

# Fondul Proprietatea SA

Quarterly Report for the quarter ended  
30 September 2023



*This is a translation from the official Romanian version.*

# CONTENTS

List of Abbreviations .....	3
Activity of the Fund .....	5
Net Asset Value .....	14
Portfolio .....	17
Energy Sector .....	30
Corporate Strategy .....	35
Financial Information .....	40
Subsequent Events .....	47

## Annexes

- Annex 1** Condensed Interim Financial Statements for the nine-month period ended 30 September 2023, prepared in accordance with IAS 34 Interim Financial Reporting and applying the FSA Norm no. 39/ 2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated, and supervised by the FSA – Financial Investments and Instruments Sector
- Annex 2** Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 September 2023, prepared in accordance with FSA Regulation no. 7/2020 (Annex no. 11)

# List of Abbreviations

<b>ABB</b>	Accelerated Bookbuild
<b>Accounting Directive</b>	Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, with subsequent amendments
<b>AIF</b>	Alternative Investment Fund
<b>AIF Law</b>	Romanian Law no. 243/2019 on the regulation of alternative investment funds and amending and supplementing certain normative acts
<b>AIF Regulation</b>	Regulation no. 7/2020 on the authorisation and functioning of alternative investment funds, issued by the Financial Supervisory Authority
<b>AIFM</b>	Alternative Investment Fund Manager
<b>AIFM Directive</b>	Directive 2011/61/EU on Alternative Investment Fund Managers
<b>ANAR</b>	National Water Authority (RO: ANAR – Administratia Nationala Apele Romane)
<b>ANRE</b>	Romanian National Energy Regulatory Authority
<b>ATS</b>	Alternative Trading System
<b>BoN</b>	Board of Nominees of Fondul Proprietatea SA
<b>BVB</b>	Bucharest Stock Exchange
<b>CAEN</b>	Classification of Economic Activities in Romania
<b>CE Oltenia</b>	Complexul Energetic Oltenia SA
<b>CIIF</b>	Certification of Registration of Financial Instruments
<b>CSRD</b>	Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting
<b>DCM</b>	Discount Control Mechanism
<b>Depositary Bank/ Depositary</b>	BRD – Groupe Societe Generale SA
<b>Depozitarul Central SA</b>	Romanian Central Depositary
<b>EBIT</b>	Operating profit
<b>EBITDA</b>	Operating profit before depreciation and amortisation
<b>EGM</b>	Extraordinary General Shareholders Meeting
<b>ESG</b>	Environmental, Social and Governance
<b>EU</b>	European Union
<b>Fondul Proprietatea/ the Fund/ FP</b>	Fondul Proprietatea SA
<b>FSA</b>	Romanian Financial Supervisory Authority
<b>FT</b>	Franklin Templeton
<b>FTIS/ AIFM/ Sole Director</b>	Franklin Templeton International Services S.à r.l.
<b>GDP</b>	Gross Domestic Product
<b>GDR</b>	Global Depositary Receipt
<b>GEO</b>	Government Emergency Ordinance
<b>GEO no. 1/2020</b>	GEO no. 1/ 9 January 2020 regarding some fiscal-budgetary measures and the amendment and completion of some normative acts
<b>GEO no. 74/2020</b>	GEO no. 74/ 19 May 2020 for modifying the Romanian Energy Law no. 123/2012
<b>GEO no. 108/2022</b>	GEO no. 108/2022 regarding the decarbonisation of the energy sector

<b>GEO no. 119/2022</b>	GEO no. 119/2022 regulating the Romanian energy market and which further amends GEO no. 27/2022 on the measures applicable to final consumers of electricity and natural gas for the period 1 April 2022 to 31 March 2023
<b>GO</b>	Government Ordinance
<b>GRI</b>	Global Reporting Initiative
<b>GSM</b>	General Shareholders Meeting
<b>H1/ H2</b>	First/ second semester
<b>IFRS</b>	International Financial Reporting Standards as endorsed by the European Union
<b>INS</b>	Romanian National Institute of Statistics
<b>IMF</b>	International Monetary Fund
<b>IPO</b>	Initial Public Offering
<b>IPS</b>	Investment Policy Statement
<b>Law no. 334/2022</b>	Law no. 334/2022 regarding the approval of GEO no. 108/2022 regarding the decarbonisation of the energy sector
<b>Law no. 296/2023</b>	Law no. 296/2023 regarding some fiscal-budgetary measures for ensuring the long-term financial sustainability of Romania
<b>LSE</b>	London Stock Exchange
<b>NAV</b>	Net Asset Value
<b>NBR</b>	National Bank of Romania
<b>Norm no. 39/ 2015</b>	FSA Norm no. 39/ 2015 regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated, and supervised by the FSA – Financial Investments and Instruments Sector
<b>OCR</b>	Ongoing charge ratio
<b>OGM</b>	Ordinary General Shareholders Meeting
<b>PNRR</b>	National Recovery and Resilience Plan
<b>Q1/ Q2/ Q3/ Q4</b>	First/ second/ third/ fourth quarter
<b>REGS</b>	Main market (Regular) of Bucharest Stock Exchange
<b>RRR</b>	Regulatory Rate of Return
<b>Salrom</b>	Societatea Nationala a Sarii SA
<b>SME</b>	Small and Medium Enterprise
<b>SOE</b>	State owned entities
<b>TER</b>	Total expense ratio
<b>TO</b>	Tender Offer
<b>Water Law</b>	Romanian Water Law no. 107/1996
<b>9M</b>	Nine-month period

# Activity of the Fund

## The Fund

Fondul Proprietatea was incorporated on 28 December 2005 as a joint stock company operating as a closed-end investment company. The duration of Fondul Proprietatea is until 31 December 2031 and this may be extended by the EGM with additional periods of 5 years each.

The Fund is registered with the Bucharest Trade Registry under the number J40/21901/2005 and has the sole registration code 18253260.

The main activities of the Fund according to the National Statistics CAEN and the Fund's own Constitutive Act are the business of operating mutual funds and other similar financial entities (CAEN reference 643) and the main activity is financial investments (CAEN reference 6430).

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

On 28 January 2022, FSA authorised Fondul Proprietatea as an AIF closed-end type intended to retail investors, with BRD Groupe Société Générale as depositary. The Fund is registered with the FSA Registry – Section 9 – 'Alternative Investment Funds' under no. PJR09FIAIR/400018 as Alternative Investment Fund intended for retail investors.

Since 25 January 2011, the Fund's shares have been listed on BVB. Since 29 April 2015, the Fund's GDRs issued by The Bank of New York Mellon as GDR Depositary, having the Fund's shares as support, have been listed on the Specialist Fund Market of LSE.

