

A photograph of three people in a modern office setting. A man in a white shirt is on the left, looking at a laptop. A man with glasses and a beard in a blue shirt is in the center, pointing at the laptop screen with a pen. A woman with long brown hair in a beige top is on the right, looking at the laptop. The laptop screen displays a bar chart with the title 'Special Management 2021' and the subtitle 'The performance of the Special Management 2021'. The chart shows a series of bars of increasing height. There is a coffee cup on the table and a window in the background.

Fondul Proprietatea – Performance Report

1 January – 31 December 2021



Performance report

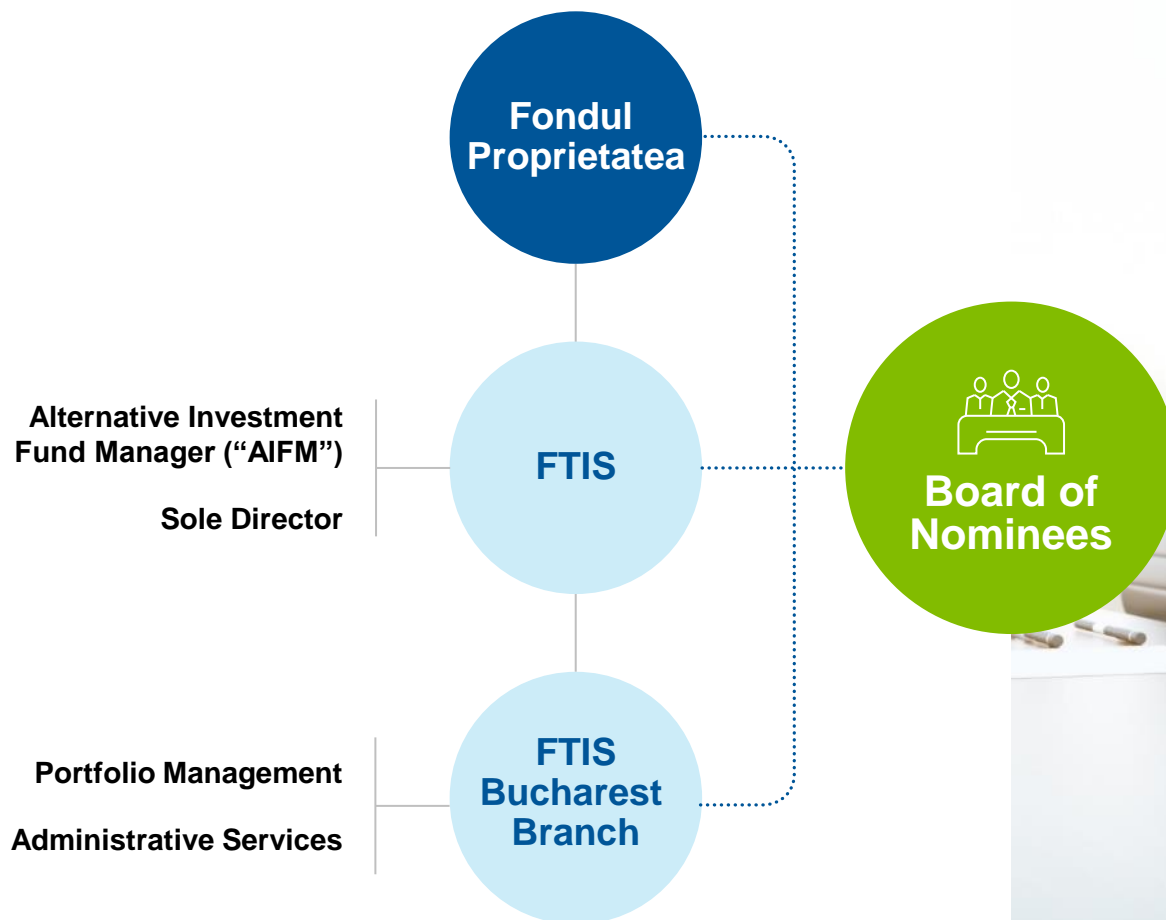
Content of the Performance Report – in accordance with the IMA in force

**Reporting period:
1 January –
31 December 2021**



- 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



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



Responsibilities of the AIFM

- Risk Management
- Investment Management (performed via FTIS Bucharest Branch)
- Valuation of unlisted assets of portfolio
- Due Diligence on the Depositary (BRD Groupe Société Générale)
- 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 (performed via FTIS Bucharest 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 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 (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 2021 we have ensured that policies, controls and procedures in the major area of 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 2021 to raise to the attention of the Board of Nominees or to shareholders.

Investment strategy and objective



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
- 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



NAV Objective

Adjusted NAV/share as at the end of the Reporting Period > NAV/share as at the end of the previous reporting period

Discount Objective

The discount between closing price and last reported NAV/share $\leq 15\%$, in at least 2/3 of the trading days in the Reporting Period (i.e. 1 January – 31 December for each year)



Discount Control Mechanism

- Buy-back programs of shares and GDRs, via daily buy-backs or tender offers
- Dividend distributions
- Reduction of the nominal value of shares and cash distributions
- Increasing investor demand for the shares and GDRs by
 - Maintaining a transparent cash distribution policy
 - Increasing the share of listed companies in the portfolio and their transparency
 - Building good communication through active investor relations work
 - Supporting initiatives to make the Romanian capital market more attractive for investors

Source: Fund Manager. Full details of the Performance Objectives can be found in the Fund's Management Agreement, available on the Fund's website, www.fondulproprietatea.ro.

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.

NAV, Share price and GDR Performance



Cumulative Performance¹

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Since Performance Inception ²
NAV (RON)	(0.5)%	8.9%	13.3%	1.4%	(0.6)%	7.3%	13.1%	19.9%	31.2%	2.2%	47.8%	257.2%
Share Price (RON)	(30.3)%	38.3%	61.3%	14.5%	(4.1)%	4.9%	21.5%	9.9%	49.1%	37.8%	48.5%	569.5%
GDR (USD)	N/A	N/A	N/A	N/A	N/A	1.2%	35.9%	(1.9)%	41.4%	48.5%	42.0%	224.8%



Average (Discount)/Premium to NAV

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Share Price	(55.7)%	(50.1)%	(40.7)%	(30.9)%	(29.1)%	(32.1)%	(28.1)%	(29.5)%	(29.4)%	(21.1)%	(5.7)%
GDR	N/A	N/A	N/A	N/A	(29.6)%	(30.0)%	(27.0)%	(29.8)%	(30.7)%	(21.7)%	(7.6)%


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

Note: The discount/premium 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 2021.



Report on the Discount objective

Discount objective

Objective

- The discount between the closing price for each trading day on the BVB, 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 2021.

