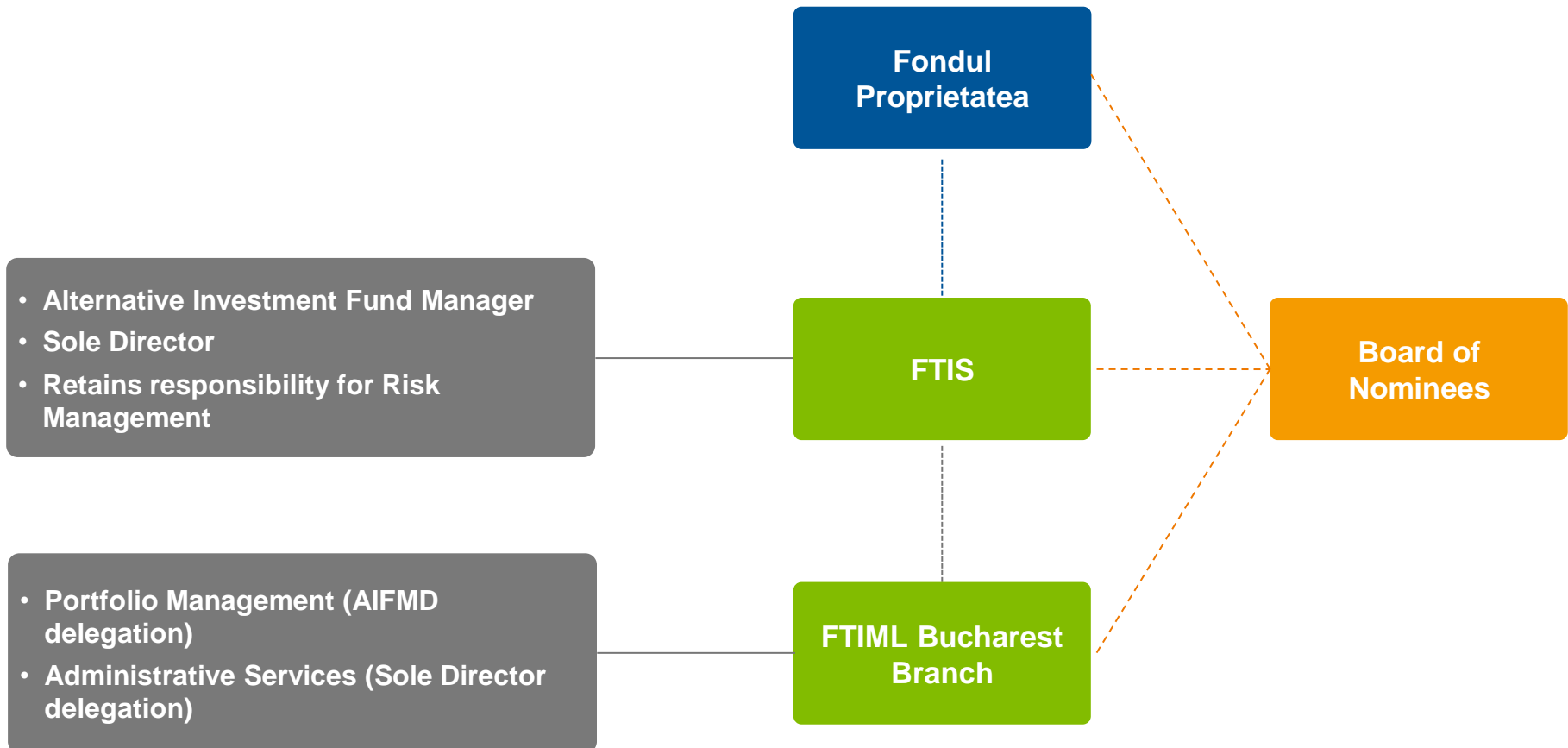


Content of the Performance Report – in accordance with the IMA in force

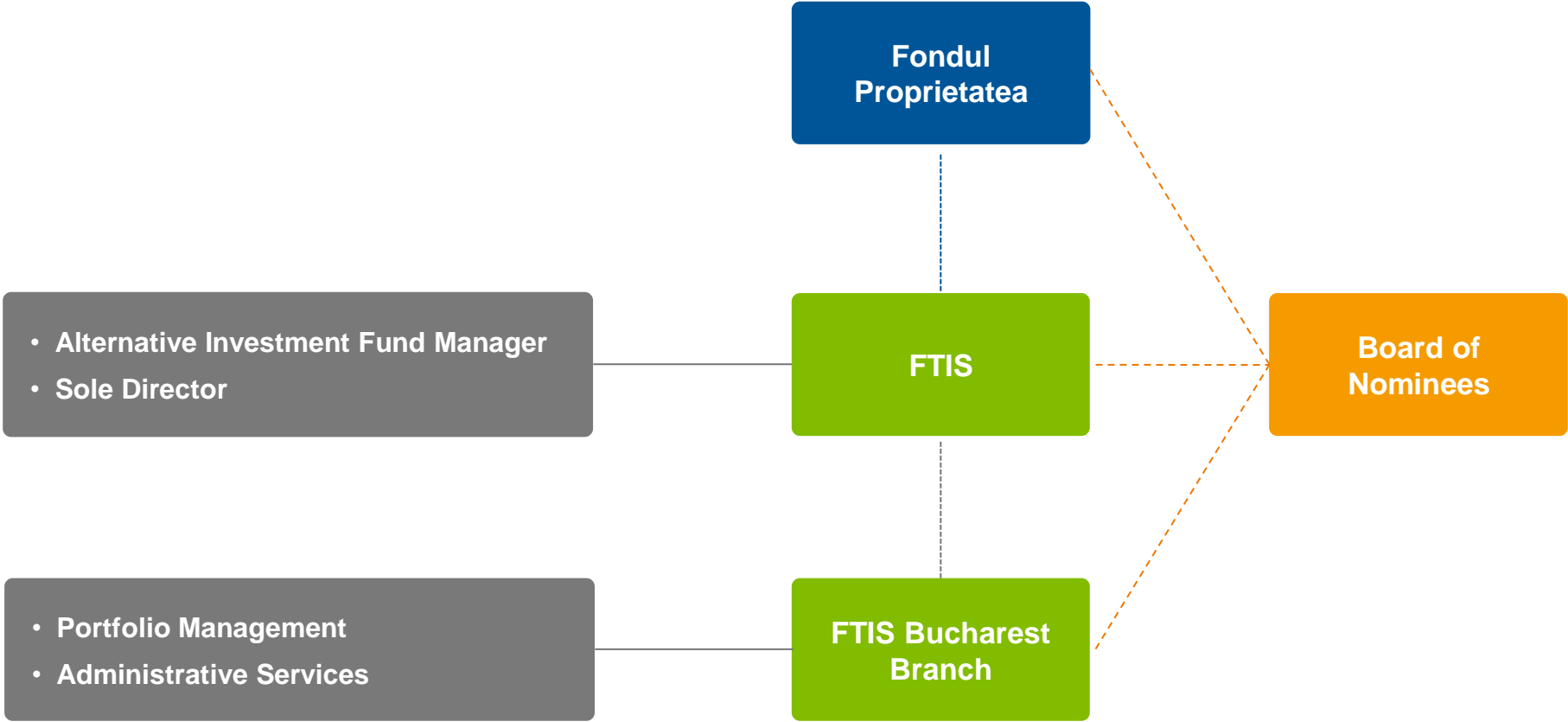
Reporting period: 1 January – 31 December 2020

