



# Fondul Proprietatea – Performance Report

1 January 2023 – 31 December 2023



## Performance report

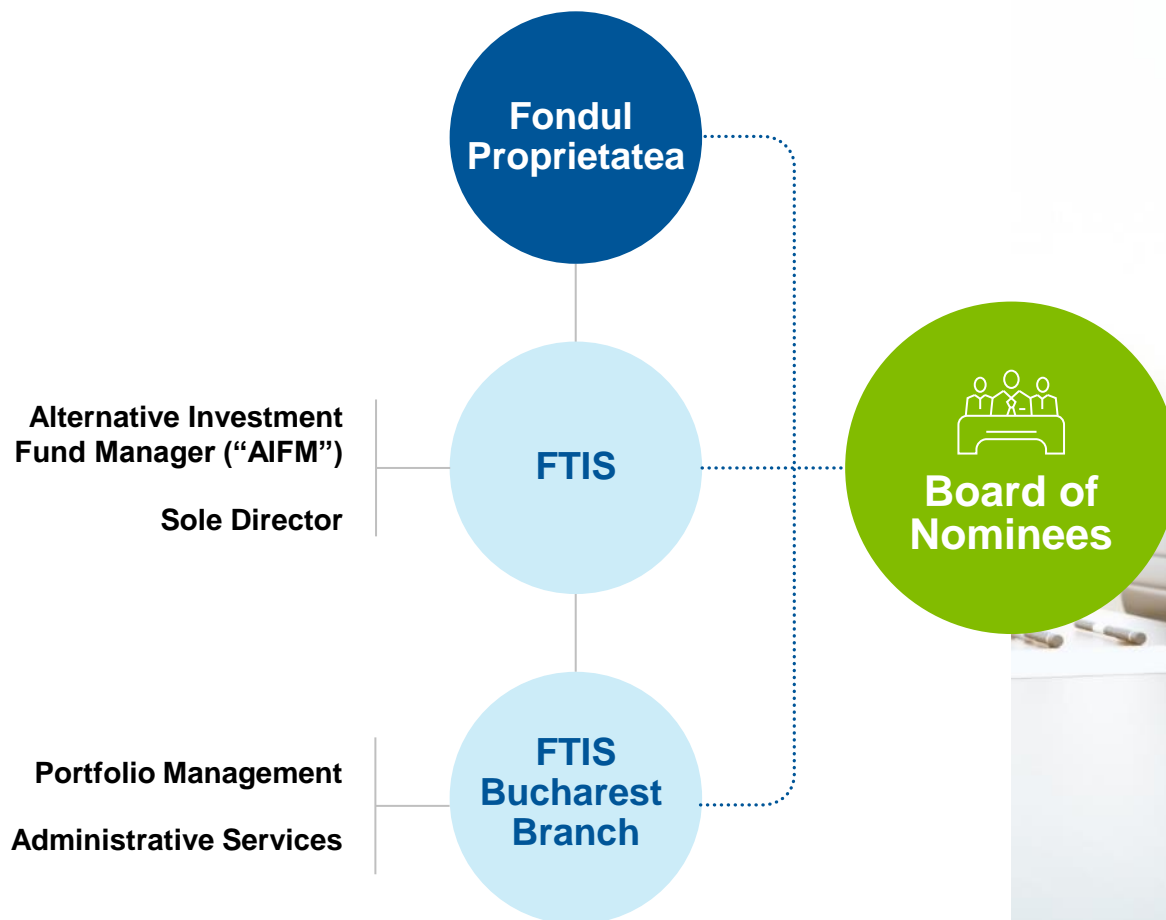
# Content of the Performance Report – in accordance with the Management Agreement

Reporting period:  
1 January 2023 –  
31 December 2023



- 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
- Portfolio 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 2023 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 2023 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 and subject to available financing sources).

# 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.fondulproprietea.ro](http://www.fondulproprietea.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 Performance<sup>1</sup>

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Since Performance Inception <sup>2</sup>
NAV (RON)	(0.5)%	8.9%	13.3%	1.4%	(0.6)%	7.3%	13.1%	19.9%	31.2%	2.2%	47.8%	19.1%	(2.4)%	315.3%
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%	12.2%	45.0%	989.5%
GDR (USD)	N/A	N/A	N/A	N/A	N/A	1.2%	35.9%	(1.9)%	41.4%	48.5%	42.0%	3.9%	34.9%	355.2%



## Average Discount to NAV

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price	(55.7)%	(50.1)%	(40.7)%	(30.9)%	(29.1)%	(32.1)%	(28.1)%	(29.5)%	(29.4)%	(21.1)%	(5.7)%	(21.6)%	(23.9)%
GDR	N/A	N/A	N/A	N/A	(29.6)%	(30.0)%	(27.0)%	(29.8)%	(30.7)%	(21.7)%	(7.6)%	(22.4)%	(24.5)%

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 2023, calculated in accordance with the IPS.



# 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 2023 – 31 December 2023.

## 2023 monitoring

- In the period between 1 January 2023 and 31 December 2023, the discount to NAV was above 15% in all trading days.

## Discount evolution

	Discount at 3 January 2023	Discount at 31 December 2023	Average Discount 3 January 2023 – 31 December 2023	Discount Range 3 January 2023 – 31 December 2023
Share price <sup>1</sup>	-18.8%	-17.5%	-23.9%	min -15.6%/ max -84.0%
GDR <sup>1</sup>	-20.1%	-18.6%	-24.5%	min -15.6%/ max -84.5%

	Average Discount 3 January 2023 – 31 December 2023	Discount Range 3 January 2023 – 31 December 2023
Share price <sup>2</sup>	-22.8%	min -15.6%/ max -39.7%
GDR <sup>2</sup>	-23.4%	min -15.6%/ max -40.8%