2021 Monitoring

- In the period 1 January – 31 December 2021, discount was lower than 15% in at least two thirds of the trading days.

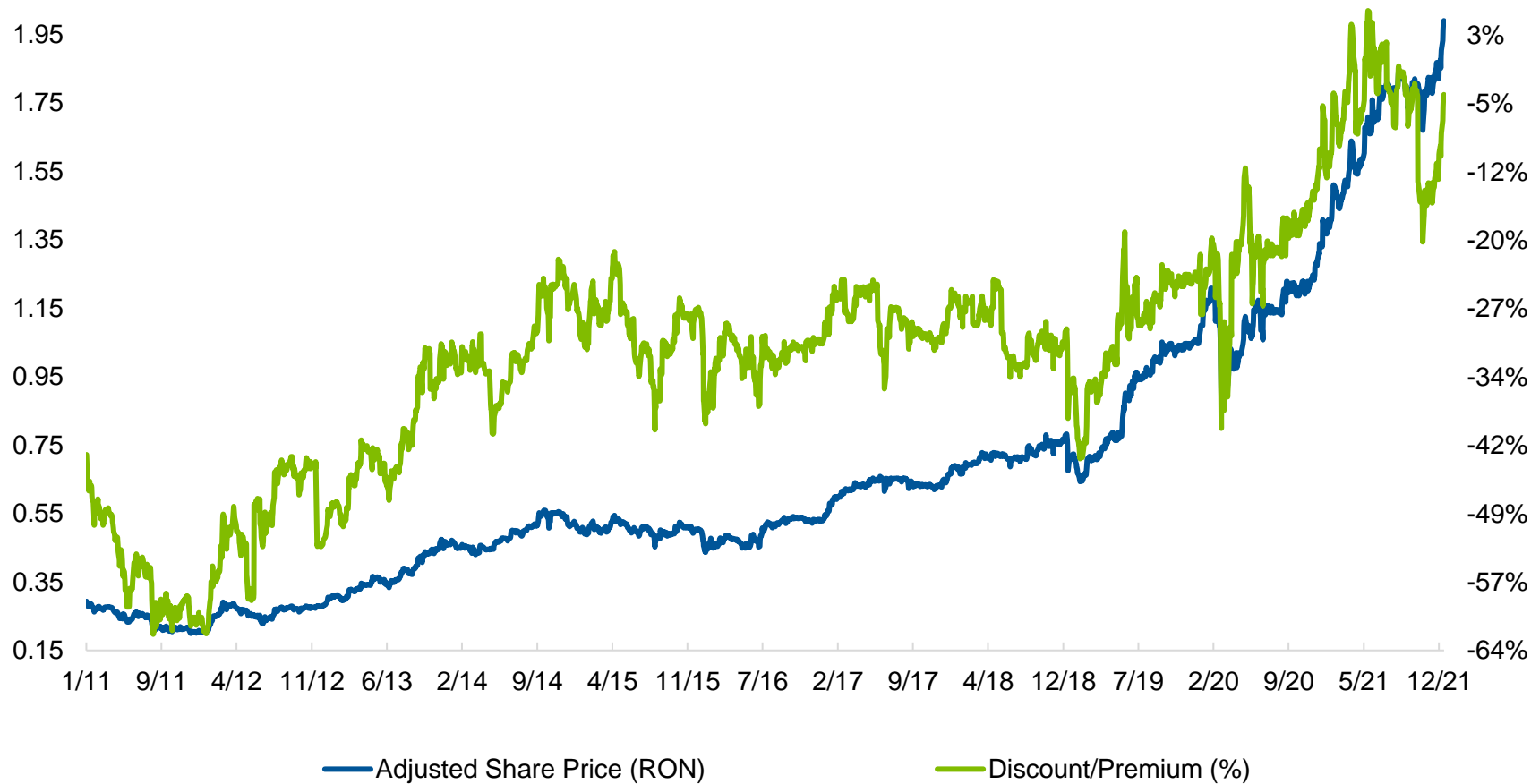
Discount/Premium Evolution

Discount/Premium at the Start of the Reporting Period: 4 January 2021	Discount/Premium as at 31 December 2021	Average for the Reporting Period 4 January – 31 December 2021	Discount/Premium Range for the Reporting Period 4 January – 31 December 2021
(10.02)%	(3.83)%	(5.69)%	(19.76)% – 5.25%

Source: Fund Manager.

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

Share price and Discount/Premium evolution



Source: BVB, Bloomberg, Fund Manager calculations.

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

Measures taken

Investor Relations

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



 **Distributed RON 1.17 billion to the Fund's shareholders during 1 January – 31 December 2021 via:**

Special Dividend Distributions

Special gross dividend distribution to shareholders of **RON 427.15 million** or RON 0.0720 per share – payment started on 22 June 2021

Special gross dividend distribution to shareholders of **RON 413.48 million** or RON 0.07 per share – payment started on 27 August 2021

Buy-backs

Executed the 12th buy-back programme (1 January 2021 – 31 December 2021) through daily share repurchases of up to 25% of the average daily trading volume for the last 20 trading sessions. The total acquisition cost at trade price (excluding transaction costs) of the buy-back program was **RON 328.05 million**

Total amount distributed

(Including buy-backs and special dividend distributions) is **RON 1,168.7 million**, i.e. 8.8% of the Fund's NAV as at 31 December 2021

Creating liquidity at the portfolio level



Source: Fund's results reports.

Credit Facility Note: 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 million at any given time.

Distributions to shareholders

RON	Distributions to shareholders in the period 1 January – 31 December 2021 (excluding related costs)	Expenses related to distributions recorded in the period 1 January – 31 December 2021 ¹	Total	% of the NAV as at 31 December 2020	% of the average market capitalization as at 31 December 2021
Buyback program 12	328,053,551	3,596,454	331,650,005	3.23%	2.85%
2021 special dividend distributions ²	1,191,868,702	11,966,034	1,203,834,736	11.73%	10.33%
Total	1,519,922,253	15,562,488	1,535,484,741	14.96%	13.18%

Source: Fund's current reports.