- The report on the fulfillment of the Discount Objective
- The report on the fulfillment of the Net Asset Value (“NAV”) Objective
- The report on the fulfillment of the obligations regarding Discount Control Mechanism (“DCM”)
- Summary of the regulatory issues affecting the performance during the Reporting Period
- Summary of market conditions affecting the performance during the Reporting Period
- Other matters as the Fund Manager wishes to bring to the attention of the shareholders in relation to its activities and performance in the relevant period

Fondul Proprietatea Structure (1 January – 30 November 2020)



Fondul Proprietatea Structure (1 – 31 December 2020)



Primary roles and responsibilities of FTIS S.à r.l. – Management Company



Responsibilities of the AIFM

- Risk Management
- Investment Management (Oversight of delegated portfolio management to FTIML Branch)
- Valuation of unlisted assets of portfolio
- Due Diligence on the Depositary (BRD Groupe Societe Generale)
- Reporting obligations - AIFMD Annex IV reporting



Responsibilities of the Sole Director

- Responsibility to call & chair GSMs, implement shareholder decisions
- Prepare Performance report for shareholders
- Administration oversight (activity delegated back to FTIML Branch)
- Reporting obligations - annual financial statements; the annual activity report; the semi-annual report; the quarterly reports; the performance report; the monthly NAV



FTIS interaction with FTIML Bucharest Branch / FTIS Bucharest Branch

- Attendance at GSM meetings
- Participate in BoN meetings
- Participate in weekly Management meetings
- Regular one to one meetings with the Portfolio Manager
- Regular risk management meetings
- Regular meetings with fund accounting
- Regular meetings on legal activities

- FTIS Sarl's primary responsibility is to monitor and highlight any material issues in respect of the risk management of Fondul Proprietatea, the oversight of portfolio management (as delegated to Franklin Templeton Investment Management Limited or performed by FTIS Bucharest Branch), new regulatory developments and any other matter which we believe should be brought to the attention of the Board of Nominees or of shareholders.
- During 2020 we have ensured that policies, controls and procedures in the major area of delegation and service provision – investment management – are adequate and effective.
- We have ensured that policies, controls and procedures in the major areas of risk management of Fondul Proprietatea, including portfolio risks (market, counterparty and issuer risks, etc.), operational risk and liquidity risk, are adequate and effective.
- There are no matters for 2020 to raise to the attention of the Board of Nominees or to shareholders.

Investment strategy and performance objectives



Investment Objective

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



Investment Strategy

- No new investments until the discount narrows significantly
- Active management and engagement with current portfolio companies to increase their value
- Continuing with buy-back programs of own shares (share repurchases and/ or public tender offers) and cash distributions to shareholders (annual dividend income from portfolio companies, except special cash distributions, plus interest on cash less operating expenses and taxation, and less compulsory allocation to reserves, in accordance with regulations in force)



Performance Objectives (IPS)¹

- Discount of 15% or less for at least two thirds of the trading days between 1 January – 31 December 2020
- Higher adjusted NAV per share than the NAV per share reported as at the end of the previous Reporting period, i.e. NAV per share as at 31 December 2019² (RON 1.7339 per share)

1. For the Reporting period 1 January – 31 December 2020.

2. The adjusted NAV for a given date is calculated as the sum of: (1) the reported NAV as at the end of the reporting period, (2) any distributions to shareholders, being either dividend or non-dividend ones (i.e. in this case following reductions of the par value of the shares and distribution of the decreasing amount to shareholders) implemented after the end of the previous reporting period, and (3) any distribution fees (as defined in the IMA), and any transaction costs and / or distribution costs relating to either dividend or non-dividend distributions including buy-backs of shares and/or GDRs, and/or depository 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 treasury shares (FP ordinary shares bought back) and less equivalent in FP ordinary shares of FP GDRs acquired and not yet converted into FP ordinary shares, on the last day of the reporting period.

NAV, Share price and GDR performance



Cumulative Performance¹

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Since Performance Inception ²
NAV (RON)	(0.47)%	8.91%	13.29%	1.39%	(0.60)%	7.33%	13.10%	19.94%	31.23%	2.21%	141.70%
Ordinary Share Price (RON)	(30.32)%	38.30%	61.34%	14.53%	(4.06)%	4.90%	21.46%	9.90%	49.05%	37.83%	350.83%
GDR (USD)	N/A	N/A	N/A	N/A	N/A	1.15%	35.88%	(1.94)%	41.41%	48.47%	128.66%



Ordinary Share Price Discount

Average 2011	Average 2012	Average 2013	Average 2014	Average 2015	Average 2016	Average 2017	Average 2018	Average 2019	Average 2020	Start 2020	End 2020
55.67%	50.09%	40.74%	30.87%	29.12%	32.08%	28.05%	29.54%	29.38%	21.06%	23.69%	9.71%

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. Dividend adjusted.

2. As at 31 December 2020.

Report on the Discount objective





Objective

The discount between the closing price for each trading day on the BSE, of the shares issued by the Fund and the latest reported NAV per share at the date of calculation should be equal to or lower than 15% in at least two thirds of the trading days during the reporting period 1 January – 31 December 2020.



2020 Monitoring

In the period 1 January – 31 December 2020, discount was higher than 15%, for both shares and GDRs, for at least two thirds of the trading days. However, the discount decreased from 23.69% at the beginning of the year to 9.71% at the end of 2020, a historical low.



Discount Evolution

Discount at the Start of the Reporting Period – 3 January 2020

23.69%

Discount as at 31 December 2020

9.71%

Average for the Reporting Period 3 January – 31 December 2020

21.06%

Discount Range for the Reporting Period 3 January – 31 December 2020

39.96% – 9.71%

Source: Fondul Proprietatea Report.

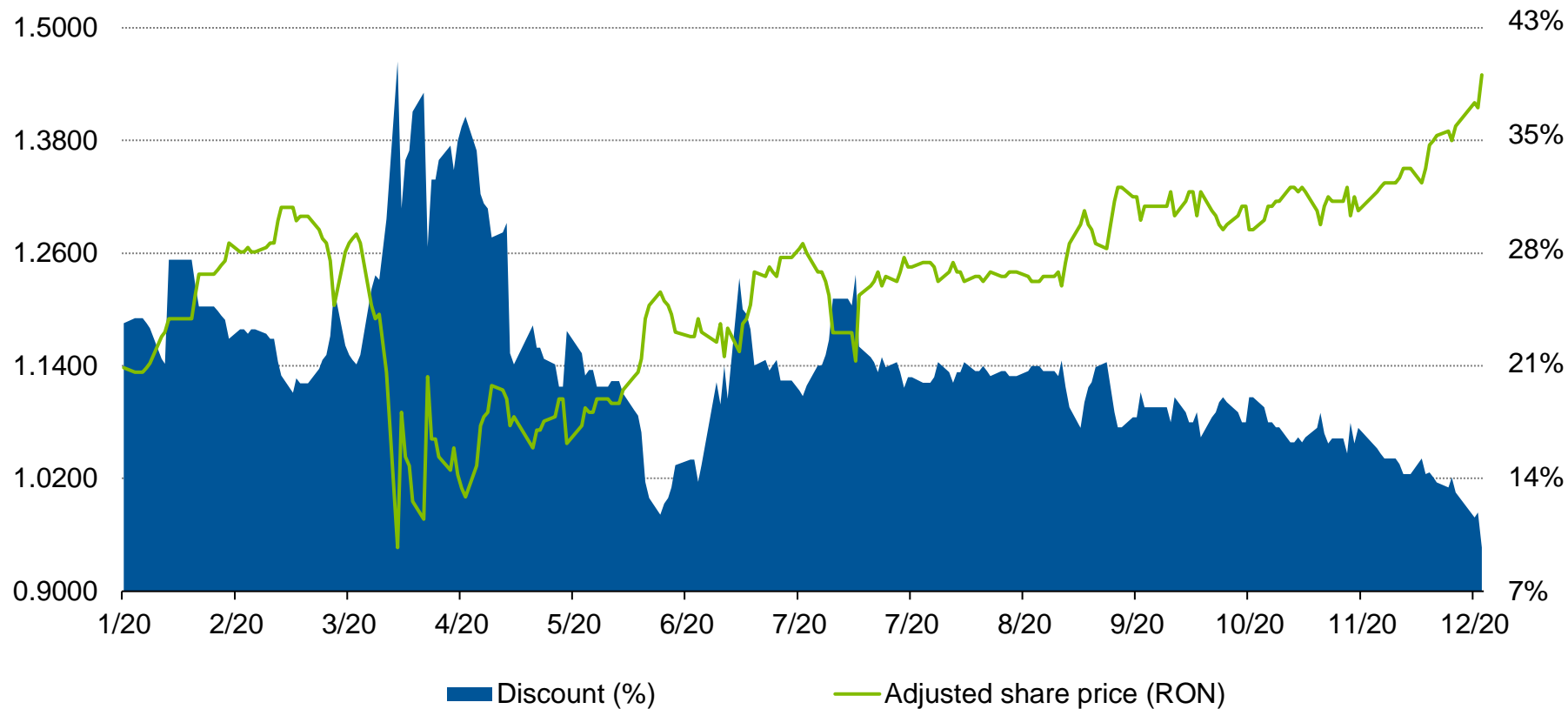
Note: The discount is calculated based on the latest published NAV/share at the date of the calculation.