### Share information

Primary listing	Bucharest Stock Exchange – since 25 January 2011
Secondary listing	London Stock Exchange – since 29 April 2015
BVB symbol	FP
LSE symbol	FP.
Bloomberg ticker on BVB	FP RO
Bloomberg ticker on LSE	FP/ LI
Reuters ticker on BVB	FP.BX
Reuters ticker on LSE	FPq.L
ISIN	ROFPTAACNOR5
FSA register no	PJR09FIAIR/400018/28.01.2022
LEI code	549300PVO1VWBFH3DO07
CIIF registration no	AC-4522-10/16.10.2023

## Management of the Fund

During the reporting period, the Fund was managed by FTIS as its Sole Director and AIFM under the AIFM Directive and local implementation regulations, based on the Management Agreement in force between 1 April 2022 – 31 March 2024. The portfolio management and the administrative activities are performed by FTIS via its Bucharest Branch. As at 30 September 2023, Johan Meyer is the permanent representative of the AIFM, being also the portfolio manager of the Fund.

During 25 September 2023 GSM the shareholders approved the renewal of FTIS mandate as Sole Director and AIFM of Fondul Proprietatea for a duration of 1 year (1 April 2024 - 31 March 2025). During the same GSM the shareholders also approved that the BoN should launch a transparent and competitive selection procedure for the appointment of a new Sole Director starting 1 April 2025 – for more details please see section *GSM during the reporting period*.

## Shareholder structure

### Shareholder structure as at 30 September 2023

Shareholder categories <sup>1</sup>	% of subscribed and paid-up share capital	% of voting rights
Romanian institutional shareholders	37.71%	44.60%
Romanian private individuals	22.58%	26.71%
Foreign institutional shareholders	10.28%	12.16%
Romanian State represented by Ministry of Finance	5.96%	7.05%
The Bank of New York Mellon (GDRs) <sup>2</sup>	4.84%	5.72%
Foreign private individuals	3.18%	3.76%
Treasury shares <sup>3</sup>	15.45%	-

Source: Depozitarul Central SA

1. Information provided based on settlement date of transactions

2. The shares underlying the GDRs issued by the Bank of New York Mellon are held in the name of the Bank of New York Mellon and for the account of the GDRs holders. Fondul Proprietatea held 13,715 GDRs as at 30 September 2023.

3. 549,019,085 treasury shares acquired in 2022 within the 13<sup>th</sup> buyback program and 411,528,519 treasury shares acquired in 2023 within the 14<sup>th</sup> buyback program. As a general rule, the GDRs held by the Fund and not converted are included under The Bank of New York Mellon's position for the paid-up shareholders structure, similar with the records provided by the Central Depository, while the GDRs held by the Fund are deducted from The Bank of New York Mellon's position for the voting rights shareholder structure.

As at 30 September 2023, the Fund had 22,736 shareholders and the total number of voting rights was 5,256,591,859.

### Largest shareholders

Shareholder	Latest ownership disclosure	% of voting rights
NN Private Pension Funds	11 April 2022	11.24%
Ministry of Finance	1 April 2022	5.97%
Allianz-Tiriac Private Pension Funds	1 July 2019	5.05%
Metropolitan Life Pension Fund and Metropolitan Insurance	10 May 2023	5.13%
Silver Point Capital Funds	5 April 2023	4.89%

Source: ownership disclosures submitted by shareholders

### GDR facility

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations, or 41,452,168 GDRs (2,072,608,400 shares equivalent) as at 30 September 2023, each GDR representing 50 shares. As at 30 September 2023, 301,126,900 of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depository bank, accounting for 6,022,538 GDRs, representing 14.5% of the GDR facility.

## Share capital information

	30 September 2023	31 December 2022	30 September 2022
Issued share capital (RON)	3,233,269,110.76	3,233,269,110.76	3,334,342,422.84
Paid in share capital (RON)	3,233,269,110.76	3,233,269,110.76	3,334,342,422.84
Number of shares in issue	6,217,825,213	6,217,825,213	6,412,196,967
Number of paid shares	6,217,825,213	6,217,825,213	6,412,196,967
Nominal value per share (RON)	0.52	0.52	0.52

Source: National Trade Registry

The share capital decrease as a result of the cancellation of the 549,019,085 own shares acquired by Fondul Proprietatea during 2022 within the 13th buy-back programme was finalised on 12 October 2023. For more details, please see section *Subsequent events*.

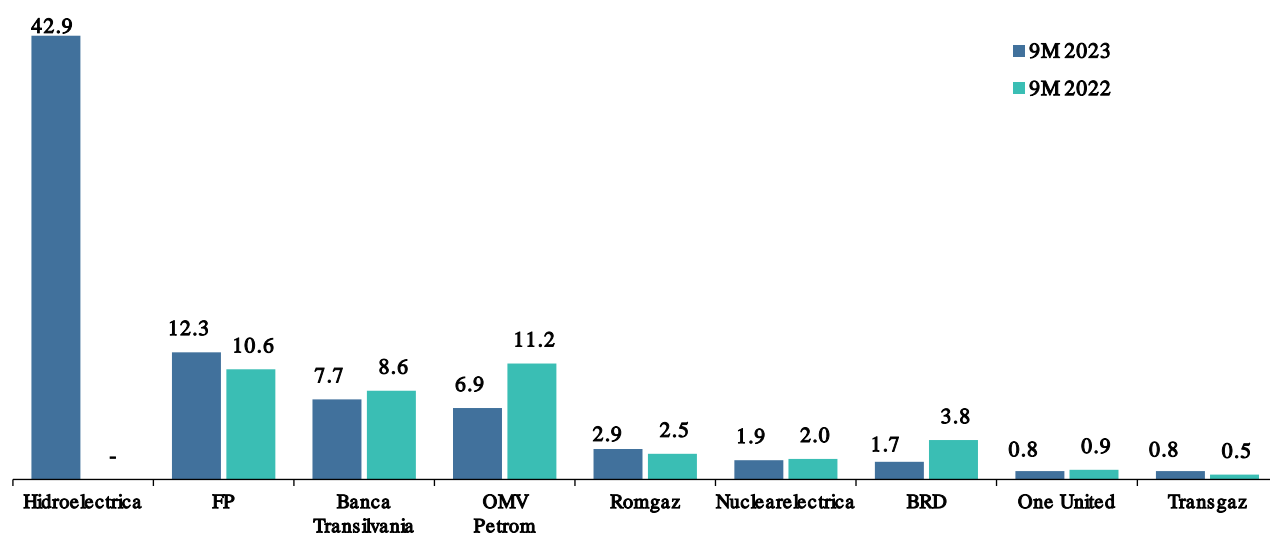
## Capital markets

In the third quarter of 2023, BVB registered the strongest performance in local currency terms and second-best performance in EUR terms compared to the largest markets in Central Europe, as shown in the table below:

% Change in Q3 2023	in local currency	in EUR
<b>BET-TR Index</b>	<b>29.3%</b>	<b>28.6%</b>
BUX Index	27.5%	30.5%
PX Index	12.3%	11.1%
WIG20 Index	6.9%	8.2%
ATX Index	1.3%	1.3%