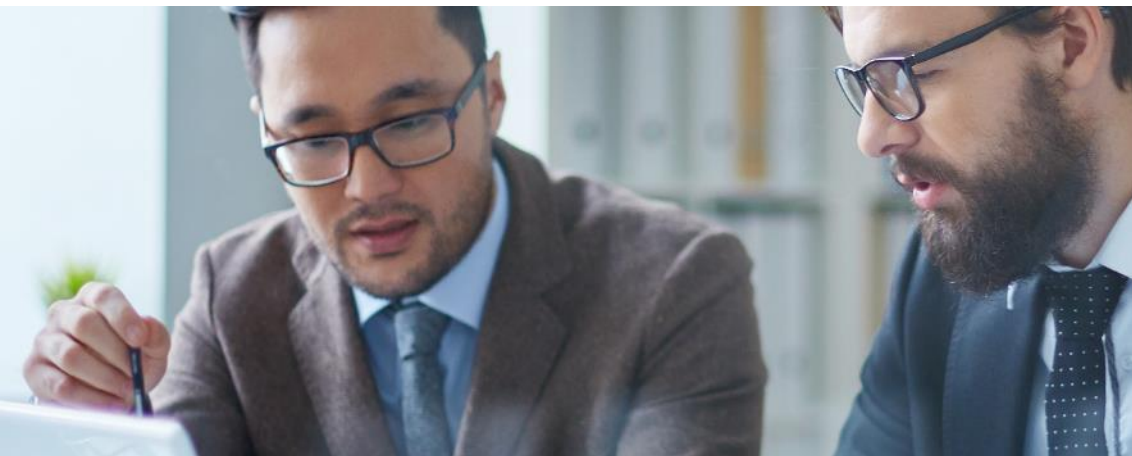
1. Includes the Central Depository commission and the distribution commission invoiced by FTIS for the distribution of dividends. It also includes the accrual for FTIS' distribution fee for the dividend distribution to be paid starting 18 February 2022.
2. Dividend distribution amount includes also the dividend approved by the Fund's shareholders during 15 December 2021 GSM for which the payment will start on 18 February 2022.

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 shares ¹
Twelfth	4 Jan – 31 Dec 2021	Finalized	194,371,754	1.6878 ²	328,053,551.16	Auerbach Grayson, Swiss Capital	The cancellation of shares is subject to shareholders' approval in the 20 April 2022 Annual GSM

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. Based on the 194,371,754 repurchased shares (145,184,704 ordinary shares and 49,187,050 equivalent shares of the GDRs repurchased).

Investor Relations activity



Communication between the Fund 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

During the Reporting Period, the Fund Manager continued its efforts to actively promote Fondul Proprietatea and to keep investors and shareholders up to date with the effects of the pandemic and of the entire economic environment, on the Fund and its portfolio companies.



3 road-shows during which the team met with 24 institutional investors



82 Investor conference calls



4 Results conference calls with analysts and investors



10 conferences where the team met with investment professionals from 108 firms



Report on the NAV objective

FONDUL
PROPRIETATEA



**FRANKLIN
TEMPLETON**

NAV objective

Objective

- The Adjusted NAV per share as at 31 December 2021, to be higher than the NAV per share as at 31 December 2020 (RON 1.6974 per share)

2021 Monitoring

- The Adjusted NAV per share at 31 December 2021 is 45.45% higher than the NAV per share at 31 December 2020

NAV Objective	Amount RON	Comments
Total NAV as at 31 December 2021	13,244,639,868	
Dividend distributions	1,191,868,702	Special dividend of RON 0.072 per share, with Ex-date 27 May 2021, Registration date 28 May 2021 and Payment date 22 June 2021; Special dividend of RON 0.07 per share with Ex-date 5 August 2021, Registration date 6 August 2021 and Payment date 27 August 2021; Special dividend RON 0.06 per share with Ex-date 27 January 2022, Registration date 28 January 2022 and Payment date 18 February 2022
Costs related to buy-backs after 31 December 2020	768,402	Costs related to the buy-back programmes after 31 December 2020 (excluding the trade acquisition cost and the distribution fees charged by FTIS)
Distribution fees for buy-backs performed after 31 December 2020	3,266,508	Distribution fees on buy-backs charged by FTIS (after 31 December 2020)
Distribution fees for cash distributions (return of capital/ dividend) after 31 December 2020	11,914,205	Distribution fee on dividend distributions charged by FTIS
Costs related to the returns of capital and dividends after 31 December 2020	54,378	Fees charged by the Central Depository and Paying Agent for the dividend payments
Total Adjusted NAV as at 31 December 2021	14,452,512,066	
Number of Fund's paid shares, less treasury shares and GDRs held as at 31 December 2021	5,854,012,863	
Adjusted NAV per share as at 31 December 2021	2.4689	
NAV per share as at 31 December 2020	1.6974	
Difference	0.7715	
%	45.45%	

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 2021



Top Performers



Bottom Performers

Company	Status	Weight in total NAV ¹	Change in NAV performance	Change in NAV per share (RON)
Hidroelectrica SA	Unlisted	64.4%	37.54%	0.6373
OMV Petrom SA	Listed	14.9%	6.37%	0.1081
CN Administratia Porturilor Maritime SA	Unlisted	2.2%	0.64%	0.0108
CN Aeroporturi Bucuresti SA	Unlisted	5.1%	0.49%	0.0083
Societatea Nationala a Sarii SA	Unlisted	1.6%	0.21%	0.0035
Alro SA	Listed	1.0%	(0.31)%	(0.0053)
Romaero SA	Listed	0.3%	(0.14)%	(0.0024)
E-Distributie Banat SA	Unlisted	1.9%	(0.09)%	(0.0015)
Zirom SA	Unlisted	0.2%	(0.09)%	(0.0014)
ENEL Energie Muntenia SA	Unlisted	0.2%	(0.05)%	(0.0009)
TOTAL NAV PER SHARE CHANGE				0.5650

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

1. 31 December 2021 NAV report.

Changes in the valuations of portfolio companies (I)

Company	Status	Value of FP holding as at 1 January 2021	Contribution in cash to share capital increase	Disposals	Net changes in fair value gain/(loss)	Value of FP holding as at 31 December 2021	Comments
Alcom SA	Listed – Illiquid	8,863,429	-	-	590,202	9,453,631	-
Comsig SA	Unlisted	-	-	-	-	-	-
OMV Petrom SA	Listed – Liquid	1,440,749,726	-	-	537,060,765	1,977,810,491	-
Plafar SA	Unlisted	1,927,500	-	-	245,300	2,172,800	-
Societatea Nationala a Sarii SA	Unlisted	201,200,000	55,720	-	15,444,280	216,700,000	Cash contribution of RON 55,720 to Salrom's share capital increase approved during 2021 (i.e. 5,572 new shares at the nominal value of 10 RON per share)
Zirom SA	Unlisted	24,884,700	10,000,000	-	(8,728,200)	26,156,500	Cash contribution of RON 10,000,000 to Zirom share capital increase approved during 2021 (i.e. 1,000,000 new shares at the nominal value of 10 RON per share)
Alro SA	Listed – Liquid	163,261,759	-	-	(32,069,274)	131,192,485	
Hidroelectrica SA	Unlisted	5,128,900,000	415,110	-	3,398,684,890	8,528,000,000	On 12 November 2020 the Fund subscribed to the share capital increase of Hidroelectrica with a cash contribution of RON 415,110 (i.e. 41,511 new shares at the nominal value of 10 RON per share), which was effective on 15 January 2021

Source: FP Detailed Statement of Investments reports, FP Results reports.