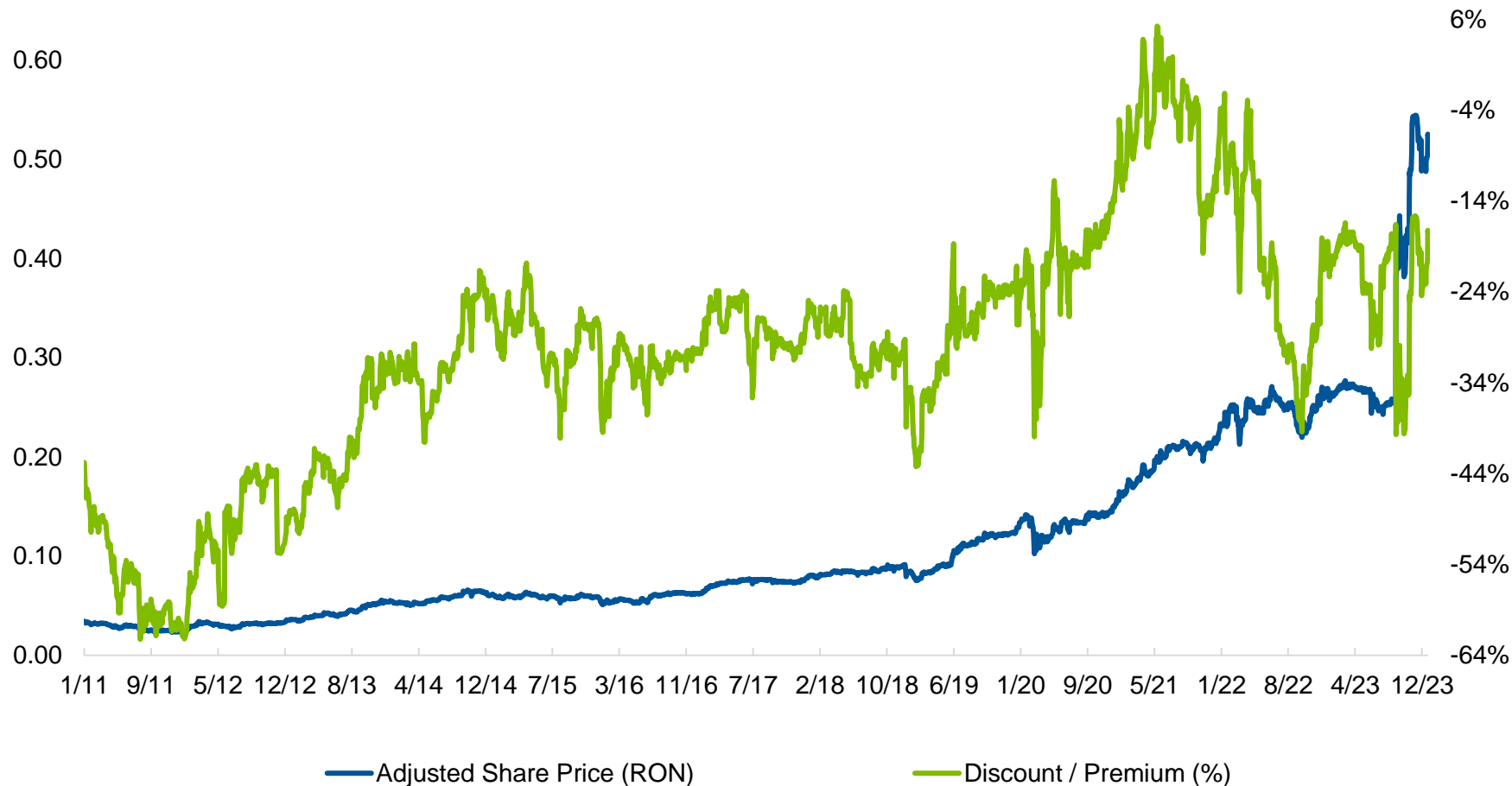
The table presents information regarding the average discount and discount range under the assumption that the discount for 7-14 September 2023 is calculated based on 31 August 2023 NAV (in order to eliminate the mismatch between the NAV and FP BVB market price adjustment).

Source: Fund Manager calculations.

Notes:

- The discount is calculated according to the IPS.
- The discount is calculated according to the IPS, based on the latest published NAV per share available for the day of the calculation except for the period 7-14 September 2023, when discount is calculated based on 31 August 2023 NAV, published on 15 September 2023.

# 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 11.27 billion to the Fund's shareholders during 1 January 2023 – 31 December 2023 via:**

#### Dividend Distributions

Special gross dividend distribution to shareholders of **RON 9,180.3 million** or RON 1.7225 per share – payment started on 29 September 2023.

Gross dividend distribution to shareholders of **RON 269.8 million** or RON 0.05 per share – payment started on 6 June 2023.

#### Buy-backs

Executed the 14<sup>th</sup> buy-back programme through daily share repurchases of up to 25% of the average daily trading volume for the last 20 trading sessions and two Tender Offers for 1,895 million shares. The total acquisition cost at trade price (excluding transaction costs) of the buy-back program was **RON 1,186.7 million**.

#### Total amount distributed

(Including buy-backs and dividend distributions) is **RON 11,266.8 million**, i.e., 479.4% of the Fund's NAV as at 31 December 2023.

# Creating liquidity at the portfolio level during the reporting period



Source: Fund's results reports.

# Distributions to shareholders

RON	Distributions to shareholders in the period 1 January 2023 – 31 December 2023 (excluding related costs)	Expenses related to distributions recorded in the period 1 January 2023 – 31 December 2023 <sup>1</sup>	Total	% of the NAV as at 31 December 2022	% of the average market capitalization as at 31 December 2023
Buyback program 14	1,816,723,906	56,469,374	1,873,193,280	12.86%	100.71%
2023 Dividend <sup>2</sup>	269,837,832	4,722,162	274,559,994	1.88%	14.76%
Special Dividend <sup>3</sup>	9,180,252,728	160,654,423	9,340,907,151	64.11%	502.20%
<b>Total</b>	<b>11,266,814,466</b>	<b>221,845,959</b>	<b>11,488,660,425</b>	<b>78.85%</b>	<b>617.67%</b>

Source: Fund's current reports.

1. Includes the Central Depository commission and the distribution commission invoiced by FTIS for the distribution of dividends and for daily buy-backs/tender offers performed during the year.
2. Dividend distribution of RON 0.05 per share approved by the Fund's shareholders during the 21 April 2023 Annual GSM, with Ex-Date on 11 May 2023, Registration Date on 12 May 2023 and Payment Date on 6 June 2023.
3. Special dividend distribution of RON 1.7225 per share approved by the Fund's shareholders during the 18 August 2023 OGSM, with Ex-Date on 7 September 2023, Registration Date on 8 September 2023 and Payment Date on 29 September 2023.