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FP share price and Discount evolution



FP Adjusted share price (RON) and Discount (%)



Source: BVB, Bloomberg, for the period 3 January – 31 December 2020.



Distributed RON 1.48 billion to the Fund's shareholders during 1 January – 31 December 2020 via:

- **Annual Dividend Distribution:**

Gross distribution to shareholders of **RON 417.97 million** or RON 0.06420 per share – payment started on 1 July 2020

- **Buy-backs:**

Executed the 11th buy-back programme (1 January 2020 – 31 December 2020) through daily share repurchases of up to 25% of the average daily trading volume for the last 20 trading sessions and three tender offers for 585 mn shares. The total acquisition cost at trade price (excluding transaction costs) of the buy-back program was **RON 1,065.01 million**

- **Total amount distributed**

(including buy-backs and dividend distributions) is **RON 1,482.97 million**, i.e. 14.44% of the Fund's NAV as at 31 December 2020



Investor Relations:

Proactive investor relations program to increase the visibility of the Fund to a broader base of investors

Creating liquidity at the portfolio level¹

	RON
Total Value of Disposals	920,634,404
Dividends Received (Collected)	1,207,841,831
Credit Facility (Committed) ²	45,000,000
Total	2,173,476,235

Source: Fund's periodical reports.

1. For the Reporting Period: 1 January – 31 December 2020.

2. Maximum committed amount of RON 45 million, plus the possibility to 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 100,000,000 at any given time.

Distributions to shareholders

RON	Distributions to shareholders in the period 1 January – 31 December 2020 (excluding related costs)	Expenses related to distributions recorded in the period 1 January – 31 December 2020	Total	% of the NAV as at 31 December 2019	% of the average market capitalization as at 31 December 2020
Buyback program 11	1,065,008,457	21,434,752	1,086,443,209	9.15%	12.39%
July 2020 dividend distribution	417,965,383	4,206,956	422,172,339	3.56%	4.81%
Total	1,482,973,840	25,641,708	1,508,615,548	12.71%	17.20%

Source: Fund's periodical reports.

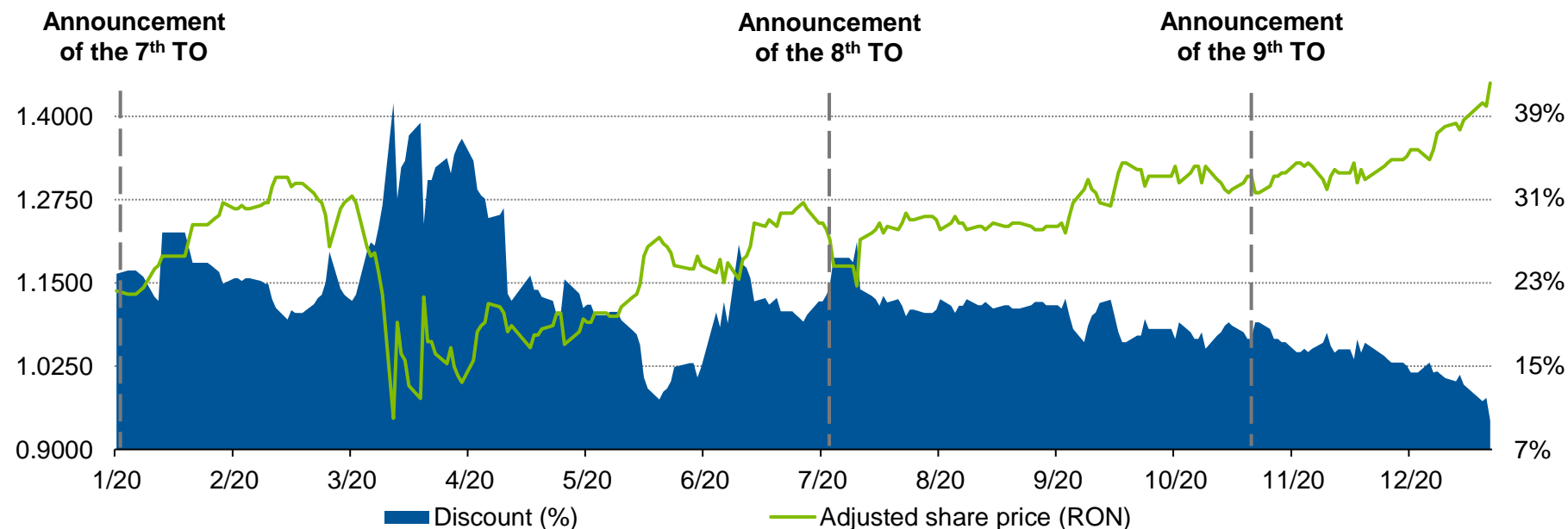
Share buybacks

Program	Period	Status	No. of shares repurchased	Average share price (RON/share)	Acquisition cost of shares repurchased, excluding transaction costs (RON)	Broker	Cancellation of shares¹
Eleventh	1 Jan – 31 Dec 2020	Finalized	797,961,287	1.3347	1,065,008,457	Auerbach Grayson, Swiss Capital	The cancellation of shares is subject to shareholders' approval in 2021

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.

Tender offers

Tender Offer	Announcement date	Tender price (RON/share)	FP pre-announcement share price (RON/share)	Premium to pre-announcement share price (%)	Discount of offer price to NAV (%) ¹	Take-up rate (%)
Seventh	7 Jan 2020	1.3900	1.1950	16.32%	13.13%	46.51%
Eighth	17 Jul 2020	1.3900	1.1450	17.63%	11.02%	46.26%
Ninth	26 Oct 2020	1.3900	1.2900	7.19%	12.47%	21.99%



Source: Investment Manager current reports and Tender offer documentation, BVB for the period 1 January – 31 December 2020.

1. Latest NAV available at the date of the Tender offer announcement: 29 November 2019 for the Seventh Tender, 30 June 2020 for the Eighth Tender, and 30 September 2020 for the Ninth Tender.