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
Complexul Energetic Oltenia SA	Unlisted	–	–	–	–	–	–
E-Distributie Banat SA	Unlisted	272,700,000	–	–	(27,600,000)	245,100,000	–
CN Aeroporturi Bucuresti SA	Unlisted	624,100,000	–	–	50,100,000	674,200,000	–
E-Distributie Dobrogea SA	Unlisted	177,200,000	–	–	6,800,000	184,000,000	–
E-Distributie Muntenia SA	Unlisted	227,800,000	–	–	(21,100,000)	206,700,000	–
Posta Romana SA	Unlisted	13,100,000	–	–	800,000	13,900,000	–
Engie Romania SA	Unlisted	538,800,000	–	–	(16,100,000)	522,700,000	–
CN Administratia Porturilor Maritime SA	Unlisted	235,800,000	–	–	58,600,000	294,400,000	–
Romaero SA	Listed – Illiquid	56,140,375	–	–	(14,690,939)	41,449,436	–
Enel Energie Muntenia SA	Unlisted	43,100,000	–	–	(10,000,000)	33,100,000	–
Enel Energie SA	Unlisted	52,500,000	–	–	8,600,000	61,100,000	–
Romplumb SA	Unlisted	–	–	–	–	–	–
CN Administratia Canalelor Navigabile SA	Unlisted	17,751,740	–	–	(1,920,500)	15,831,240	–

Source: Detailed Statement of Investments reports, FP Results reports.

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
Aeroportul International Timisoara - Traian Vuia SA	Unlisted	6,400,000	–	–	(800,000)	5,600,000	–
Aeroportul International Mihail Kogalniceanu - Constanta SA	Unlisted	2,571,600	–	–	(891,900)	1,679,700	–
CN Administratia Porturilor Dunarii Maritime SA	Unlisted	5,193,869	–	–	(1,156,571)	4,037,298	–
CN Administratia Porturilor Dunarii Fluviale SA	Unlisted	2,334,740	–	–	1,324,340	3,659,080	–
Mecon SA	Listed – Illiquid	936,843	–	–	(138,124)	798,718	–
IOR SA	Listed – Illiquid	492,987	–	–	(230,760)	262,227	–
Salubriserv SA	Unlisted	–	–	–	–	–	–
World Trade Hotel SA	Unlisted	–	–	–	–	–	–
Gerovital Cosmetics SA	Unlisted	–	–	–	–	–	–
Simtex SA	Unlisted	–	–	–	–	–	–
World Trade Center Bucuresti SA	Unlisted	–	–	–	–	–	–
TOTAL		9,246,709,268	10,470,830	–	3,942,823,508	13,200,003,606	

Source: Detailed Statement of Investments reports, FP Results reports.

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

Hidroelectrică



- Intervened in several litigations on behalf of the company (claims filed against the energy regulator ANRE, claims filed against third parties).
- Engaged with the Ministry of Environment and the Water Management Agency on the topic of the water tax. FP also took public positions on the subject, outlining the shortcomings of the proposed legislative changes.
- Worked with company's Directorate to continue improving the company's profitability and optimize the capital structure.
- Proposed the distribution by the company of special dividends, approved in May 2021 and paid in September 2021.
- 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. In 2021 we continued to advocate 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.
- Continued to advocate for the listing of the company and for the repeal of Law 173 / 2020. FP is in advanced discussions with the Ministry of Energy to resume the listing of the company via an IPO carried out with the shares held by FP.
- FP is closely monitoring Hidroelectrică's strategy of growth into the new renewables and of the supply business with the end-consumers.

OMV Petrom



- Proposed an established member of the local business community for a Board position.
- Continued to actively support a fair and balanced taxation regime for the oil and gas sector.
- Advocated for legislative changes that could allow the company to take a favorable final decision regarding investments in the Black Sea perimeter.

Engie Romania



- Ongoing litigation related to management contracts between the company and majority shareholder which we deem to be poor corporate governance.
- Ongoing discussions on corporate governance matters.

Alro



- Ongoing discussion on both fix and variable compensation schemes (remuneration policy).

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

Bucharest Airports



- Worked with company's interim Boards and interim general managers to improve company's results during the pandemic crisis, through cost management and other revenue generating projects.
- Continued to support proper implementation of Corporate Governance legislation through ongoing litigations.
- Provided balanced opinions and challenged some of the assumptions behind planned mid-to-long-term capital expenditure projects.
- Continued to advocate for the listing of the company.
- Strongly opposed share capital increase proposal, which would severely dilute FP's stake in Bucharest Airports.

Baneasa Airport share capital increase

- During the October 2021 GSM, the Ministry of Transport voted in favor of a share capital increase with the land inside the Baneasa Airport, brought as Romanian state's contribution in kind to the company's capital. This was the third time the process to increase the share capital was initiated since 2001, when Baneasa Airport received the land ownership certificates. According to the GSM documentation, the proposed value for the share capital increase was RON 3.81 bn.
- The share capital increase approved in the GSM was RON 4.76 bn: RON 3.81 bn as in-kind contribution of the Romanian State, calculated as value of the land parcels as per the 2021 land valuation report, and RON 953.70 mn as value of shares to be subscribed by Fondul Proprietatea for maintaining its 20% ownership. The preference rights may be used by the Fund within 60 days calculated starting with date when the shareholders' resolution is published in the Official Gazette. After the 60 days period expires, the share capital will be increased with the value of the paid-up shares (the Romanian State's contribution in kind is already considered to be completed). If the Fund does not subscribe, the unsubscribed shares will be cancelled.
- The Fund Manager expressed its opinion strongly disputing the fundamentally flawed 2021 land valuation report, as it attributes a very high value to the land, despite a previously approved valuation report from 2017, which set the value of the same land at RON 269.17 mn.
- The Fund Manager started court cases for the annulment of the shareholders' resolution, and for the suspension of the entire process until the claim for annulment is irrevocably closed. In addition, we filed a challenge against the registration of the shareholders' resolution with the trade register. Following the hearing that took place on 13 January 2022, the Bucharest Court of Appeal admitted the Fund's request for the suspension of the EGSM decision and ordered the suspension of the effects of the share capital increase until the claim for the annulment of the CNAB EGSM is irrevocably settled.