Source: Bloomberg

## Average Daily Turnover (RON million)



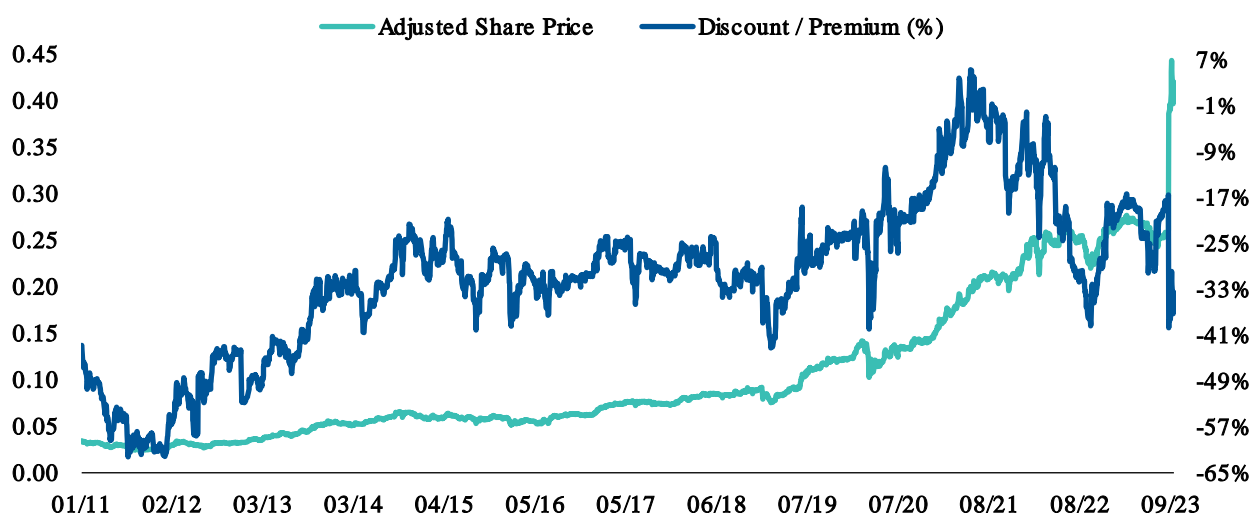
Source: BVB, Bloomberg

Note: The values for FP, OMV Petrom and Romgaz also include the GDR trading on LSE. The values for FP include the tender offers settled in March 2023 and June 2022. The values for OMV Petrom include the ABB finalised by the Fund in January 2022.

The average daily turnover for Hidroelectrica SA was calculated for the period 12 July 2023 (first trading day on BVB) – 30 September 2023 and does not include the value of the IPO carried by the Fund and settled on 10 July 2023.



### Fund's Adjusted Share Price (RON/share) and Premium / (Discount) History (%)



Source: Bloomberg for Adjusted Share Price (price adjusted with cash distributions), Fund Manager calculations for Discount / Premium

Note: The (discount) / premium is calculated in accordance with the IPS i.e. the (discount) / premium between the FP shares closing price on the BVB - REGS for each trading day and the latest published NAV per share at the date of calculation. However, the discount to NAV for the trading days 7-14 September 2023 was calculated based on the 31 August 2023 NAV (published on 15 September 2023), in order to eliminate the mismatch between the NAV per share and FP BVB market price that was adjusted on 7 September 2023 (the Ex-date of 29 September 2023 dividend distribution).

## Performance objectives

According to the Management Agreement in force starting with 1 April 2022, the first reporting period of the mandate is from 1 January 2022 until 31 December 2022 and the second reporting period is from 1 January 2023 until 31 December 2023.

In accordance with the Fund's IPS, there are two performance objectives that the AIFM is aiming to achieve. The NAV objective refers to an Adjusted NAV per share<sup>1</sup> in the last day of the reporting period higher than the reported NAV per share as at the end of the previous reporting period. The discount objective implies the discount between the closing price of the Fund's shares on BVB – REGS and the latest reported NAV per share to be equal to, or lower than 15%, in at least 2/3 of the trading days in the reporting period.

### Discount Objective – second reporting period – interim monitoring

In the period 1 January 2023 - 30 September 2023, the discount to NAV was above 15% in all trading days. The discount for the period 7-14 September 2023 was calculated based on 31 July 2023 NAV per share (in which the dividend distribution from Hidroelectrica IPO proceeds, approved during 18 August 2023 GSM, was not reflected) and the corresponding FP closing price on BVB, which was adjusted on 7 September 2023, the Ex-date for 29 September 2023 dividend distribution. This mismatch was eliminated following the publication of 31 August 2023 NAV on 15 September 2023.

<sup>1</sup> The adjusted NAV for a given date is calculated as the sum of: (i) the reported NAV as at the end of the Reporting Period; (ii) any distributions to shareholders, being either dividend or non-dividend ones (i.e. in the last case following reductions of the par value of the shares and distribution to the shareholders), implemented after the end of the previous Reporting Period, and (iii) any distribution fee and any transaction/ distribution costs relating to either dividend or non-dividend distributions including buy-backs of shares/ GDRs/ depositary interests executed through daily acquisitions or public tenders after the end of the previous Reporting Period. The adjusted NAV per share is equal to the adjusted NAV divided by the total number of the Fund's paid shares, less FP ordinary shares bought back and less equivalent in FP ordinary shares of FP GDRs acquired and not yet converted into FP ordinary shares, on the last day of the Reporting Period. For more details, please refer to the IPS available on the Fund's webpage.



	Discount at 3 Jan 2023	Discount at 30 Sep 2023	Average Discount 3 Jan – 30 Sep 2023	Discount Range 3 Jan – 30 Sep 2023
Share price	-18.8%	-33.5%	-23.8%	min -16.4%/ max -84.0%
GDR	-20.1%	-37.6%	-23.9%	min -15.6%/ max -84.5%

Source: Fund Manager calculations

Note: discount is calculated according to the IPS, based on the latest published NAV per share available for the day of the calculation

The table below presents information regarding the average discount and discount range under the assumption that 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):

	Average Discount 3 Jan – 30 Sep 2023	Discount Range 3 Jan – 30 Sep 2023
Share price	-22.3%	min -16.4%/ max -39.7%
GDR	-22.5%	min -15.6%/ max -40.8%

Source: Fund Manager calculations

Note: 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

The AIFM will continue its efforts to minimise the discount to NAV, through close collaboration with underlying portfolio assets to improve governance, efficiency, and profitability, as well as ongoing implementation of the Discount Control Mechanism, transparent communication, and disclosure, supported by proactive investor relations.

### NAV Objective – second reporting period – interim monitoring

The Adjusted NAV per share as at 30 September 2023 was RON 2.4814 per share, 3.45% lower than the 31 December 2022 NAV per share of RON 2.5701.