During the Reporting Period, the Fund Manager continued to actively promote Fondul Proprietatea despite the COVID-19 pandemic. Even though travel was restricted, the Fund Manager held online events for most of 2020.

- 2 road-shows during which the team met with 18 institutional investors
- 66 Investor conference calls
- 4 Results conference calls with analysts and investors
- 13 conferences where the team met with investment professionals from 134 firms



Romania Investor Days in London

- Investors that attended the event in February 2020 have assets under management of over EUR 1,000 billion
- 78 investors from 45 investment houses and 45 representatives from 18 Romanian companies participated
- 204 investor meetings were organized during the 2 days event

Report on the NAV objective





Objective

The Adjusted NAV per share as at 31 December 2020, to be higher than the NAV per share as at 31 December 2019 (RON 1.7339 per share)



2020 Monitoring

The Adjusted NAV per share at 31 December 2020 is 2.13% higher than the NAV per share at 31 December 2019

NAV Objective	Amount RON	Comments
Total NAV as at 31 December 2020	10,266,911,904	
Dividend gross distribution from 2019 profit	417,965,383	Dividend distribution of RON 0.0642 per share, with Ex-date 9 June 2020, Registration date 10 June 2020 and Payment date 1 July 2020
Costs related to buy-backs after 31 December 2019	10,760,452	Fees related to eleventh buy-back programme after 31 December 2019, excluding the distribution fees for buy-backs
Distribution fees for buy-backs performed after 31 December 2019	10,674,300	Distribution fees for the eleventh buy-back programme, after 31 December 2019
Distribution fees for cash distributions after 31 December 2019	4,179,654	Distribution fee for the dividend distribution from 2019 profits
Costs related to the returns of capital and dividends after 31 December 2019	27,741	Fees charged by the Central Depository and Paying Agent for the payments performed for returns of capital and dividends
Total Adjusted NAV as at 31 December 2020	10,710,519,434	
Number of Fund's paid shares, less treasury shares and GDRs held as at 31 December 2020	6,048,384,617	
Adjusted NAV per share as at 31 December 2020	1.7709	
NAV per share as at 31 December 2019	1.7339	
Difference	0.0370	
%	2.13%	

Source: FP Report.

Note: The adjusted NAV for a given date is calculated as the sum of: (1) the reported NAV as at the end of the reporting period, (2) any distributions to shareholders, being either dividend or non-dividend ones (i.e. in this case following reductions of the par value of the shares and distribution of the decreasing amount to shareholders) implemented after the end of the previous reporting period, and (3) any distribution fees (as defined in the IMA), and any transaction costs and / or distribution costs relating to either dividend or non-dividend distributions including buy-backs of shares and/or GDRs, and/or depository 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 treasury shares (FP ordinary shares bought back) and less equivalent in FP ordinary shares of FP GDRs acquired and not yet converted into FP ordinary shares, on the last day of the reporting period.

Attribution to NAV performance for the period 1 January – 31 December 2020



Top Performers

Company	Status	Weight in total NAV ¹	Change in NAV performance	Change in NAV per share (RON)
Hidroelectrica SA	Unlisted	50.0%	5.41%	0.0938
Nuclearelectrica SA ²	Listed	0.0%	0.75%	0.0131
Engie Romania SA	Unlisted	5.2%	0.32%	0.0056
ENEL Energie SA	Unlisted	0.5%	0.22%	0.0038
Romaero SA	Listed	0.5%	0.22%	0.0038



Bottom Performers

Company	Status	Weight in total NAV ¹	Change in NAV performance	Change in NAV per share (RON)
OMV Petrom SA	Listed	14.0%	(3.06)%	(0.0530)
CN Aeroporturi Bucuresti SA	Unlisted	6.1%	(3.05)%	(0.0529)
Societatea Nationala a Sarii SA	Unlisted	2.0%	(0.46)%	(0.0079)
E-Distributie Banat SA	Unlisted	2.7%	(0.28)%	(0.0048)
E-Distributie Dobrogea SA	Unlisted	1.7%	(0.20)%	(0.0034)

TOTAL NAV PER SHARE CHANGE

(0.0365)

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

1. 31 December 2020 NAV report.

2. Nuclearelectrica was entirely sold at the end of December 2020.

List of disposals

Company	Status	Disposal type	Stake sold (%)	Proceeds on disposals (RON)	Disposal date
Nuclearelectrica SA	Listed	Market sale	7.05%	359,634,404	June – December 2020
OMV Petrom SA	Listed	ABB	3.00%	561,000,000	September 2020
Total				920,634,404	

Changes in the valuations of portfolio companies (I)

Company	Status	Value of FP holding as at 1 January 2020	Contribution in cash to share capital increase	Disposals	Net changes in fair value gain / (loss)	Value of FP holding as at 31 December 2020	Comments
Alcom SA	Listed – Illiquid	11,493,897	–	–	(2,630,468)	8,863,429	–
Comsig SA	Unlisted	–	–	–	–	–	–
OMV Petrom SA	Listed – Liquid	2,531,605,991	–	(561,000,000)	(529,856,264)	1,440,749,726	Partial sold in September 2020 through an accelerated bookbuild offering
Plafar SA	Unlisted	1,674,800	–	–	252,700	1,927,500	–
Societatea Nationala a Sarii SA	Unlisted	275,400,000	–	–	(74,200,000)	201,200,000	–
Zirom SA	Unlisted	31,705,400	–	–	(6,820,700)	24,884,700	–
Alro SA	Listed – Liquid	170,550,231	–	–	(7,288,471)	163,261,759	–
Nuclearelectrica SA	Listed – Liquid	303,286,742	97,350	(359,634,404)	56,250,312	–	<ul style="list-style-type: none"> • Sold during the period June – December 2020 • Cash contribution to Nuclearelectrica share capital increase performed during 2020 in total amount of RON 97,350 (9,735 new shares at the nominal value of 10 RON per share)

Source: Fund Manager.

Changes in the valuations of portfolio companies (II)

Company	Status	Value of FP holding as at 1 January 2020	Contribution in cash to share capital increase	Disposals	Net changes in fair value gain / (loss)	Value of FP holding as at 31 December 2020	Comments
Hidroelectrica SA	Unlisted	4,886,500,000	–	–	242,400,000	5,128,900,000	–
Complexul Energetic Oltenia SA	Unlisted	–	–	–	–	–	–
E-Distributie Banat SA	Unlisted	519,300,000	–	–	(246,600,000)	272,700,000	–
CN Aeroporturi Bucuresti SA	Unlisted	1,022,900,000	–	–	(398,800,000)	624,100,000	–
E-Distributie Dobrogea SA	Unlisted	321,500,000	–	–	(144,300,000)	177,200,000	–
E-Distributie Muntenia SA	Unlisted	428,500,000	–	–	(200,700,000)	227,800,000	–
Posta Romana Sa	Unlisted	11,500,000	–	–	1,600,000	13,100,000	–
Engie Romania SA	Unlisted	512,400,000	–	–	26,400,000	538,800,000	–
CN Administratia Porturilor Maritime SA	Unlisted	248,700,000	–	–	(12,900,000)	235,800,000	–
Romaero SA	Listed – Illiquid	30,431,231	–	–	25,709,144	56,140,375	–
Enel Energie Muntenia SA	Unlisted	41,700,000	–	–	1,400,000	43,100,000	–
Enel Energie SA	Unlisted	26,300,000	–	–	26,200,000	52,500,000	–
Romplumb SA	Unlisted	–	–	–	–	–	–

Source: Fund Manager.