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

Salrom



- Worked closely with the management to improve operations.
- Helped the company with legal advisory in different litigations.
- Continued to support proper implementation of Corporate Governance legislation.
- Fondul is closely monitoring Salrom's strategy of growth by potentially resuming graphite exploitation operations.
- Continued to advocate for the IPO of the company and received in July 2021 the approval in principle of the listing of Salrom via a public offer made by Fondul Proprietatea as selling shareholder. Fondul is currently finalizing the selection processes of advisers needed for the IPO process.

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 and necessary changes to the ports law.

CE Oltenia



- Continued to advocate for the restructuring of the company.
- Actively engaged with the European Commission, Ministry of Energy and the management with respect to CEO's Restructuring Plan and its roadmap.
- Ongoing monitoring of potential share capital increases with the value of the lands that will be contributed by CE Oltenia in the SPVs created in the context of new investments as per the Restructuring Plan where changes of the legislative framework would be needed.



The background image shows a person's hands holding a white mug of coffee. In the foreground, a tablet is held, displaying a business dashboard. The dashboard includes a line chart titled 'Business Chart - Visual' showing a fluctuating trend. Below the chart, there are several smaller widgets: 'Interactive User' with a value of 1,505, 'Space Usage (750 Mbit)' with a value of 18,321, and a 'Realtime Dashboard' with three circular progress indicators showing 37.81%, 31.88%, and 30.22%. The dashboard also contains some text about audience needs and a bar chart at the bottom.

Report on the obligations regarding the Discount Control Mechanism

DCM provisions

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 2021 – Q4 2021 (the IMA in force)



There were

4 quarterly calculation periods (Q1 – Q4 2021),
and 4 two-quarter valuation periods (Q4 2020 +
Q1 2021, Q1 + Q2 2021, Q2 + Q3 2021,
Q3 + Q4 2021)



- 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: 2 February, 22 February, 12 April, 14 July, 30 September, 14 October, 16 December 2021.
- The DCM was discussed with the Board during each Board meeting.

Ongoing DCM measures



Cash distributions

- The Fund Manager proposed, and shareholders approved during the 28 April 2021 GSM, a special gross dividend distribution of RON 0.072 per share. The payment started on 22 June 2021.
- The Fund Manager proposed, and shareholders approved during the 16 July 2021 GSM, a special gross dividend distribution of RON 0.07 per share. The payment started on 27 August 2021.
- The Fund Manager proposed, and shareholders approved during the 15 December 2021 GSM a special gross dividend distribution of RON 0.06 per share. The payment started on 18 February 2022.



Share buybacks

- Execution of the 12th buy-back programme of 194.37 mn shares, at an average share price of RON 1.6878 per share¹.



Credit facility

- Revolving credit facility for a maximum amount of RON 45 million from BRD - GSG SA.
- The credit facility is available until 29 June 2022.



Investor relations activities

- Participated in 10 investors conferences where we discussed with representatives of 108 international asset managers.
- Held 81 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.
- Organized 4 results conference calls with analysts and investors to present the Fund's annual, quarterly and semi-annual financial results and updates.
- Further promotion of the Fund through 3 road-shows to United Kingdom and United States.

1. Based on the 194,371,754 repurchased shares (145,184,704 ordinary shares and 49,187,050 equivalent shares of the GDRs repurchased).

DCM techniques based on the current IPS



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

- Shareholders' approval for the 13th buy-back programme of 800 million shares, to be executed during 1 January – 31 December 2022.



Cash distributions to shareholders

- Special gross dividend distribution of RON 0.06 per share, approved during the 15 December 2021 GSM, for which the payment started on 18 February 2022.
- Dividend distribution for the 2021 FY was discussed with the Board of Nominees and proposed to shareholders on 25 February 2022.



Increasing the share of the listed companies in the portfolio

- Potential IPO of Hidroelectrica.
- Continue the IPO process for Salrom



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

- Execution of the 12th 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



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

A close-up photograph of a person's hands in a blue business suit. The left hand holds a white document, while the right hand holds a silver pen, poised to write. The background is softly blurred, showing more of the suit and a hint of a striped shirt.

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

Summary of regulatory changes and issues

Regulatory issues affecting the performance during the Reporting Period



- The COVID-19 pandemic 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 two years i.e., until end-July 2022. This led to a freeze of any actions towards listing Hidroelectrica or any other SOE in the Fund's portfolio.
- Breach of the Corporate Governance Legislation (OUG 109/2011) implementation by the Romanian State and several tentatives to change the legislation in Parliament.
- Energy subsidies / consumer price caps, and windfall taxation of electricity producers.
- Amendments to the Water Law with potential impact on the activity of Hidroelectrica.
- Potential changes of the Romanian legislation without following a transparent process and without offering predictability.



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

Summary of market conditions

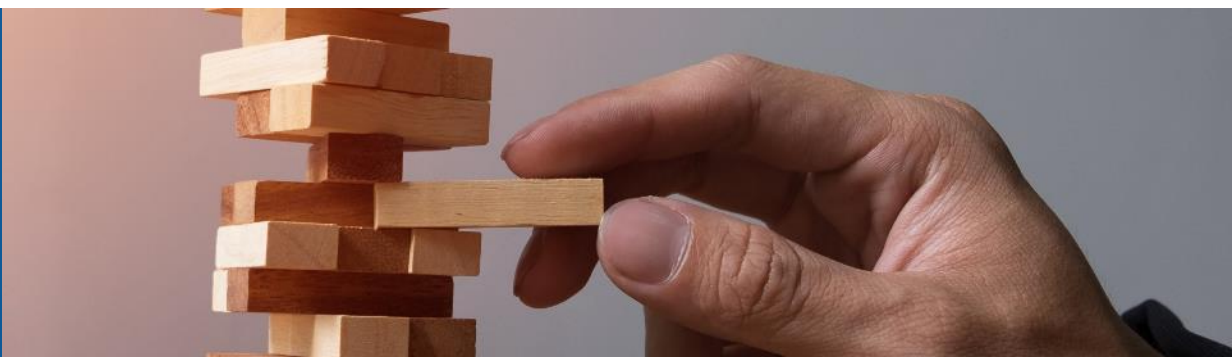
Market conditions affecting the performance during the Reporting Period



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

General risks

Market conditions affecting the performance during the Reporting Period



- 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 related to the oil, gas industry and electricity sectors.
- Risks related to poor performance of poorly managed companies in the Fund's portfolio.
- Risks related to the liquidity of investments held by the Fund.
- Risks related to holdings in majority State-owned companies.
- Risks relating to global events.
- The Fund's investments are concentrated in a limited number of industry sectors.
- Potential difficulties in implementing the Fund's strategy related to the companies in its portfolio.
- Frequent changes in tax legislation without respecting transparency rules.
- Dilution risk in companies where Fondul Proprietatea is minority shareholder.
- The Romanian judicial system and Romanian legislation continue to develop, and this may create an uncertain environment for investment and for business activity.