# Share buybacks

## Buyback programme

No.	Period	Status	No. of shares repurchased	Average share price (RON/share)	Acquisition cost of shares repurchased, excluding transaction costs (RON)	Broker	Cancellation of shares <sup>1</sup>
14 <sup>th</sup>	Jan – Dec 2023	Finalized	2,112,378,889	0.8600 <sup>2</sup>	1,816,723,906.22	Auerbach Grayson, Swiss Capital	The cancellation of shares is subject to shareholders' approval in the 30 April 2024 Annual GSM

## Tender offers

No.	Subscription period	Size	Purchase price	Allocation method and Ratio	Consortium
11 <sup>th</sup>	10 February – 13 March 2023	225,000,000 shares in the form of shares and / or GDRs <ul style="list-style-type: none"> <li>• 132,875,150 in the form of shares and</li> <li>• 92,124,850 shares in the form of GDRs, namely 1,842,497 GDRs</li> </ul>	RON 2.19 per share and the USD equivalent of RON 109.50 per GDR	Pro-rata, 0.1818529681	<ul style="list-style-type: none"> <li>• Swiss Capital S.A. – Intermediary</li> <li>• Swiss Capital S.A. and Auerbach Grayson – Deal Managers</li> <li>• The Bank of New York Mellon – GDR Tender Agent</li> </ul>
12 <sup>th</sup>	31 October – 5 December 2023	1,670,000,000 shares in the form of shares and / or GDRs <ul style="list-style-type: none"> <li>• 1,560,550,300 in the form of shares and</li> <li>• 109,449,700 shares in the form of GDRs, namely 2,188,994 GDRs</li> </ul>	RON 0.6319 per share and the USD equivalent of RON 31.5950 per GDR	Pro-rata, 0.4753652433	<ul style="list-style-type: none"> <li>• Swiss Capital S.A. – Intermediary</li> <li>• Swiss Capital S.A. and Auerbach Grayson – Deal Managers</li> <li>• The Bank of New York Mellon – GDR Tender Agent</li> </ul>

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 2,112,378,889 shares repurchased (1,892,873,339 ordinary shares and 219,505,550 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 maximizing shareholder value

**During the Reporting Period, the Fund Manager continued its efforts to increase the visibility and the profile of the Fund, as well as the local capital market, and Romania, to a broader international institutional investor base, and to keep investors and shareholders up to date on the Fund, its corporate actions, and its main portfolio holdings.**



Organized 10 road-shows in the United States and the United Kingdom and met with 76 investment professionals



Organized 4 conference calls with analysts and investors on the Fund's latest updates and financial results



Participated to 7 regional and global emerging and frontier market conferences, as well as dedicated conferences for closed-end funds, where we discussed with representatives of 44 international asset managers



Held 73 additional conference calls and 36 in-person meetings with analysts, brokers, current and prospective investors interested in the latest developments regarding the Fund's corporate actions and its portfolio companies



# Report on the NAV objective

# NAV objective

## Objective

- The Adjusted NAV per share at 31 December 2023 to be higher than NAV per share as at 31 December 2022 (RON 2.5701 per share).

## 2023 monitoring

- The Adjusted NAV per share as at 31 December 2023 is 31.5% higher than the NAV per share as at 31 December 2022.

NAV Objective	Amount RON	Details
<b>Total NAV as at 31 December 2023</b>	<b>2,350,138,488</b>	
Dividend distributions after 31 December 2022	9,450,090,560	Gross dividend distributions of (1) RON 0.05 per share with Payment Date 6 June 2023 and of (2) RON 1.7225 per share with Payment date 29 September 2023
Distribution fees for dividend distributions performed after 31 December 2022	165,046,268	Distribution fee for the 2 dividend distributions mentioned above
Distribution fees for buy-backs after 31 December 2022	36,015,541	Distribution fees for buy-backs
Costs related to buy-backs after 31 December 2022	20,774,299	Fees related to the buy-back programmes, excluding the distribution fees for buy-backs
Costs related to dividends paid after 31 December 2022	140,922	Central Depository and Paying Agent fees
<b>Total Adjusted NAV 31 December 2023</b>	<b>12,022,206,077</b>	
Number of Fund's paid shares, less treasury shares and GDRs held as at 31 December 2023	3,556,427,239	
<b>Adjusted NAV per share as at 31 December 2023</b>	<b>3.3805</b>	
<b>NAV per share as at 31 December 2022</b>	<b>2.5701</b>	
<b>Variation</b>	<b>0.8104</b>	
<b>%</b>	<b>31.5%</b>	

Source: Fund Manager calculations.

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.

# Changes in the valuations of portfolio companies (I)

Company	Status	Value of FP holding as at 1 January 2023	Contribution in cash to share capital increase	Disposals	Net changes in fair value gain / (loss)	Value of FP holding as at 31 December 2023	Comments
Aeroportul International Mihail Kogalniceanu - Constanta SA	Unlisted	2,107,700	–	–	(56,901)	2,050,799	–
Aeroportul International Timisoara - Traian Vuia SA	Unlisted	5,500,000	–	–	499,997	5,999,997	–
Alcom SA	Listed – Illiquid	10,407,436	–	–	(335,561)	10,071,875	–
Alro SA	Listed – Liquid	114,429,001	–	–	(2,186,541)	112,242,460	–
CN Administratia Canalelor Navigabile SA	Unlisted	13,543,680	–	–	2,019,636	15,563,316	–
CN Administratia Porturilor Dunarii Fluviale SA	Unlisted	3,257,540	–	–	(190,934)	3,066,606	–
CN Administratia Porturilor Dunarii Maritime SA	Unlisted	3,836,716	–	–	(665,679)	3,171,037	–
CN Administratia Porturilor Maritime SA	Unlisted	283,000,000	–	–	45,299,993	328,299,993	–
CN Aeroporturi Bucuresti SA	Unlisted	713,000,000	–	–	164,699,934	877,699,934	–
Complexul Energetic Oltenia SA	Unlisted	-	–	–	64,799,661	64,799,661	–
E-Distributie Banat SA	Unlisted	212,900,000	–	(212,899,138)	(862)	–	Sold during 2023 through SPA
E-Distributie Dobrogea SA	Unlisted	170,400,000	–	(170,399,628)	(372)	–	Sold during 2023 through SPA
E-Distributie Muntenia SA	Unlisted	183,900,000	–	(223,501,978)	39,601,978	–	Sold during 2023 through SPA