Changes in the valuations of portfolio companies (III)

Company	Status	Value of FP holding as at 1 January 2020	Contribution in cash to share capital increase	Disposals	Net changes in fair value gain / (loss)	Value of FP holding as at 31 December 2020	Comments
CN Administratia Canalelor Navigabile SA	Unlisted	14,899,840	–	–	2,851,900	17,751,740	–
Aeroportul International Timisoara – Traian Vuia SA	Unlisted	13,900,000	–	–	(7,500,000)	6,400,000	–
Aeroportul International Mihail Kogalniceanu – Constanta SA	Unlisted	1,393,800	–	–	1,177,800	2,571,600	–
CN Administratia Porturilor Dunarii Maritime SA	Unlisted	4,244,580	–	–	949,289	5,193,869	–
CN Administratia Porturilor Dunarii Fluviale SA	Unlisted	1,677,720	–	–	657,020	2,334,740	–
Mecon SA	Listed – Illiquid	1,020,918	–	–	(84,076)	936,843	–
IOR SA	Listed – Illiquid	498,232	–	–	(5,245)	492,987	–
Salubriserv SA	Unlisted	–	–	–	–	–	–
World Trade Hotel SA	Unlisted	–	–	–	–	–	–
Gerovital Cosmetics SA	Unlisted	–	–	–	–	–	–
Simtex SA	Unlisted	–	–	–	–	–	–
World Trade Center Bucuresti SA	Unlisted	–	–	–	–	–	–
TOTAL		11,413,083,382	97,350	(920,634,404)	(1,245,837,059)	9,246,709,268	

Source: Fund Manager.

Actions to protect and increase value of the portfolio companies (I)

Hidroelectrica

- Intervened in several litigations on behalf of the company (claims filed against the energy regulator ANRE, claims filed against third parties).
- Worked with company's Directorate to continue improving the company's profitability.
- Challenged ANRE order establishing the methodology for setting the prices and quantities for the regulated market.
- Challenged ANRE decision establishing the prices and quantities for the regulated market regarding Hidroelectrica.
- Continued to advocate for the IPO of the company.
- Proposed the distribution by the company of special dividends, approved in May 2020 and paid in September 2020.
- During 2020, the Parliament approved several changes to the Water Law which entered into force on 13 July 2020 while the Romanian Government changed the Water Law starting with 31 December 2020. According to these changes, all owners of water installations that collect underground or surface waters are required to install water metering devices within 6 months calculated from 13 July 2020 which links the water tax to the maximum water flow, independent of the capacity usage. Thus, we advocated for legislative changes that could allow the company to properly measure the water capacity usage by initiating discussions on the matter with the Government, Ministry of Energy, and Competition Council.
- Engaged with the Government to repeal Law 173/2020 which blocks the listings of SOEs for 2 years

OMV Petrom

- Advocated for a better-defined dividend policy.
- Encouraged management to continue with investor relations efforts and to participate to more investor events and management road-shows.
- Continued to actively support a fair and balanced taxation regime for the oil and gas sector.
- Presented the risks developing in the gas market, where some of the major consumers continued to face financial difficulties.
- Advocated for legislative changes that could allow the company to take a favorable final decision regarding investments in the Black Sea perimeter.

Actions to protect and increase value of the portfolio companies (II)

Bucharest Airports

- Worked with company's interim Boards and interim general managers to continue improving the company's profitability through cost management and initiatives aimed at opening new routes and enhancing non-aeronautical revenues.
- Continued to support proper implementation of Corporate Governance legislation through ongoing litigations.
- Provided balanced opinions and challenged some of the assumptions behind planned capital expenditure projects.
- Continued to advocate for the listing of the company.
- Worked closely with the management and the board in order to successfully finalize the share capital increase with the land contributed by the Ministry of Transport which was evaluated at a fair value.

Engie Romania

- Raised in a shareholders' meeting the issue of related management contracts between the company and majority shareholder which we deem to be poor corporate governance. As a result of our action, the management contract was not approved by shareholders. In 2017 we initiated legal actions against the management for related party contracts approved in the past. The litigation is ongoing.

Alro

- Continued to actively engage with the management for improved corporate governance, better transparency and adoption of a more investor friendly attitude.

Salrom

- Worked closely with the management team to improve operations.
- Helped the company with legal advisory in different litigations.
- Continued to advocate for the IPO of the company.

Constanta Port

- Supported the Board and the executive management in the ongoing effort to improve revenues from renting land in the ports and keeping operating costs under control.
- Challenged in court the shareholders' decision approving the distribution as dividends of only 25% of the 2017 net profit. The matter is now with the Constitutional Court.
- Continued to advocate for the IPO of the company.

Report on the obligations regarding the Discount Control Mechanism





According to Article 9 of the Management Agreement under AIFMD in force starting 1 April 2020:

- “FUND MANAGER PERFORMANCE OBJECTIVES. ANNUAL REPORTING
 - 9.1. For the duration of this Management Agreement, the Fund Manager must manage the Portfolio in accordance with, and must comply with, all the obligations undertaken under the IPS and seek to achieve the objectives therein, including (without limitation) the Discount Objective and the NAV Objective (together the “Performance Objectives”). The Customer and the Fund Manager acknowledge and agree that there is no guarantee that the Performance Objectives will be achieved, and the Fund Manager does not warrant, undertake or represent that it will achieve them.
 - 9.2. The Fund Manager will call a BoN meeting to discuss the Discount Control Mechanism (“DCM”) strategy if the Discount stays above 15% for more than half of the Trading Days in any financial quarter of the Customer. In addition, if the Discount stays wider than 15% for more than half of the Trading Days in any two successive financial quarters of the Customer, the Fund Manager will call a GSM (which would be held no later than the end of the next quarter) at which the Fund Manager would propose, for the Customer’s shareholders’ approval, specific DCM measures pre-agreed with the BoN and which are in line with the IPS, unless such actions are already pending and soon to be implemented based on the resolution of the general meeting of shareholders dated in the current quarter or in the previous year, (for as long as such measures are not limited by subsequent resolutions of the general meeting of shareholders).”

Discount control during Q1 2020 – Q4 2020 (the previous IMA and the IMA in force)



If the discount stays above 15% for more than half of the trading days in any quarter, the Fund Manager will call a Board meeting to discuss the DCM



The Board meetings took place on the following dates: 6 February, 26 February, 4 March, 2 April, 29 April, 14 May, 11 June, 7 July, 20 July, 2 September, 23 September, 14 October, 16 October, 12 November, 19 November and 16 December 2020



There were:

- 4 quarterly calculation periods (Q1 – Q4 2020), and
- 4 two-quarter valuation periods (Q4 2019 + Q1 2020, Q1 + Q2 2020, Q2 + Q3 2020, Q3 + Q4 2020)

Cash distributions

- The Fund Manager proposed, and shareholders approved a gross dividend distribution of RON 0.06420 per share, for FY 2019
- The payment started on 1 July 2020

Share buybacks

- Execution of the 11th buy-back programme of 797.96 mn shares, at an average share price of RON 1.3347 per share¹

Tender offers

- Execution of 3 tender offers of 585 mn shares in total, at a price of RON 1.3900 per share, in order to accelerate the 11th buy-back programme

Credit facility

- Revolving credit facility for a maximum amount of RON 45 mn from BRD - GSG SA
- The credit facility is available until June 2020

Asset disposals

- Sold 1.7 bn shares in OMV Petrom through an ABB, with total proceeds of RON 561 million / USD 137 million
- Fully executed Nuclearelectrica through sales on the regulated market
- Ongoing discussions for selling unlisted stakes of the Fund

Investor relations activities

- Between 26 – 27 February, we organized in collaboration with WOOD & Co, the 2020 Romania Investor Days in London conference. 78 investors from 45 investment houses and 45 representatives from 18 Romanian companies participated to 204 investor meetings organized during the conference
- We participated in several online regional and global emerging and frontier market conferences, as well as dedicated conferences for closed-end funds and held ad-hoc conference calls with investors
- Further promotion of the Fund through 2 road-shows to United Kingdom and United States

1. Based on the 797,961,287 shares repurchased (555,481,637 ordinary shares and 242,479,650 equivalent shares of the GDRs repurchased).