NAV Objective	Amount RON	Details
<b>Total NAV as at 30 Sep 2023</b>	<b>3,372,785,127</b>	
Dividend distributions after 31 Dec 2022	9,450,090,560	Gross dividend distributions of (1) RON 0.05 per share with Payment Date 6 Jun 2023 and of (2) RON 1.7225 per share with Payment date 29 Sep 2023
Distribution fees for dividend distributions performed after 31 Dec 2022	165,343,381	Distribution fee for the 2 dividend distributions mentioned above
Distribution fees for buy-backs after 31 Dec 2022	17,337,618	Distribution fees for buy-backs
Costs related to buy-backs after 31 Dec 2022	6,313,206	Fees related to the buy-back programmes, excluding the distribution fees for buy-backs
Costs related to dividends paid after 31 Dec 2022	60,601	Central Depository and Paying Agent fees
<b>Total Adjusted NAV as at 30 Sep 2023</b>	<b>13,011,930,493</b>	
Number of Fund's paid shares, less treasury shares and GDRs held as at 30 Sep 2023	5,243,849,514	
<b>Adjusted NAV per share as at 30 Sep 2023</b>	<b>2.4814</b>	
<b>NAV per share as at 31 Dec 2022</b>	<b>2.5701</b>	
<b>Difference</b>	<b>(0.0887)</b>	
<b>%</b>	<b>-3.45%</b>	

Source: Fund Manager calculations

The Adjusted NAV per share at 30 September 2023 is lower than 31 December 2022 NAV per share mainly as a result of the adjustment in Hidroelectrica SA valuation, as part of the IPO process finalised at the beginning of July. The final IPO price was RON 104 per share, which implied a 16.8% (RON 1.87 billion) decrease vs. the valuation in 31 December 2022 NAV.

The Sole Director is committed to its continued efforts towards protecting shareholders' value and implementing the necessary measures in accordance with the IPS to address the volatile environment which marked the last years.

In January the AIFM started the implementation of the 14<sup>th</sup> buyback programme, including a Tender offer for 225 million shares of the Fund (in the form of ordinary shares and GDRs) that was completed on 13 March 2023. A second tender offer was approved by the FSA on 24 October 2023, and this is currently ongoing – for more details please see section *Subsequent events*.

Also, during the 21 April 2023 GSM and 18 August 2023 GSM the shareholders approved the following dividend distributions: (1) of RON 0.05 per share with payment date on 6 June 2023 and (2) of RON 1.7225 per share with payment date on 29 September 2023. Following the above, the total distributions to the Fund's shareholders (including dividend distributions and buy-back transactions) during the nine-month period ended 30 September 2023 amount to RON 10.2 billion.

## Investor relations

In the third quarter of the year, in our efforts to increase the visibility and the profile of the Fund, as well as the local capital market, and Romania, to a broader international institutional investor base, the Fund's management team organised two road-shows in the United States and the United Kingdom and met with 11 investment firms interested in finding out more details about Fondul Proprietatea and its equity story, and in receiving updates on the Fund, its corporate actions, and the main portfolio holdings, as well as on the Romanian macroeconomic environment.

During the July - September, we also participated to one investor conference in Bucharest, meeting with investment professionals from 11 asset managers and brokers.

On 31 August, we organised a conference call to present and discuss the Fund's first six months results. 24 analysts and investors participated to the call and received information regarding the financial results published on the same day.

Furthermore, during the third quarter of the year, we organised 23 conference calls and 9 in-person meetings with institutional investors and financial analysts covering Fondul Proprietatea, interested in the latest developments regarding the Fund's corporate actions, and its portfolio companies.

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 their feedback as we continue to focus on maximising shareholder value.

## GSM during the reporting period

### 18 August 2023 GSM

#### Convening the 18 August 2023 GSM

On 12 July 2023, the Fund Manager convened an GSM for 18 August 2023 for approving the payment of a special dividend with a gross value of RON 1.4942 per share from retained earnings, out of the proceeds from the Hidroelectrica SA IPO.

Dividend per share was calculated based on the amount of RON 8,064,301,072 collected on 10 July 2023 from the sale of 78,007,110 Base Deal shares in Hidroelectrica IPO and the total number of voting rights as at 30 June 2023 as per the information provided by the Central Depository.

### Supplementing the convening notice of 18 August 2023 GSM

On 28 July 2023, the Fund received from the Ministry of Finance, as a shareholder holding more than 5% in the share capital of the Fund, a request to supplement the agenda of the GSM convened for 18 August 2023 with an additional point:

- approving the payment of a special dividend with a gross value of RON 1.7225 per share out of the amount of RON 9,281,212,040 resulting from Hidroelectrica SA IPO.

The proposal of the Ministry of Finance came shortly after the end of the stabilisation period, further to which the Fund sold 11,701,067 additional shares in Hidroelectrica SA and collected additional gross proceeds of RON 1,216,910,968, resulting in total proceeds collected from the IPO of RON 9,281,212,040.

On 1 August 2023, the Fund published the supplemented convening notice, containing the 2 points, clarifying that only one of the two items can be implemented and consequently shareholders should vote in favour of only one of the items.

### Resolutions adopted during 18 August 2023 GSM

During 18 August 2023 GSM, the shareholders of the Fund approved the payment of a special dividend with a gross value of RON 1.7225 per share from the retained earnings according to the latest available audited financial statements, with Payment Date 29 September 2023, Registration Date 8 September 2023, and Ex-date 7 September 2023. The payment was made out of the proceeds collected from the Hidroelectrica SA IPO and by 30 September 2023 approximately 89.0% of the total distribution amount was collected by shareholders.

### 25 September 2023 GSM

#### Convening the 25 September 2023 GSM

On 17 August 2023, the Fund Manager convened a GSM for 25 September 2023 having on the agenda the following main points:

- Renewal of the mandate of FTIS as Sole Director and AIFM of Fondul Proprietatea, for a duration of 4 years (1 April 2024 - 31 March 2028);
- Appointment of a new Sole Director and AIFM of Fondul Proprietatea for a mandate of 4 years (1 April 2024 - 31 March 2028), **subject to the first point above not being approved;**
- Appointment for a period of 3 years of two members in the Board of Nominees of Fondul Proprietatea following the expiration of two mandates on 15 November 2023 and 25 November 2023, respectively;
- Amendment of Article 19 (3) of the Fund's Constitutive Act for increasing the AIFM mandate term from 2 to 4 years, **subject to the approval by the GSM of any of the first 2 points above.**

#### Supplementing the convening notice for the 25 September 2023 GSM

On 6 September 2023 the Fund received from the Ministry of Finance, holding 5.96% of the Fund's share capital, a request to supplement the agenda of the OGM and EGM convened for 25 September 2023, as follows:

- Alternative to item 1 of the OGM Convening Notice - renewal of FTIS mandate as Sole Director and AIFM of the Fund for a period of 1 year (1 April 2024 - 31 March 2025);
- Alternative to item 2 of the OGM Convening Notice - launch a transparent and competitive selection procedure for the appointment of a new Sole Director based on investment expertise and experience for a mandate not exceeding 4 years from 1 April 2024. The BoN is empowered to initiate, organise the transparent selection procedure for a new Fund

Manager and to establish new objectives, performance criteria and remuneration conditions realigned with these objectives and present them for approval by the GSM;

- Amendment of the conditions of evaluation and remuneration of the Fund Manager in line with the new objectives and in accordance with international best practices. The BoN is empowered to establish new terms and conditions for the evaluation and remuneration of the Fund Manager corresponding to the new objectives, in line with international best practices and present them for approval by the GSM;
- Alternatively to item 1 of the EGM Convening Notice - the AIFM mandate shall not exceed 2 years, with the possibility of re-election. The AIFM will call an OGM to be held at least 6 months before the expiry of the AIFM mandate and will ensure that the agenda of the OGM will include points granting the options to (i) approve the renewal of the AIFM's mandate, (ii) appoint a new AIFM in accordance with the legal provisions in force, with the shareholders being granted the opportunity to propose candidates for such position; the agenda will also include provisions for the authorisation of the negotiation and execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorisation and legal completion of such appointment.