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 2023	Contribution in cash to share capital increase	Disposals	Net changes in fair value gain / (loss)	Value of FP holding as at 31 December 2023	Comments
Enel Energie Muntenia SA	Unlisted	–	–	(21,599,628)	21,599,628	–	Sold during 2023 through SPA
Enel Energie SA	Unlisted	21,600,000	–	(21,599,628)	(372)	–	Sold during 2023 through SPA
Engie Romania SA	Unlisted	440,700,000	–	–	(8,083,832)	432,616,168	The Fund and the majority shareholder entered on 22 December 2023 into an agreement for the sale of the entire shareholding in Engie Romania S.A. in exchange for a total consideration of RON 432,616,167.75. The completion of the sale under the agreement was approved by Fondul shareholders' during 13 February 2024 GSM
Gerovital Cosmetics SA	Unlisted	–	–	–	–	–	
Hydroelectrica SA	Unlisted	11,148,800,000	2,678,640	(9,281,212,040)	(1,870,266,600)	–	Sold during 2023 through IPO
IOR SA	Listed – Illiquid	209,782	–	–	419,564	629,346	–
Mecon SA	Listed – Illiquid	588,529	–	–	1,800,965	2,389,495	–
Plafar SA	Unlisted	2,199,600	–	–	(211,704)	1,987,896	–
Posta Romana SA	Unlisted	21,700,000	–	–	(4,301,309)	17,398,691	–
Romaero SA	Listed – Illiquid	41,974,112	–	–	(41,974,112)	–	Please note that the company filed for insolvency during December 2023

Source: FP 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 2023	Contribution in cash to share capital increase	Disposals	Net changes in fair value gain / (loss)	Value of FP holding as at 31 December 2023	Comments
Romplumb SA	Unlisted	–	–	–	–	–	–
Salubriserv SA	Unlisted	–	–	–	–	–	–
Simtex SA	Unlisted	–	–	–	–	–	–
Societatea Electrocentrale Craiova	Unlisted	–	–	–	–	–	–
Societatea Nationala a Sarii SA	Unlisted	273,700,000	–	–	44,699,807	318,399,807	
World Trade Center Bucuresti SA	Unlisted	–	–	–	–	–	–
World Trade Hotel SA	Unlisted	–	–	–	–	–	–
Zirom SA	Unlisted	28,843,300	–	–	(258,700)	28,584,600	–
<b>TOTAL</b>		<b>13,696,597,396</b>	<b>2,678,640</b>	<b>(9,931,212,040)</b>	<b>(1,543,092,318)</b>	<b>2,224,971,678</b>	

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

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

## Hidroelectrica



- In 2023, Hidroelectrica IPO was completed, and entire proceeds were entirely distributed to shareholders. The transaction marked a key milestone for the Fund and the Romanian capital market, being the largest ever IPO in Romania, the largest IPO in Europe in 2023, as well as the third largest IPO in CEE to date. In another first for the Romanian capital market, three Romanian institutional investors acted as cornerstone investors committing at the launch of the IPO to purchase in aggregate RON 2.24 bn at the final offer price.
- Hidroelectrica IPO was launched on 23 June 2023, with books closed on 4 July 2023. Backed by strong local and international demand, order book was multiple times oversubscribed throughout the price range, allowing to price the deal at the upper half of the range at RON 104 per share, which implied a market capitalisation at listing of RON 46.8 bn. The Fund placed its entire stake in the company.
- The Institutional Tranche was allocated 80% of the total shares while the Retail Tranche was allocated 20% of the total shares. The Fund collected total gross proceeds of RON 9.28 bn which were subsequently used to finance a special dividend distributed to shareholders.

## Enel group companies



- In 2023 Fondul Proprietatea disposed of all its shares in the 5 Enel companies for a total consideration of RON 650 million.

## Engie Romania



- Appointment of a Board member on behalf of Fondul Proprietatea starting 2022.
- Ongoing discussions on corporate governance matters.
- Successfully negotiated the sale of Fondul Proprietatea's stake to Engie Group.

## Alro



- Ongoing discussions on 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, as traffic recovered to pre-covid period.
- Continued to support proper implementation of Corporate Governance legislation.
- Continued to advocate for the listing of the company.
- We commissioned a capacity measurement report for airports in the Bucharest area, done by a renowned aviation consultant.
- Legal actions against share capital increase proposal, which would severely dilute FP's stake in Bucharest Airports, have been settled by final court judgments in favor of the Fund.

## Bucharest Airports 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 Bucharest Airports 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 flawed land valuation report, as it attributes a very high value to the land, despite a previously approved valuation report from 2017 which had set the value of the same land at RON 269 mn. In June 2021, the Fund challenged the valuation report done for the share capital increase to the National Association of Authorised Romanian Valuers (ANEVAR) and in February 2022 the valuator was sanctioned by ANEVAR with a six-month suspension of his license.
- The Fund Manager started court cases for the annulment of the shareholders' resolution and obtained in 2022 the suspension of the entire process until the claim for annulment is finally closed. On 07.03.2024 the claim for annulment of the shareholders' resolution was settled by final decision in favor of the Fund, with the Bucharest Court of Appeal annulling the shareholders' resolution no. 15/26.10.2021. The Bucharest Court of Appeal's decision is final.



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

## Salrom



- Continued to pursue various workstreams needed for the IPO of the company following approval in principle of the listing of Salrom via a public offer made by Fondul Proprietatea as selling shareholder in July 2021 and Government's Memorandum supporting Salrom's listing by FP that was approved in July 2022. Appointed advisers needed for the IPO process.
- The Fund continues to prepare for an IPO of the company and to this end, during 2023 has actively engaged with the Government, Ministry of Economy and Salrom's management and other stakeholders on the listing topic and its roadmap.
- Continued to support proper implementation of Corporate Governance legislation, worked closely with the Ministry of Economy for the implementation of proper corporate governance.
- Worked closely with the management to improve operations.
- Helped the company with legal advisory in different litigations.
- Fondul is closely monitoring Salrom's strategy of growth by potentially resuming graphite exploitation operations.
- Provided extensive comments to the current draft law for the modification of GEO 109/2011.

## Constanza 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 was analyzed by the Constitutional Court, which rejected our claims.
- Challenged in Court the approval of 2022 financial statements, as these include a change in accounting policies which we believe it could make future distributions of potential special dividends more difficult.
- Continued to advocate for the IPO of the company and necessary changes to the ports law.

## CE Oltenia (CEO)



- Continued to engage with the Ministry of Energy, the management and other stakeholders with respect to CEO's Restructuring Plan and its roadmap.
- Actively engaged with the Ministry of Energy and the management with respect to CEO's share capital increases with the value of the lands as well as the cash contribution by the Ministry of Energy in CE Oltenia's share capital and in the SPVs created in the context of new investments as per the Restructuring Plan.
- Fondul is closely monitoring energy regulatory changes and potential impact on CE Oltenia's operations.
- Provided extensive comments to the current draft law for the modification of GEO 109/2011.



# 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 2022



### “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 2023 – Q4 2023 (the Management Agreement in force)



## There were

4 quarterly calculation periods (Q1 – Q4 2023),  
and 4 two-quarter valuation periods (Q4 2022 +  
Q1 2023, Q1 + Q2 2023, Q2 + Q3 2023,  
Q3 + Q4 2023)



- 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 when the DCM was discussed with the Board took place on the following dates: 23 February 2023, 20 April 2023, 12 July 2023, 26 September 2023.