Recommendation of buy-back programs of the Fund's shares and GDRs

- Shareholders' approval for the 12th buy-back programme of 800 million shares, to be executed during 1 January – 31 December 2021

Cash distributions to shareholders

- Dividend distribution for the 2019 FY has started on 1 July 2020
- Dividend distribution for the 2020 FY will be discussed with Board of Nominees and proposed to shareholders on 22 February 2021

Execution of buy-back programs via trading on the regular market

- Execution of the 11th buy-back programme

Maintaining a transparent cash distribution policy

- The cash distribution policy has been updated and communicated to the market in September 2016 and is currently implemented

Increasing the share of the listed companies in the portfolio

- Potential IPO of Hidroelectrica
- Discussions continue on starting IPO processes for 3 of the Fund's unlisted companies (Bucharest Airports, and Constanta Port, and Salrom)

Building good communication through active investor relations work

- Proactive investor relations outreach through participation to online regional and global emerging and frontier market conferences, as well as dedicated closed-end funds conferences

Supporting initiatives to make the Romanian capital market more attractive for investors

- Organization of two road-shows to United Kingdom, and the United States, participation to 13 online conferences, and organization of the Fund's Investor Days conference in London

Summary of the regulatory issues affecting the performance during the Reporting Period



Regulatory issues affecting the performance during the Reporting Period

- The COVID-19 outbreak and the measures taken to contain the spread of the virus which had a significant impact on the global economic activity
- The approval by the Parliament of Law 173/2020 regarding certain measures for protecting national interest within the economic activity, banning the sale of shareholdings owned by the Romanian state in national companies, banks or other companies in which the state is a shareholder, irrespective of the ownership percentage, for the next two years. This led to a freeze of any actions towards listing Hidroelectrica or any other SOE in the Fund's portfolio
- Parliamentary elections
- Breach of the Corporate Governance Legislation (OUG 109/2011) implementation by the Romanian State and several tentatives to change the legislation in Parliament
- Changes of the Romanian legislation without following a transparent process and without offering predictability
- The approval of several changes to the Emergency Government Ordinance 114/2018 that generated a general confusion on what legislation would be in force
- The electricity regulated market. Hidroelectrica and Nuclearelectrica were required to sell on the regulated market, certain quantities at a certain price, set by ANRE through several orders:

	H1 2020		H2 2020	
	Quantity (TWh)	Price (RON/MWh)	Quantity (TWh)	Price (RON/MWh)
Hidroelectrica	1.84	102.54	1.3	115.99
Nuclearelectrica	1.08	188.47	1.1	182.63

Summary of the market conditions affecting the performance during the Reporting Period



Market conditions affecting the performance during the Reporting Period

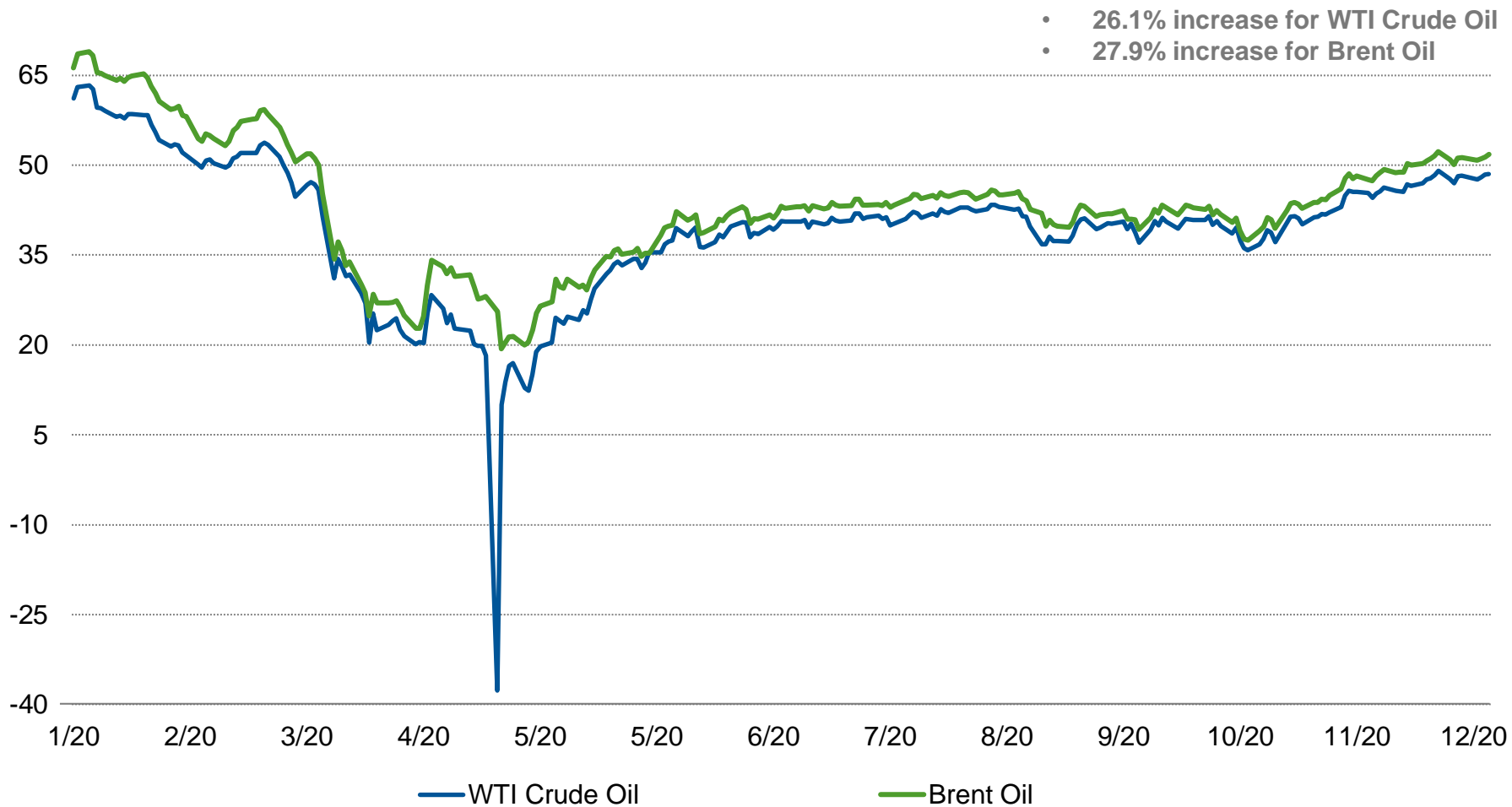
- Outbreak of the COVID-19 pandemic
- General Risks
- Oil Prices
- Electricity Prices
- Market Sentiment in Emerging and Frontier Markets
- Overall markets volatility

- On 11 March 2020, the World Health Organisation declared the epidemic of COVID-19 a pandemic
- Globally, numerous restrictions with the objective of limiting the spread of the virus spread were taken including the closure of schools, prohibition of movement outside households, severely restricted domestic and international travel, enforcing additional disinfection measures, etc. The measures taken have had a significant impact on global economic activity and are likely to reverberate for several quarters going forward.
- The capital markets of affected countries, including the BVB, recorded large corrections in the first quarter of 2020.
- The oil price and energy prices in general, have declined sharply. Uncertainty and concerns persist in relation to the duration and severity of the economic crisis and the impact on consumption generated by the pandemic.
- On the Romanian market, electricity consumption has declined sharply during the second quarter, with most industrial consumers reducing activity or shutting down facilities during the initial phase of the lockdown.