### **Resolutions adopted during 25 September 2023 GSM**

During 25 September 2023 GSM, the shareholders of the Fund approved the following main points:

- appointment of Mr. Ciprian Ladunca as member of the BoN for a period of 3 years, following the expiration of the mandate of Mr. Ciprian Lăduncă on 15 November 2023;
- appointment of Mrs. Ilinca von Derenthall as member of the BoN for a period of 3 years, following the expiration of the mandate of Mrs. Ilinca von Derenthall on 25 November 2023;
- renewal of FTIS mandate as Sole Director and AIFM of Fondul Proprietatea, for a duration of 1 year (1 April 2024 - 31 March 2025);
- approval to launch a transparent and competitive selection procedure for the appointment of a new sole director based on investment expertise and experience for a mandate not exceeding 4 years from 1 April 2024. The empowerment of the BoN to initiate, organize the transparent selection procedure for a new Fund Manager and to establish new objectives, performance criteria and remuneration conditions realigned with these objectives and present them for approval by the GSM;
- amendment of the conditions of evaluation and remuneration of the Fund Manager in line with the new objectives and in accordance with international best practices. The approval of the empowerment of the BoN to establish new terms and conditions for the evaluation and remuneration of the manager of the Fund corresponding to the new objectives, in line with international best practices and present them for approval by the GSM;
- amendment of Article 19 (3) of the Constitutive Act of the Fund, as follows: (3) The mandate of the AIFM shall not exceed 2 years, with the possibility of re-election. The AIFM will call an OGM to be held at least 6 months before the expiry of the AIFM mandate and will ensure that the OGM agenda will include points granting the options to (i) approve the renewal of the AIFM's mandate, (ii) appoint a new AIFM, with the shareholders being granted the opportunity to propose candidates for such position; the agenda will also include provisions for the authorisation of the negotiation and execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorisation and legal completion of such appointment.

## ESG

The European Union has set in motion a legislative programme to make environmental, social and governance concerns a central plank of regulation in the financial services industry.

### Taxonomy Regulation

The investments underlying Fondul Proprietatea do not take into account the EU criteria for environmentally sustainable economic activities, including enabling or transitional activities, within the meaning of the Taxonomy Regulation.

### Corporate Sustainability Reporting Directive

On 28 November 2022, the European Parliament adopted Directive (EU) 2022/2464 regarding corporate sustainability reporting, published in the Official Journal of the European Union on 16 December 2022. The requirements will start to apply between 2024 and 2028, and the Member States have to transpose the directive into local legislation so that it applies from 1 January 2024.

According to the provisions in CSRD, there is an explicit exemption for alternative investment funds in respect of the applicability of reporting requirements on sustainability information based on the provisions introduced in the revised Accounting Directive, Article 1 Scope, paragraph 4.

On 15 June 2023, the FSA published on its website for public consultation a draft norm amending FSA Norm no. 39/2015, implementing CSRD requirements for Fondul. Based on the provisions of this draft norm, similarly to the provisions of CSRD, there is a specific exemption from the reporting requirements on sustainability information applicable in case of the Fund.

The Fund will continue to monitor the implementation of the directive requirements within the national legislation, during the following reporting periods.

## Macroeconomic environment

According to the IMF<sup>1</sup>, the global economy experiences a gradual recovery from the powerful blows of the COVID 19 pandemic and Russia's unprovoked war on Ukraine, with supply-chains largely recovered and inflation still at high rates that continue to affect purchasing power.

**Global GDP growth**<sup>1</sup> is projected at 3.0% in 2023 and 2.9% in 2024. For Romania, the **real GDP growth**<sup>1</sup> for 2022 was 4.7% and this is expected to drop to 2.2% in 2023 and increase to 3.8% in 2024.

IMF projections from October 2023<sup>1</sup> forecast **global inflation** to fall steadily from 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024. According to Eurostat<sup>2</sup>, the EU annual inflation rate was 4.3% in September 2023, down from 5.5% in June. For Romania, according with National Statistics Institute<sup>3</sup> the annual **inflation rate** in September 2023 was 8.8%.

According to the monthly BVB report<sup>4</sup> for September 2023, the Romanian **capital market** increased by 29.3% in the first nine months, taking into account the BET-TR index, while total liquidity was over RON 26.3 billion. Also, at the end of September 2023 the number of investors in the Romanian capital market reached 160,000, a level that represents an all-time high.

On 11 January 2023, the Board of the National Bank of Romania once again raised its key **monetary policy rate** by 0.25% to 7.0%, this representing the eighth consecutive rate hike, in line with the trend followed by most central banks across the world. Whilst the potential for further interest rates increases is high, we expect inflationary pressure to be more subdued through the fourth quarter of 2023. With the right mix of fiscal and economic policy, Romania once again has strong prospects to become one of the best performing economies in the European Union.

<sup>1</sup> World Economic Outlook, April, July, and October 2023, [www.imf.org](http://www.imf.org)

<sup>2</sup> Eurostat – Euro Indicators Publication no. 116/18 October 2023, [www.ec.europa.eu/eurostat](http://www.ec.europa.eu/eurostat)

<sup>3</sup> National Institute of Statistics, Press Release no. 257/ 12 October 2023, [www.insse.ro](http://www.insse.ro)

<sup>4</sup> BVB – Monthly report – September 2023, [www.bvb.ro](http://www.bvb.ro)



# Net Asset Value

## NAV methodology

The key performance indicator of the Fund is its Net Asset Value. The Fund is required to publish a monthly net asset value per share in accordance with the local rules issued by the capital market regulator, no later than 15 calendar days after the reporting month end and after the dates when share capital changes are recorded within Trade Registry.

All NAV reports are published on the Fund's website together with the share price and discount/premium information.