# Ongoing DCM measures



## Cash distributions

- The Fund Manager proposed, and shareholders approved during the 21 April 2023 Annual GSM a gross dividend distribution of RON 0.05 per share. The payment started on 6 June 2023.
- The Fund Manager proposed, and shareholders approved during the 18 August 2023 OGSM, a special gross dividend distribution of RON 1.7225 per share. The payment started on 29 September 2023.



## Asset disposals

- Completion of the sale of the Fund's minority shareholding in Enel group, for a total value of RON 650 mn.
- Completion of Hidroelectrica's IPO for a total value of RON 9,281.2 mn.
- Ongoing work on the IPO processes for listing Salrom.



## Investor relations activities

- Organized 10 road-shows where we met with 76 investment professionals and participated to 7 online and in-person investor conferences, where we discussed with representatives of 44 international asset managers.
- Held 73 additional conference calls and 36 in-person meetings with analysts, brokers, current and prospective investors.
- Organized 4 conference calls with analysts and investors on the Fund's latest updates and financial results.



## Share buybacks

- Execution of the 14<sup>th</sup> buy-back programme of 2,112.4 mn shares, at an average share price of RON 0.8600 per share<sup>1</sup>.

## Tender offer

- Execution of the 11<sup>th</sup> tender offer of 225 mn shares and the 12<sup>th</sup> tender offer of 1,670 mn shares in order to accelerate the 14<sup>th</sup> buy-back programme.

1. Based on the 2,112,378,889 repurchased shares (1,892,873,339 ordinary shares and 219,505,550 equivalent shares of the GDRs repurchased).

# DCM techniques based on the current IPS

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

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- Shareholders' approval for the 15<sup>th</sup> buy-back programme of 1.0 billion shares, to be executed during FY 2024.



## Cash distributions to shareholders

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- Dividend distribution for the 2023 FY was discussed with the Board of Nominees and proposed to shareholders on 25 March 2024.



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

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- Execution of the 14<sup>th</sup> buy-back programme.



## Building good communication through active investor relations work

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



**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 approval by the Government and Parliament of several Government Ordinances and Laws regulating the Romanian energy market, regarding measures applicable to final consumers of electricity and natural gas for the period 1 April 2022 to 31 March 2023, followed by the extension of the measures until August 2023, and afterwards until 31 March 2025.
- Breach of the implementation of the Corporate Governance Legislation (GEO 109/2011) by the Romanian State and several tentatives to change the legislation in Parliament.
- 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

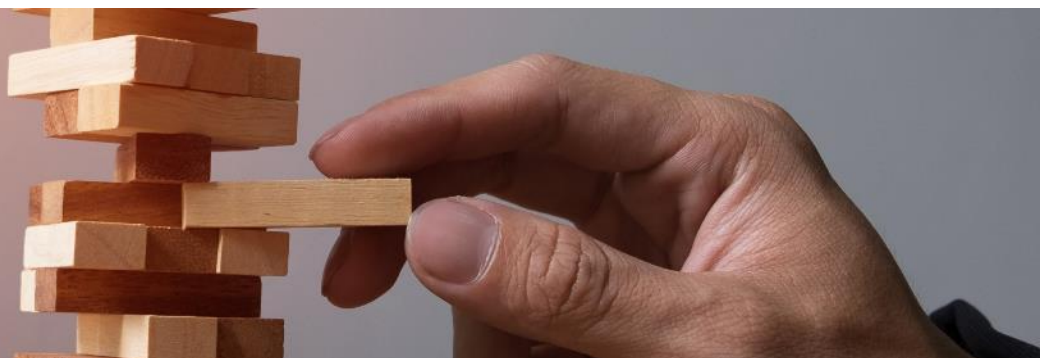
### Market conditions affecting the performance during the Reporting Period



- Geopolitical Uncertainty (Russia – Ukraine war)
- Electricity Prices
- Oil and Gas Prices
- Global Economic Risks driven by higher inflation and interest rates increases
- Market Sentiment in Emerging and Frontier Markets
- Overall markets volatility