Oil price volatility

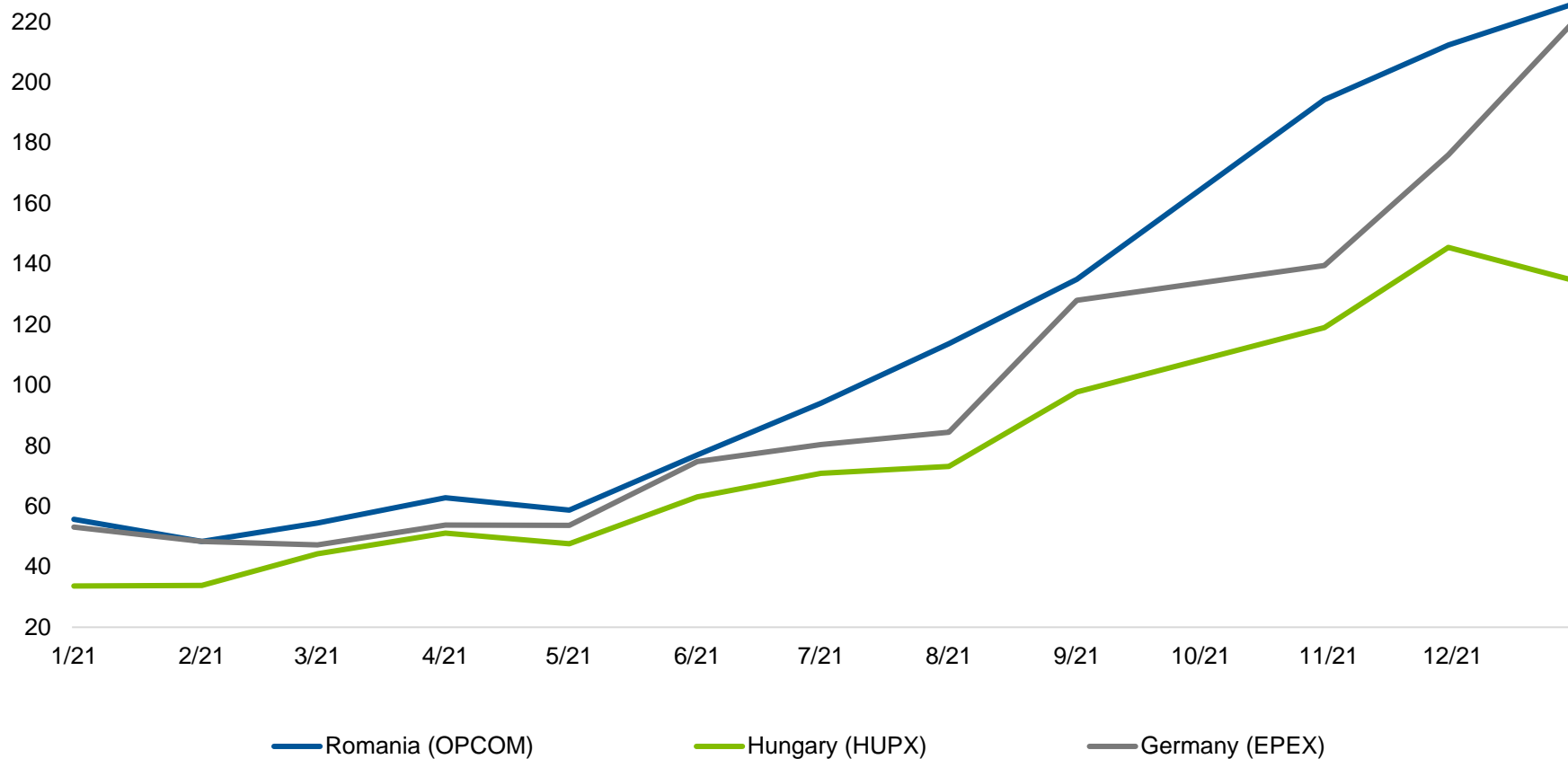
USD



Source: Bloomberg.

Electricity prices volatility

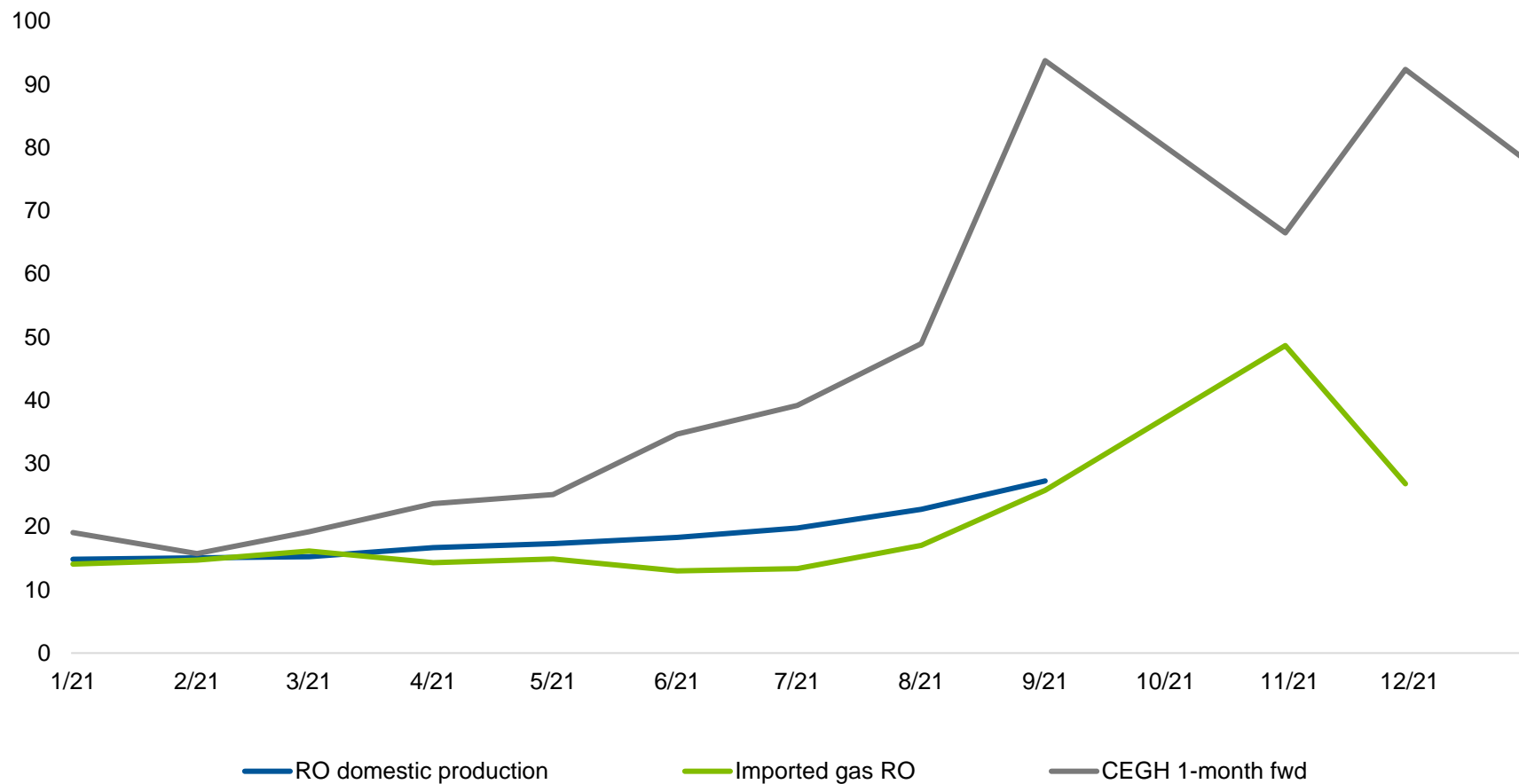
Average Wholesale Electricity Prices (EUR/MWh)