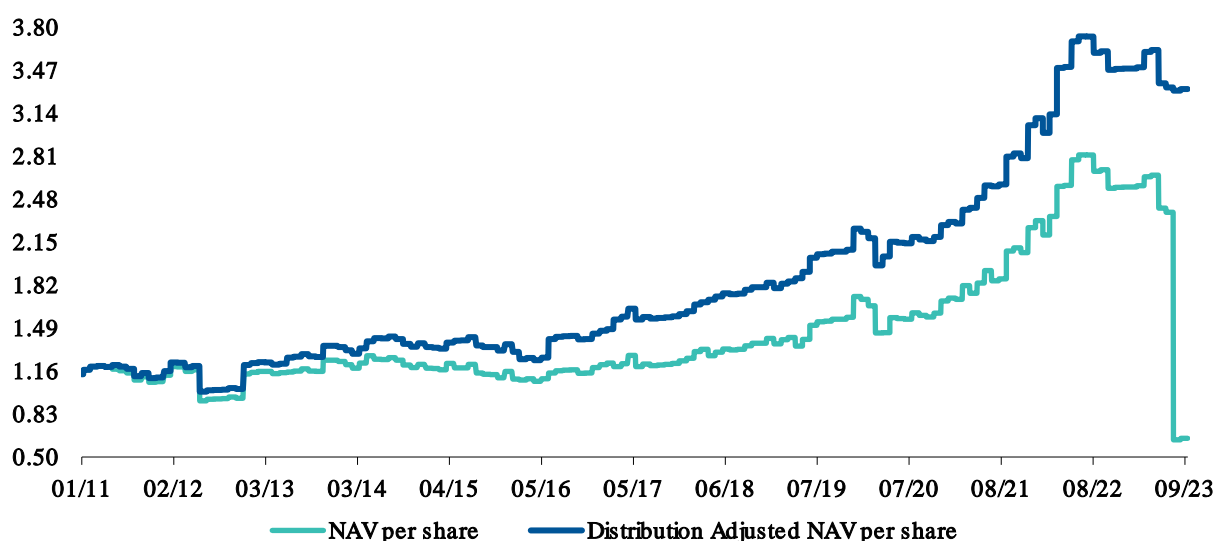
Starting with 28 January 2022, the date when the Fund's registration process as an AIF with the FSA was finalised, the Fund started to apply the Romanian AIF Law (Law no. 243/2019) and AIF Regulation (Regulation no. 7/2020).

Listed securities are valued either at closing market prices if listed on regulated markets, or at reference prices if listed on an ATS. Illiquid and unlisted securities are valued using the fair value determined either by reference to published prices on the stock exchange where shares are traded (listed securities) or assessed using valuation techniques in accordance with International Valuation Standards. The holdings in the companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity are valued at zero.

The treasury shares acquired through buy-backs are excluded from the number of shares used in the NAV per share computation. Due to the fact that in substance the Fund's GDRs are similar to the ordinary shares to which they correspond, in the computation of the number of shares used for the NAV per share calculation, the equivalent number of shares corresponding to the GDRs bought back and held by the Fund as at the NAV reporting date is also deducted, together with the number of ordinary own shares bought back and held.

## NAV evolution

### Evolution of distribution adjusted NAV per share



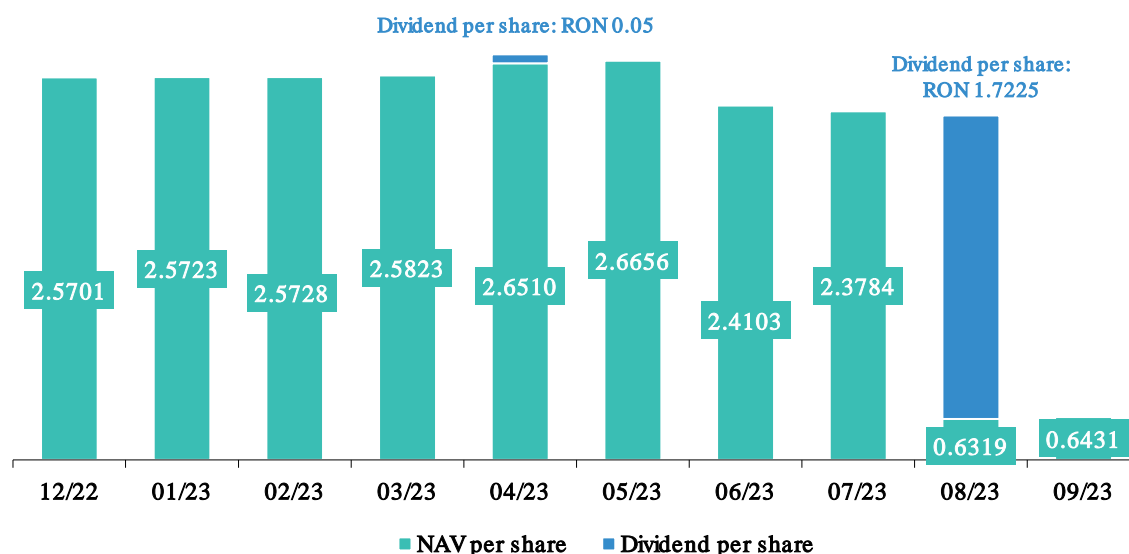
Source: Fund Manager calculations

Note: Distribution Adjusted NAV per share is calculated as the NAV per share for the respective month plus the cumulated cash distributions per share since the start of FT mandates



### Evolution of the NAV per share (RON)

The following chart shows information on the monthly published NAVs per share for the period from 31 December 2022 to 30 September 2023:



Source: Fund Manager calculations

During the **first quarter of 2023**, the NAV per share had an increase of 0.5% compared to the end of the previous year, mainly due to the tender offer within the 14<sup>th</sup> buyback programme that was finalised in March and also due to the slight net increase in the value of listed holdings.

During the quarter, the Fund has also performed an analysis of the unlisted holdings valuation based on the most recent information available (market multiples, updated financial information, business plans, changes in legislation) and concluded that there were no significant changes. As a result, no updates were required to the valuation of the unlisted holdings in the portfolio.

During the **second quarter of 2023**, the NAV per share had an overall decrease of 6.7% compared to the end of the first quarter, mainly due to the valuation update of the holding in Hidroelectrica SA at the end of June (details included below), which was partially netted of by the (1) dividends recorded from portfolio companies (impact on the Fund's NAV of RON 962.5 million), (2) the valuation update of the other significant unlisted holdings in the portfolio (details included below), and (3) the 14<sup>th</sup> buyback programme carried out by the Fund during this period.

In April 2023, the valuation of the holding in Hidroelectrica SA was updated with assistance from KPMG Advisory, using the Discounted Cash Flow method as primary valuation method and taking into consideration the final (audited) financial statements as at 31 December 2022, the financial information as at 31 March 2023, the dividends approved by the company's shareholders on 28 April GSM and the Company's Business plan.

Also, following the signing on 19 April 2023 of the Sale and Purchase Agreement between the Fund, as seller, and Public Power Corporation SA, as purchaser, for the sale of all the equity stakes held by the Fund in E-Distributie Muntenia SA, Enel Energie Muntenia SA, E-Distributie Dobrogea SA, E-Distributie Banat SA, and Enel Energie SA, in exchange for a total consideration of RON 650,000,000, the Fund update the valuation of these holdings accordingly.