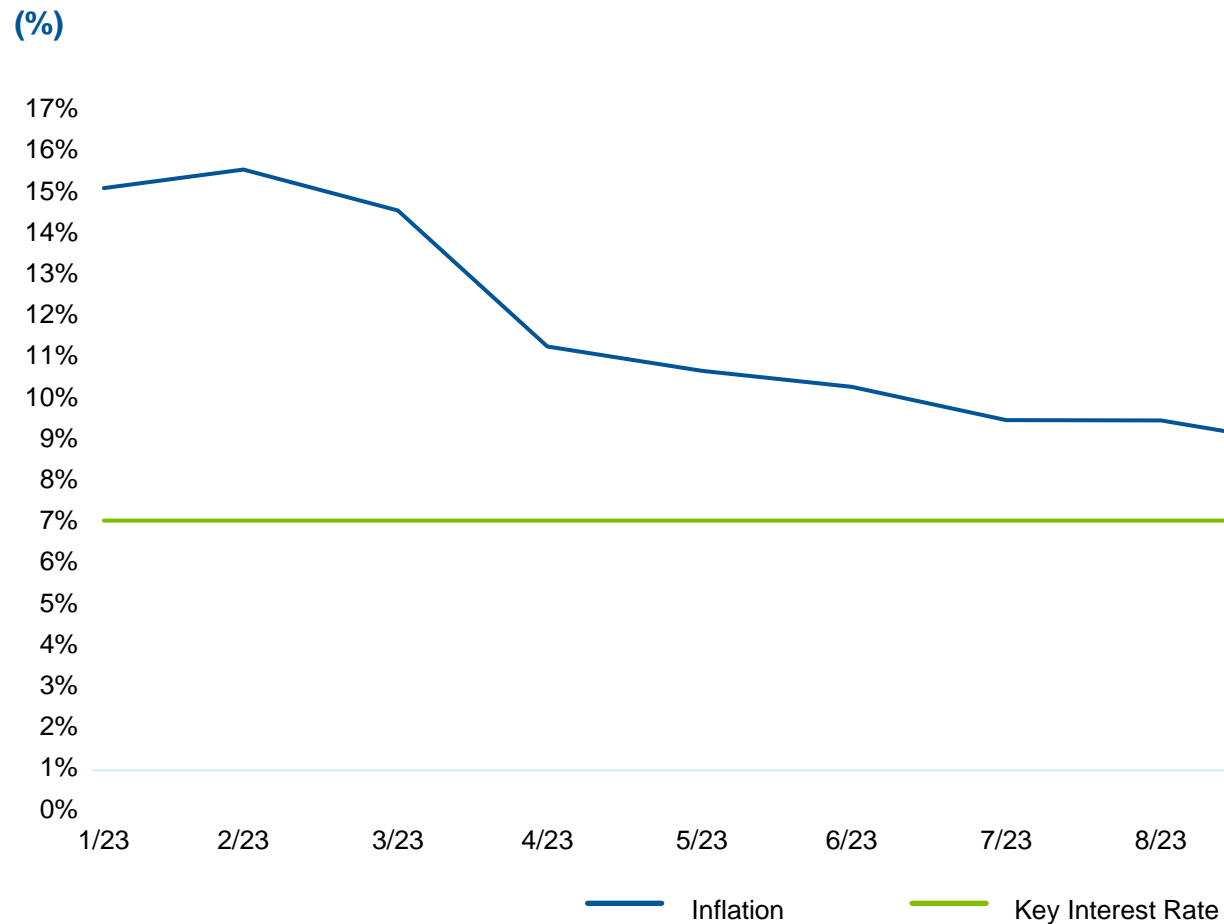
## General risks

### 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.
- Adverse regulatory developments.
- 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.

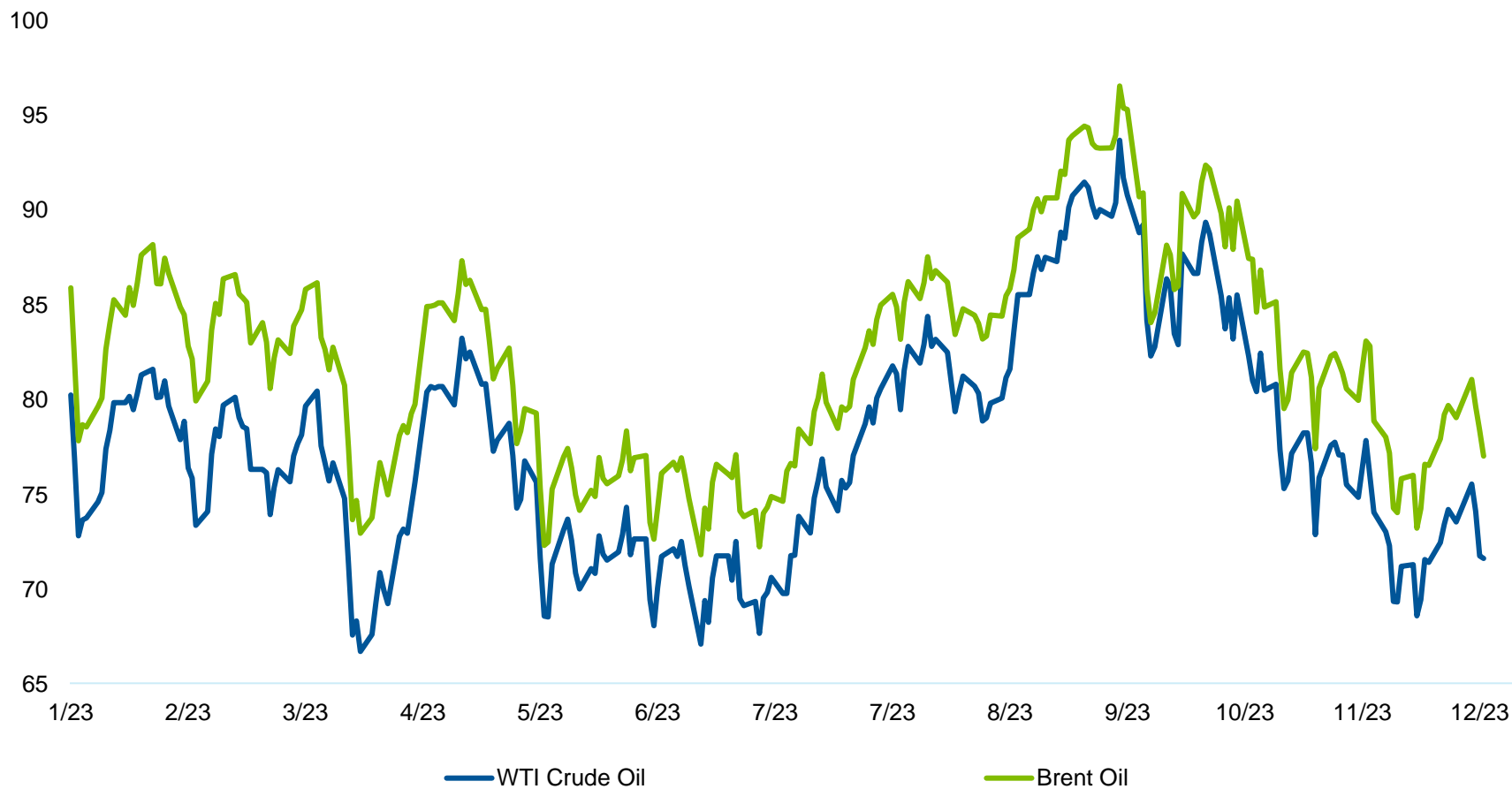
# Inflation vs. Key Interest Rate



Source: National Bank of Romania.