Source: Bloomberg.

Gas prices volatility

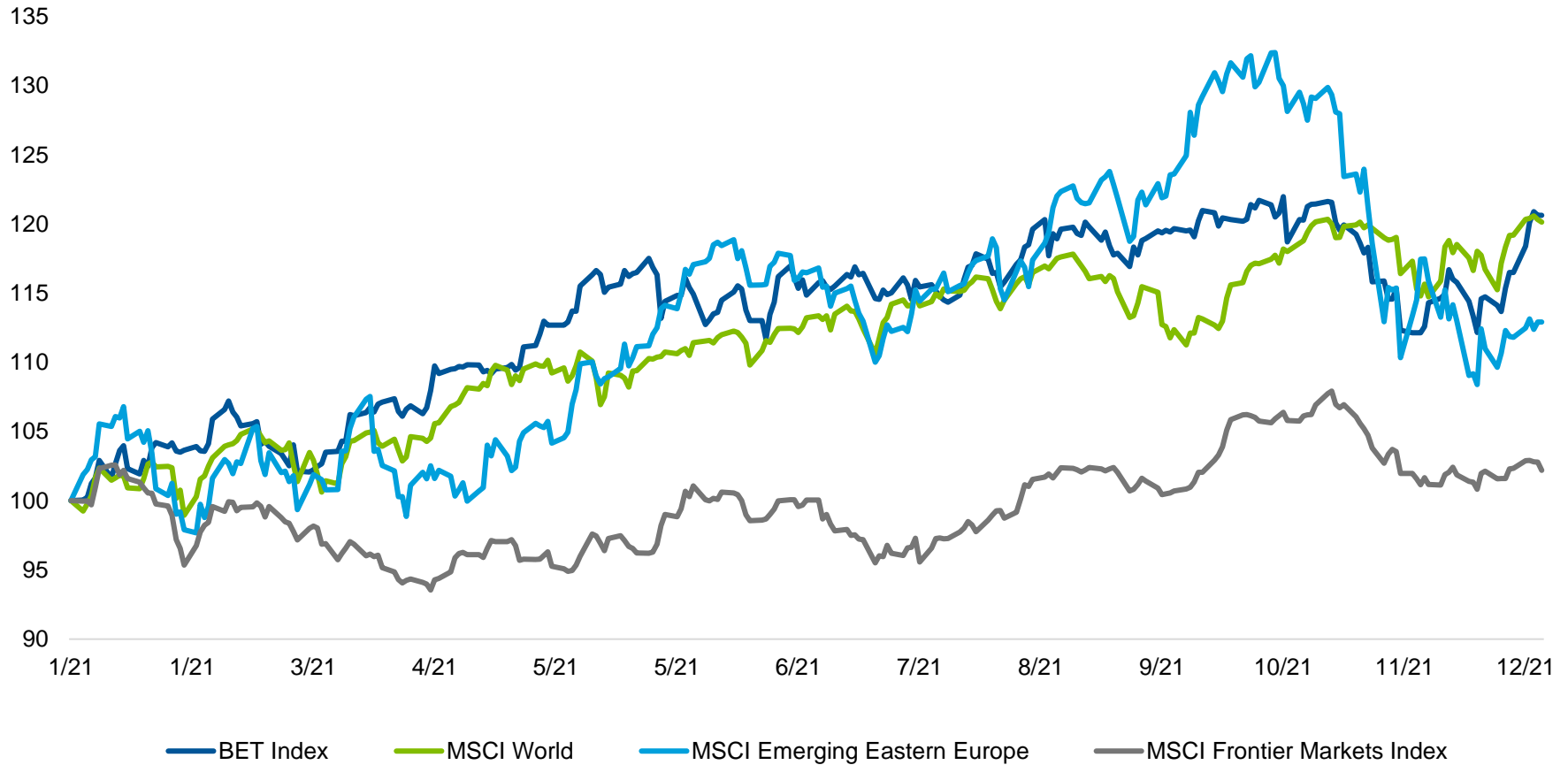
EUR/MWh



Sources: Romanian Energy Regulator (ANRE) for RO prices from both bilateral contracts and centralized markets, Bloomberg for CEGH forward prices.