Portfolio company	Value in 30 Apr 2023 NAV	Value in 31 Mar 2023 NAV/ 31 Dec 2022 NAV	30 Apr 2023 NAV vs. 31 Dec 2022 NAV
	RON million	RON million	%
Hidroelectrica SA	10,863.1	11,148.8	-2.6%
E-Distributie Banat SA	212.9	212.9	-
E-Distributie Muntenia SA	223.5	183.9	+21.5%
E-Distributie Dobrogea SA	170.4	170.4	-
Enel Energie SA	21.6	21.6	-
Enel Energie Muntenia SA	21.6	-	+100.0%
<b>Total</b>	<b>11,513.1</b>	<b>11,737.6</b>	<b>-1.9%</b>

Source: Fondul Proprietatea internal records

For 30 June 2023 NAV, following the completion of the offer period and publication of the pricing announcement on 5 July 2023 for Hidroelectrica SA IPO, the Fund updated the valuation of Hidroelectrica SA based on the total gross IPO proceeds of RON 9,281.2 million, resulting in a 14.6% discount vs. the valuation in 31 May 2023 NAV. The price used in valuation (RON 103.46 per share) was the weighted average between the final IPO price (RON 104 per share) and the discounted price for the retail investors (RON 100.88 per share).

In addition, in June the Fund performed valuation updates for the remaining 4 large unlisted holdings, which together with Hidroelectrica SA and Enel holdings represent 98.0% of the Fund's total unlisted portfolio as at 30 June 2023. The valuation was performed with the assistance of KPMG Advisory, in accordance with International Valuation Standards. The valuation date for the updated reports was 31 May 2023 (date for the market multiples) and it was based on the financial data of the companies as at 31 March 2023. The reports also considered all relevant subsequent events until 30 June 2023 (such as dividends declared, changes in legislation, etc.). The total impact of the valuation update was an increase of RON 218.4 million compared to 31 December 2022 NAV.

Portfolio company	Value in 30 Jun 2023 NAV	Value in 30 Apr 2023 NAV	Value in 31 Mar 2023 NAV/ 31 Dec 2022 NAV	30 Jun 2023 NAV vs. 31 Dec 2022 NAV	
	RON million	RON million	RON million	RON million	%
Hidroelectrica SA	9,281.2	10,863.1	11,148.8	(1,867.6)	-16.8%
CN Aeroporturi Bucuresti SA	828.1	713.0	713.0	115.1	16.1%
Engie Romania SA	490.3	440.7	440.7	49.6	11.3%
CN Administratia Porturilor Maritime SA	313.2	283.0	283.0	30.2	10.7%
Societatea Nationala a Sarii SA	297.2	273.7	273.7	23.5	8.6%
<b>Total</b>	<b>11,210.0</b>	<b>12,573.5</b>	<b>12,859.2</b>	<b>(1,649.2)</b>	<b>-12.8%</b>

Source: Fondul Proprietatea internal records

During the **third quarter** of 2023, the NAV per share had an overall decrease of 73.3% compared to the end of the second quarter, mainly as a result of the disposal of the Fund's entire holding in Hidroelectrica SA within the IPO finalised in July 2023, followed by the shareholders' approval for the distribution of the related proceeds in total amount of RON 9.2 billion as dividends, during 18 August 2023 GSM. There were no significant valuation updates in Q3 2023 for the other holdings in the Fund's portfolio.

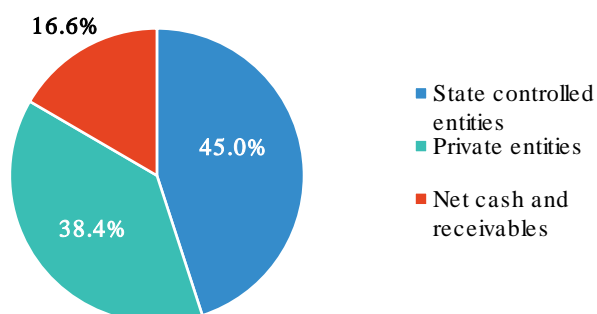
The Fund will continue to closely monitor the evolution of financial markets and that of the specific industries the unlisted holdings operate in, and for each NAV reporting date will assess if an updated valuation is required.

# Portfolio

## Portfolio structure

The equity exposure amounted to 83.4% of the Fund's NAV as at 30 September 2023. As at that date, the portfolio was composed of holdings in 30 companies (5 listed and 25 unlisted), a combination of privately held and state-controlled entities.

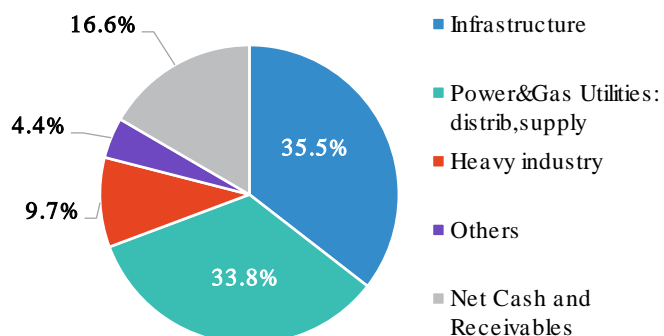
### Portfolio structure – by controlling ownership



Net cash and receivables include bank deposits, current bank accounts, government bonds as well as other receivables and assets, net of all liabilities, including liabilities to shareholders related to dividend distributions.

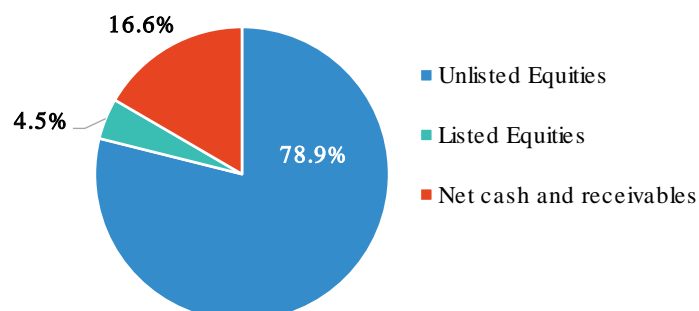
Source: Fund Manager calculations  
Note: % in total NAV as at 30 September 2023

### Portfolio structure – by sector



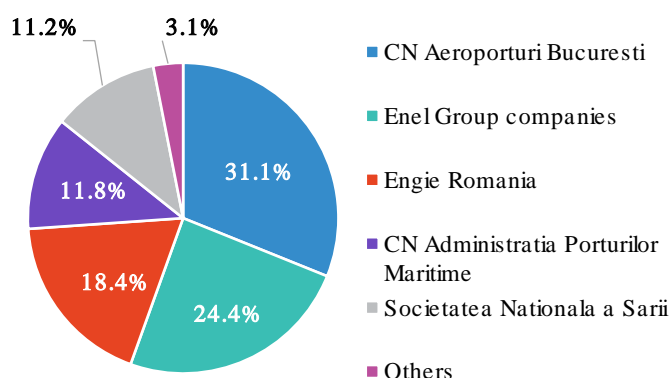
Source: Fund Manager calculations  
Note: % in total NAV as at 30 September 2023

### Portfolio structure – by asset type



Source: Fund Manager calculations  
Note: % in total NAV as at 30 September 2023

### Portfolio structure – unlisted holdings

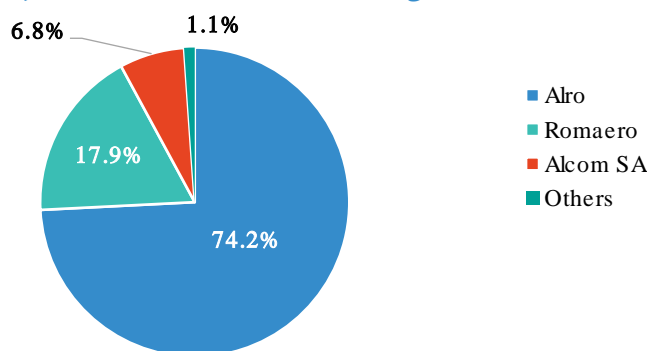


The largest unlisted holding is CN Aeroporturi Bucuresti SA (24.6% of the NAV)

Source: Fund Manager calculations

Note: as at 30 September 2023. The chart reflects the company's NAV value as a % in total NAV value of unlisted holdings.