Market conditions affecting the performance during the Reporting Period

- The Romanian judicial system and Romanian legislation continue to develop, and this may create an uncertain environment for investment and for business activity
- The Fund's investments are concentrated in a limited number of industry sectors
- Risks related to the oil, gas industry and electricity sectors
- Risks related to poor performance of poorly managed companies in the Fund's portfolio
- Potential difficulties in implementing the Fund's strategy related to the companies in its portfolio
- Risks related to the liquidity of investments held by the Fund
- Risks related to holdings in majority State-owned companies
- There are certain risks associated with an investment in developing markets, including Romania, which may be greater than risks inherent in more developed markets
- Risks relating to global events
- Frequent changes in tax legislation without respecting transparency rules

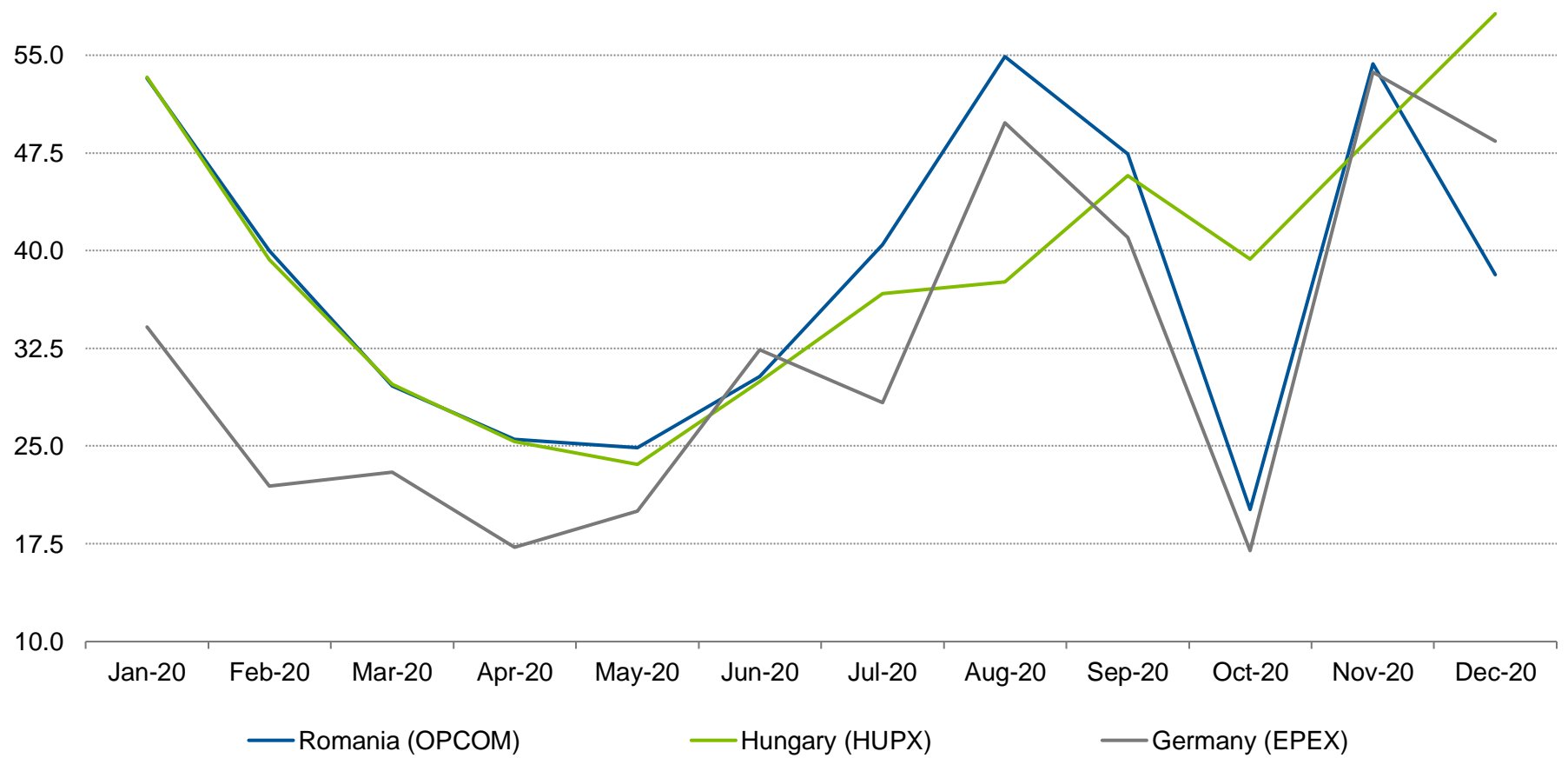
Oil price volatility



Source: Bloomberg, for the period 1 January – 31 December 2020.