# Oil price volatility

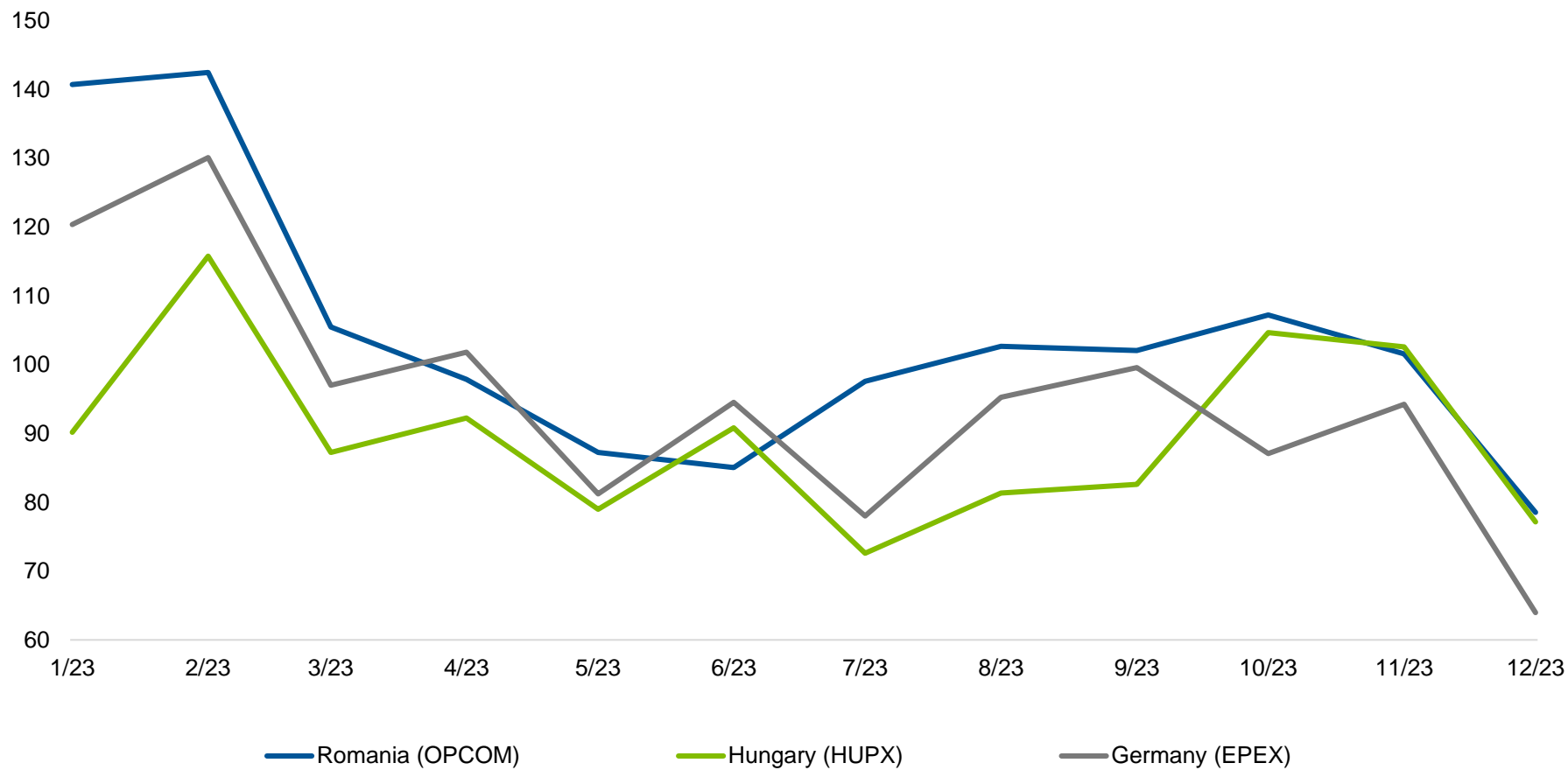
USD



Source: Bloomberg.

# Electricity prices volatility

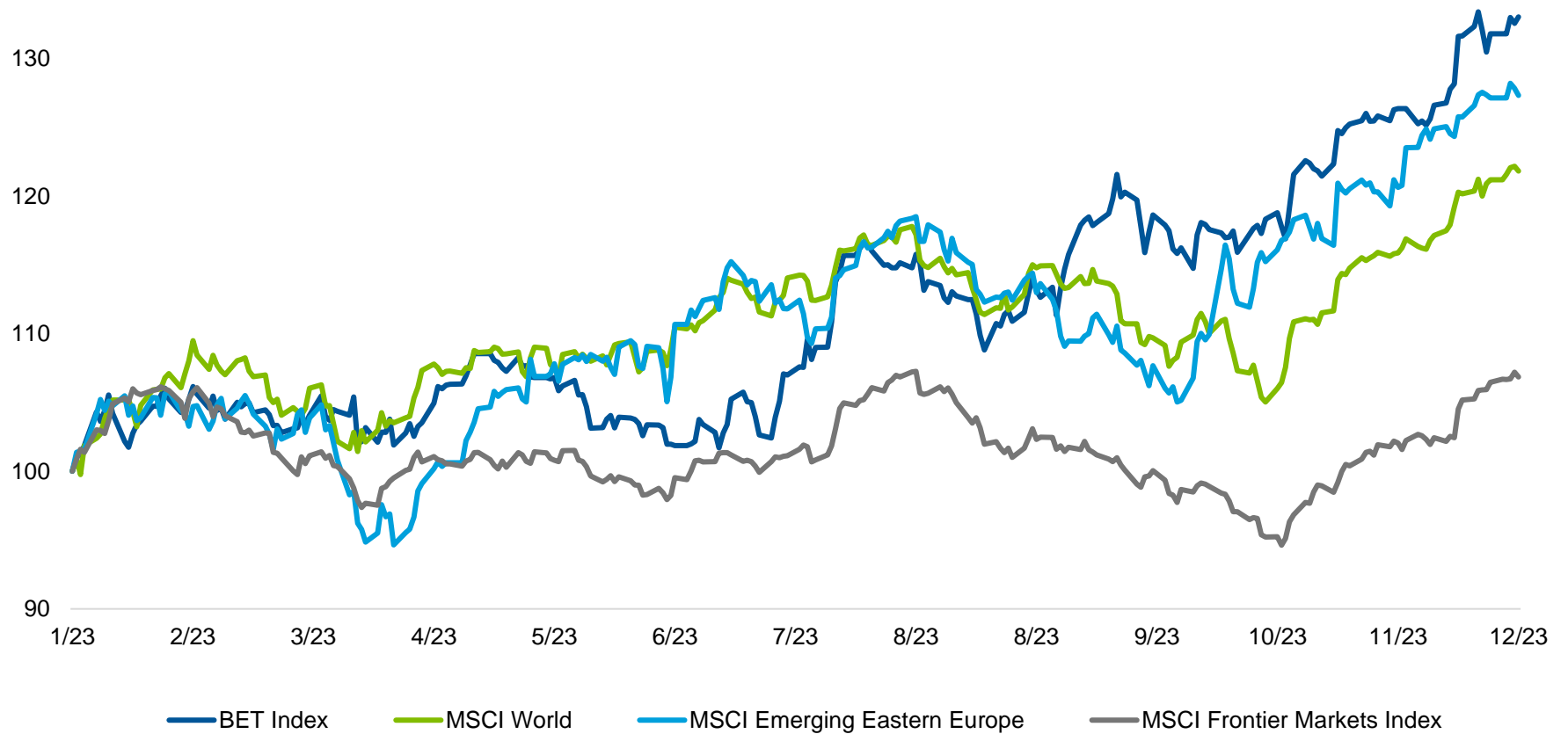
Average Wholesale Electricity Prices (EUR / MWh)



Source: Bloomberg.