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

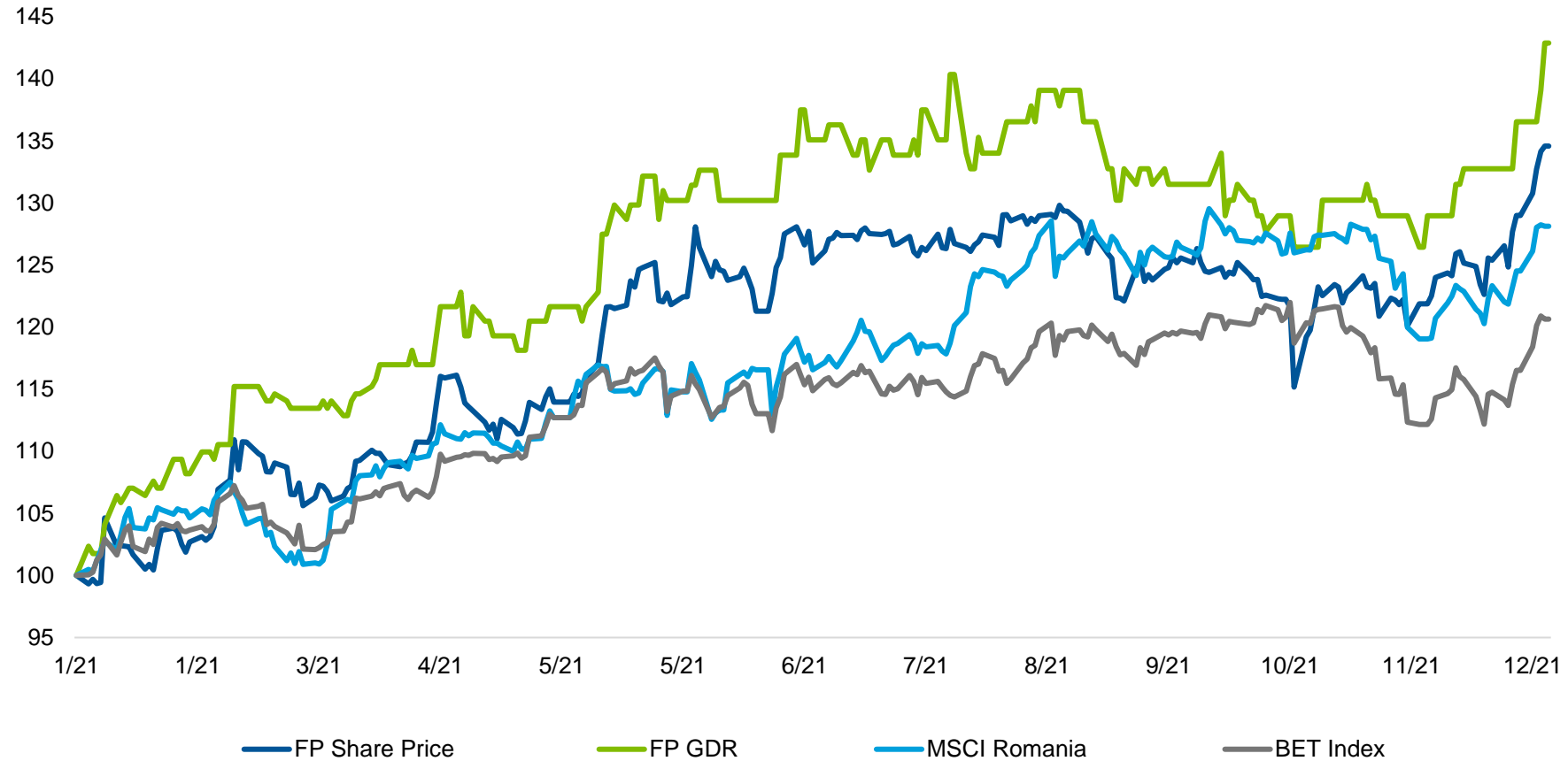
% (USD)



Source: Bloomberg.

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

% (USD)



Source: Bloomberg.

A close-up photograph of a person's hands in a blue suit jacket. The left hand holds a white document, and the right hand holds a silver pen, poised to write. The background is blurred, showing more of the suit and a striped shirt.

Other developments during the Reporting Period

Challenges

Energy compensation scheme

- On 29 October 2021, the Parliament modified through Law no. 259 / 2021, EGO no.118 / 2021 related to the compensation scheme for consumption of electricity and natural gas for the cold season 2021 – 2022 i.e., between 1 November 2021 and 31 March 2022. Therefore, Law no. 259 /2021 introduces for different categories of end-consumers (among which households, micro-enterprises, SMEs) several support schemes for the payment of the electricity and gas bills.
- Law no. 259 / 2021 introduces for electricity producers the taxation at an 80% rate of the additional revenues resulting from the difference between the average monthly selling price and RON 450 per MWh between 1 November 2021 and 31 March 2022 (excluding fossil fuel electricity producers including cogeneration plants).
- Subsequently, the Government issued on 25 January EGO no. 3 / 2022 which further clarifies support scheme implementation for households and companies between 1 February and 31 March 2022.
- Potential risks:
 - delay in payment of compensation scheme from state's budget to energy suppliers.
 - delays in tariff adjustment for energy distributors related to higher energy acquisition costs for covering grid losses.
- Contingent upon:
 - actual implementation of the support scheme,
 - energy prices evolution,
 - and any further decisions that the Government could take,
 all of the above could potentially lead to adverse effects on valuation, and cash-flows of companies in the energy sector in the Fund's portfolio.

Law 173/2020

- The law freezes the sale of shareholdings owned by the Romanian state in national companies, irrespective of the ownership percentage, for two years i.e., until end-July 2022.
- Hidroelectrica's IPO has therefore been put on hold until 2022.
- Throughout 2021, the Fund has advocated publicly for the repeal of the law and continued discussions with Government and State officials regarding the IPO of Hidroelectrica and Salrom, as well as other SOEs.
- The key candidates for an IPO discussed with the Government are: Hidroelectrica, Salrom, Bucharest Airports, and Constanta Port. In the case of Salrom, the company's shareholders approved in principle, in July 2021, the listing of the company via a public offer made by Fondul Proprietatea as selling shareholder.

Offshore law

- The definition of a proper legal framework surrounding the gas exploration in the Black Sea took a very long time.
- Exxon Mobil participation in the project is close to being acquired by Romgaz.
- There are still changes expected to take place in 2022, but as a result of the lack of predictability, the final investment decision for the project from OMV Petrom was postponed.

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Disclaimer (II)

In addition, the list of investor rights can be found in the Constitutive Act, available on the Fund's website, in the Corporate Governance section, here: <https://www.fondulproprietatea.ro/about-fund/fund-overview/corporate-governance>.

The price of shares and income from them can go down as well as up and you may lose some or all of your capital invested. The previous results of a fund or company do not account for future performances. Currency fluctuations will affect the value of foreign investments. All investments are subject to certain risks. Generally, investments offering the potential for higher returns are accompanied by a higher degree of risk. Stocks and other equities representing an ownership interest in a corporation have historically outperformed other asset classes over the long term but tend to fluctuate more dramatically over the shorter term. Small or relatively new companies can be particularly sensitive to changing economic conditions due to factors such as relatively small revenues, limited product lines, and small market share. Smaller company stocks have historically exhibited greater price volatility than larger company stocks, particularly over the short term. The significant growth potential offered by Emerging Markets remains accompanied by heightened risks when compared to developed markets, including risks related to market and currency volatility, adverse social and political developments, and the relatively small size and lesser liquidity of these markets.

The Fund's headquarters are located at 76-80 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 and paid-up share capital is RON 3,334,342,422.84.

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.

This presentation herein is issued by FTIS, acting through its Romanian branch having its registered office at 76-80 Buzesti Str., 8th floor, 1st. District, 011017, Bucharest, Romania.

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