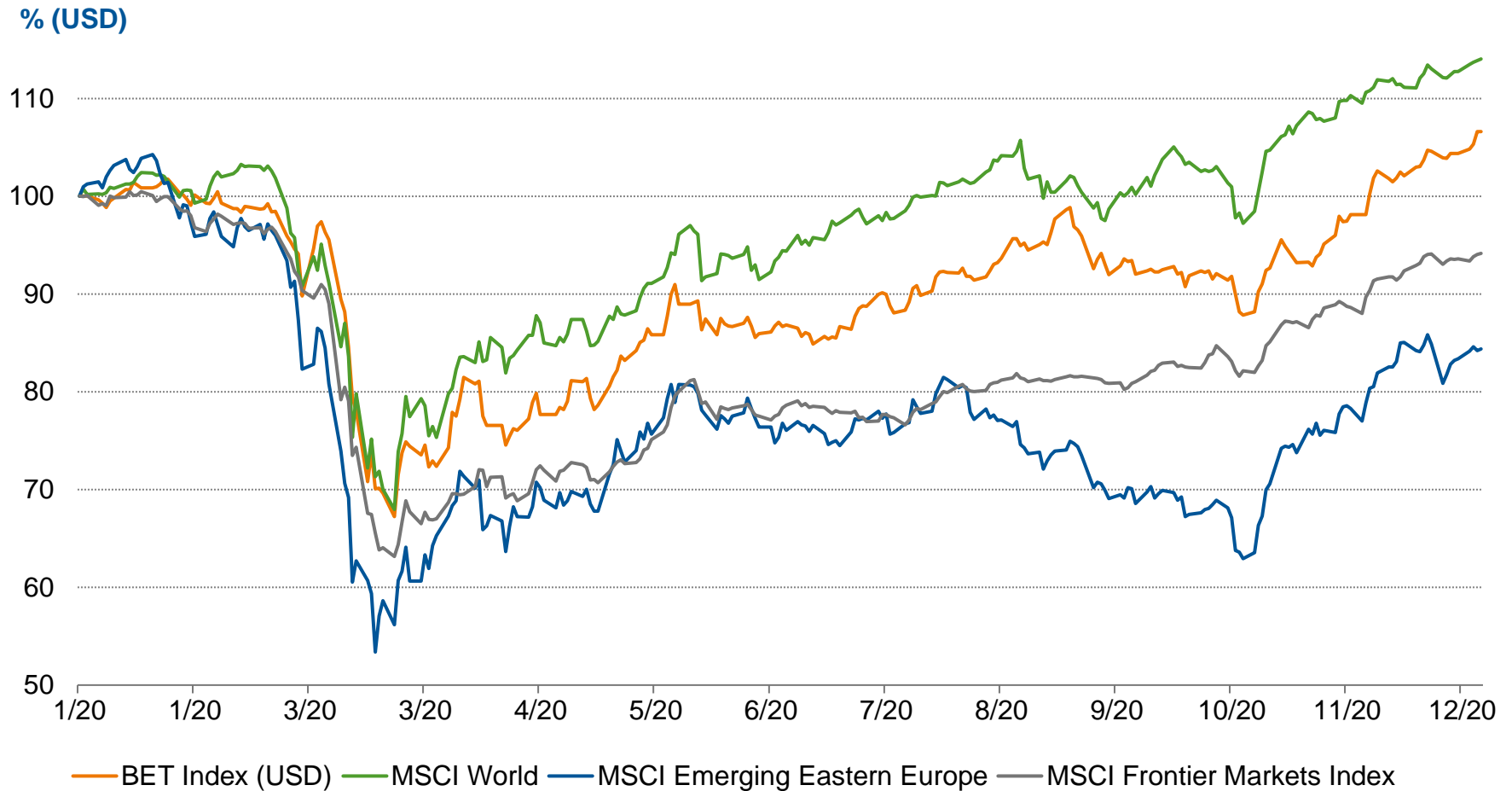
Electricity prices

Average Wholesale Electricity Prices (EUR/MWh)



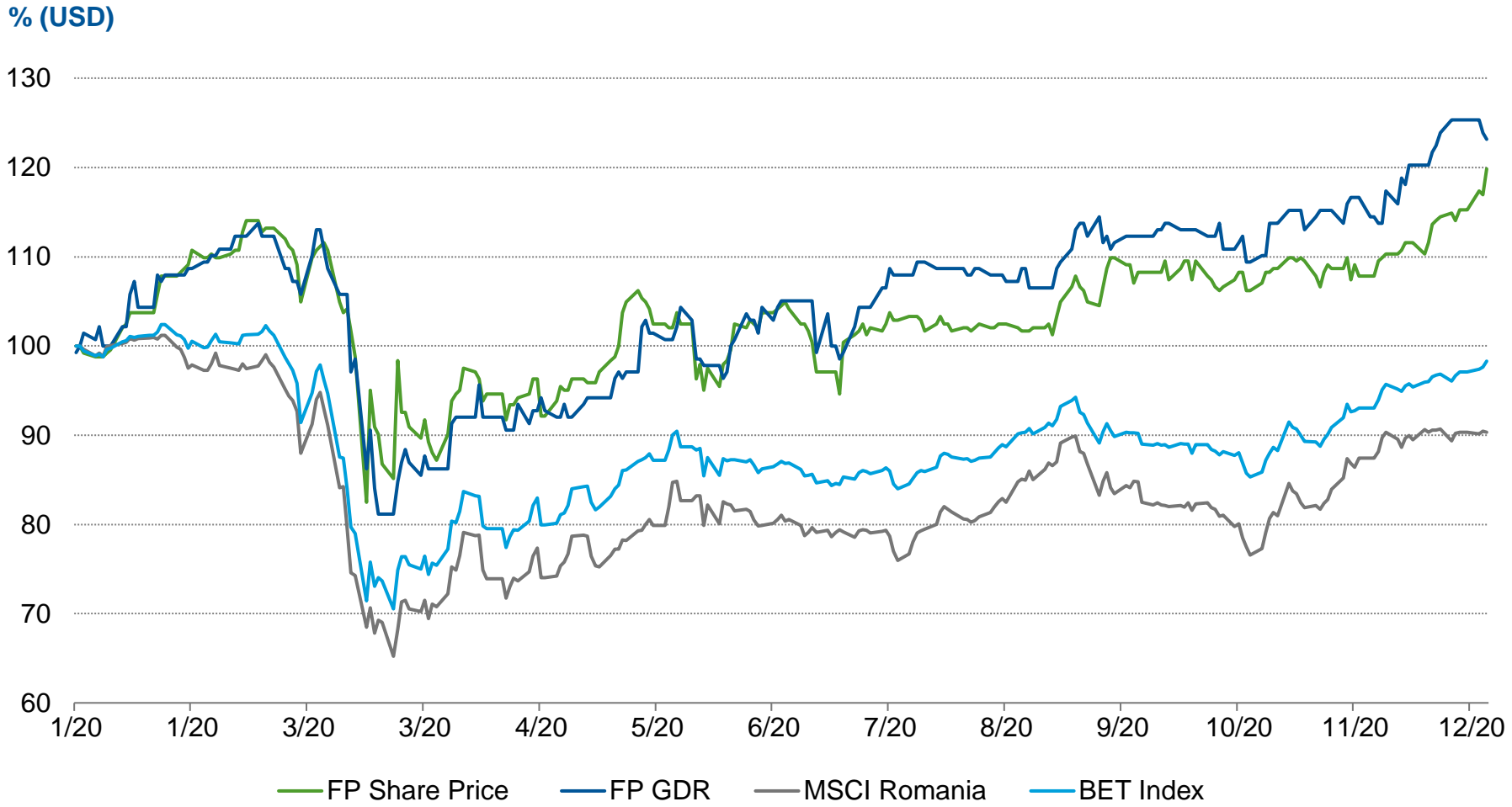
Source: Bloomberg.

Romania vs. MSCI Eastern Europe vs. Frontier Markets vs. World



Source: Bloomberg, for the period 1 January – 31 December 2020.

FP Share and GDR prices vs. MSCI Romania vs. BET Index



Source: Bloomberg, for the period 1 January – 31 December 2020.

Other developments during the Reporting Period



Adoption of OUG 114/2018

- The adoption of Ordinance 114/2018 at the end of 2018 has created uncertainty in the energy markets in Romania and has impacted the profitability of Hidroelectrica and Nuclearelectrica by forcing the companies to sell electricity on the regulated market at a cost +5% price/MWh, which is significantly below the market price. Many of the provisions of the OUG 114 were modified during 2020, but there were several attempts to bring Ordinance 114 back in force.

Adoption of Law 173/2020

- The law freezes the sale of shareholdings owned by the Romanian state in national companies, irrespective of the ownership percentage, for the next two years.
- Hidroelectrica's IPO has therefore been put on hold until 2022.
- Given the change in results of the Parliamentary Election and the Government appointed in December 2020, the Fund Manager has restarted discussions with the new Prime-Minister regarding the IPO of Hidroelectrica as well as other SOEs
- The prime candidates for an IPO discussed with the new Government are: Hidroelectrica, Bucharest Airports and Constanta Port. For Salrom, the discussions is centered around the Fund selling its entire 49% stake in an IPO

New Offshore law

- The definition of a proper legal framework surrounding the gas exploration in the Black Sea took a very long time. There are still changes expected to take place in 2021, but as a result of the lack of predictability, the key investment decisions for the project from OMV Petrom and Exxon Mobil were postponed

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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 3,749,282,292.08 RON and paid-up share capital is RON 3,560,099,870.08.

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This presentation herein is issued by FTIS, acting through its Romanian branch having its registered office at 78-80 Buzesti Str., 8th floor, 1st. District, 011017, Bucharest, Romania.

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