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

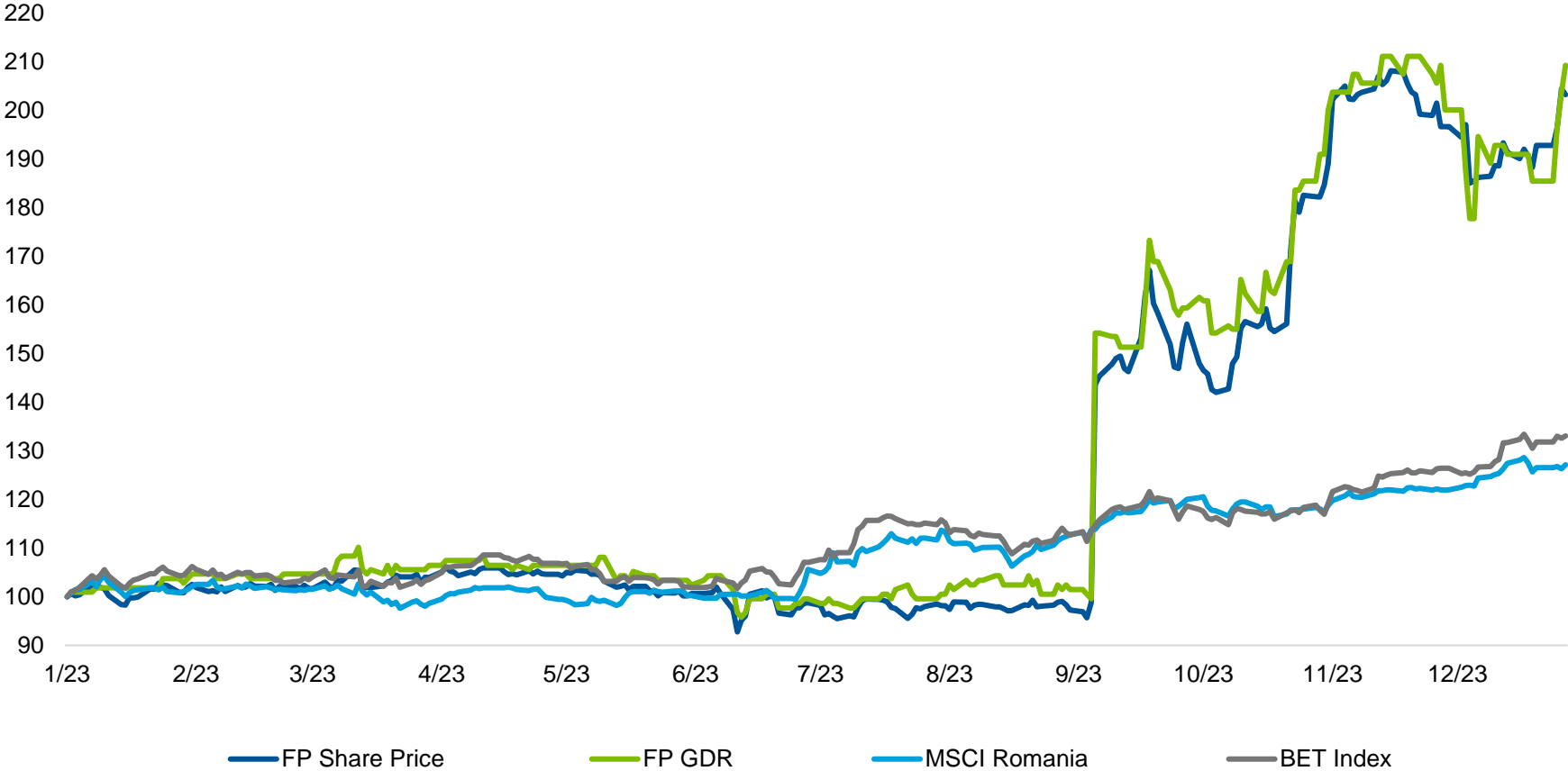
% (USD)



Source: Bloomberg.

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

% (USD)



Source: Bloomberg.





## Other developments during the Reporting Period

# Challenges

## Regulatory requirements in the energy sector

### Windfall tax

- Initially, between 1 November 2021 and 31 March 2022, Law no. 259/2021 introduced 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/MWh.
- Subsequently, GEO no. 27/2022 extended the timeline of the windfall tax until 31 March 2023 while keeping the 80% tax rate and the RON 450/MWh reference rate unchanged.
- Starting 1 September 2022, GEO no. 119/2022 extended the timeline for the windfall tax until 31 August 2023, increased the windfall taxation rate on electricity producers to 100% (from 80% previously) and broadened the scope of the windfall tax to electricity and gas traders on the wholesale market and to import/export and intra-EU electricity transactions.
- Law no. 357/2022 for the approval of GEO no. 119/2022, which entered into force on 16 December 2022, further extended the application of the windfall taxation until 31 March 2025.

### Caps for end-consumers prices

- Starting with 1 April 2022, the price caps at the level of electricity and gas end - consumers were implemented through GEO no. 27/2022 which was subsequently amended by several normative acts, most notably by GEO no. 119/2022 which extended the duration of the price caps at the level of electricity and gas end consumers from 31 March 2023 until 31 August 2023 and Law no. 357/2022 for the approval of GEO no. 119/2022 which among other adjustments further extended the duration of price-capping measures until 31 March 2025.
- The price-capping measures at the level of electricity and gas end-consumers continued to be implemented during 2023.

### Centralized electricity acquisition mechanism

- Through GEO no. 153/2022, adopted on 11 November 2022, the Government introduced from 1 January 2023 until 31 March 2025 the centralized electricity acquisition mechanism at the regulated price of RON 450/MWh.
- According to GEO no. 153/2022, the electricity producers in scope of the regulation would have to sell based on an annual and monthly centralised acquisition mechanism the available production to the electricity and natural gas market operator OPCOM at the above-mentioned regulated price.
- In the same time, OPCOM would sell at the same price of RON 450/MWh the electricity purchased through the centralised acquisition mechanism to the supply companies who have end-consumer portfolios and to the electricity transport operator Transelectrica and to the electricity distribution operators for covering their grid losses.
- The centralized electricity acquisition mechanism continued during 2023.

# Disclaimer (I)

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March 2024

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No information hereof is to be considered, under any circumstances, as an information provided in accordance with Article 23 of the AIFMD as such was transposed by Article 22 of Law no. 74/2015 on managers of alternative investment funds.

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.fondulproprietea.ro/about-fund/fund-overview/corporate-governance>.

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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 2,947,779,186.56.

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., 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 ("FTIS" or the "Fund Manager").

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

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