### Portfolio structure – listed holdings



The largest listed holding is Alro SA (3.4% of the NAV)

Source: Fund Manager calculations

Note: as at 30 September 2023. The chart reflects the company's NAV value as a % in total NAV value of listed holdings.

## Key portfolio developments

### Annual dividends and Special dividends received from portfolio companies

During the first nine months of 2023, 10 companies in the Fund's portfolio declared annual dividends related to the 2022 financial year and/ or special dividends<sup>1</sup>. The total amount of the gross dividend income recorded by the Fund in the nine-month period ended 30 September 2023 is RON 962.8 million. The table below presents details on the annual dividends declared by the portfolio companies:

Portfolio company	Gross amounts (RON million)	Date of recording in accounting	Collection date
Hidroelectrica SA	780.7	28-Apr-23	16-Jun-23
Societatea Nationala a Sarii SA	56.0	22-May-23	17-Jul-23
CN Aeroporturi Bucuresti SA	31.5	25-May-23	26-Jul-23
Administratia Porturilor Maritime SA	5.7	26-May-23	16-Jun-23
Others	1.5	-	-
<b>Total</b>	<b>875.4</b>		

Source: Fondul Proprietatea internal records

<sup>1</sup> According to the definition of "special dividends" from the Annual cash Distribution Policy of the Fund

Out of the companies that declared dividends, 3 portfolio companies also approved the distribution of special dividends. During 28 April 2023 GSM the shareholders of Hidroelectrica SA approved the distribution of a special dividend to the existing shareholders at GSM date, out of retained earnings, in total amount of RON 435.0 million, with payment deadline 29 September 2023. As a result, even if the Fund was no longer a shareholder of Hidroelectrica SA following the completion of the IPO, it collected a special dividend from the company, according to the information presented below.

The following table presents the gross amounts approved as special dividends for the Fund, in accordance with its shareholding in each company at the relevant date:

Portfolio company	Gross amounts (RON million)	Date of recording in accounting	Collection date
Hidroelectrica SA <sup>1</sup>	86.8	28-Apr-23	28-Sep-23
Alcom SA	0.4	27-Jun-23	17-Jul-23
CN Administratia Porturilor Dunarii Fluviale SA	0.3	11-Jul-23	10-Aug-23 7-Sep-23
<b>Total</b>	<b>87.5</b>		

Source: Fondul Proprietatea internal records

1. The dividend receivable was subject to an 8% withholding tax according to the Romanian fiscal legislation, as the Fund was no longer a shareholder of the company at dividend payment date.

## Listings

### Hidroelectrica SA

On 31 March 2022, the GSM of Hidroelectrica SA approved the initiation of the listing process on BVB following a public offering of the company's shares held by the Fund.

On 8 September 2022 the Fund informed the market that the Fund and Hidroelectrica SA selected the consortium of investment banks in relation to the IPO, composed of reputable international, regional, and local investment banks.

Details on the consortium of banks involved in the IPO are included in the table below:

Joint Global Coordinators	Joint Bookrunners	Co-Lead Managers
<ul style="list-style-type: none"> <li>• Citigroup Global Markets Europe AG</li> <li>• Erste Group Bank AG</li> <li>• Jefferies GmbH</li> <li>• Morgan Stanley Europe SE</li> </ul>	<ul style="list-style-type: none"> <li>• Banca Comerciala Romana SA</li> <li>• Barclays Bank Ireland PLC</li> <li>• BofA Securities Europe SA</li> <li>• UBS Europe SE</li> <li>• UniCredit Bank AG</li> <li>• Wood &amp; Company Financial Services</li> </ul>	<ul style="list-style-type: none"> <li>• Auerbach Grayson</li> <li>• BRD - Groupe Societe Generale</li> <li>• SSIF BT Capital Partners SA</li> <li>• SSIF Swiss Capital SA</li> </ul>
Stabilisation Manager	Stabilisation Agent	
<ul style="list-style-type: none"> <li>• Citigroup Global Markets Europe AG</li> </ul>	<ul style="list-style-type: none"> <li>• Erste Group Bank AG</li> </ul>	

Source: internal records of the Fund

Rothschild & Co Equity Market Solutions Limited acted as Financial Adviser to the Fund, and STJ Advisors acted as Financial Adviser to Hidroelectrica SA in connection with the IPO.

The Fund's shareholders approved the sale of the shares held by FP in Hidroelectrica SA during the 15 November 2022 GSM.

On 6 June 2023 Hidroelectrica SA announced its intention to apply for admission to trading on the regulated market of the BVB through an IPO carried by the Fund for the shares held in the company.

On 22 June 2023 the FSA approved the prospectus for the IPO having the following main provisions:

- **Offer Period:** 23 June 2023 - 4 July 2023
- **Price range:** between RON 94 and RON 112 per share
- **Size of the offer**, including any Over-Allotment Option - up to 89,708,177 shares (up to entire holding of 19.94% of Hidroelectrica SA total issued share capital)
- **Retail investors** entitled to a **discount** of 3% from the Offer Price on the first 5 business days of the Offer Period
- No new capital raised by Hidroelectrica in connection with the Offering and no proceeds received by Hidroelectrica
- **Over-Allotment Option** granted by the Fund to the Joint Global Coordinators representing up to 15% of the Offer Shares, exercisable within 30 calendar days following the Admission
- The **Offer price** and the exact number of **Offer Shares** announced on 5 July 2023
- **Settlement date:** 10 July 2023
- **Admission and start of trading** on the BVB: 12 July 2023
- Three Romanian institutional investor groups agreed to be **cornerstone investors** and have undertaken to purchase in aggregate RON 2.24 billion in shares at Offer Price
- Hidroelectrica and the Fund - subject to a **lock-up arrangement** during a period from 22 June 2023 until the date falling **180 days** after the date of Admission
- Majority shareholder will be subject to a **lock-up arrangement** during a period from 22 June 2023 until **12 months** after the date of Admission.

On 5 July 2023, the Fund announced its agreement to sell 89,708,177 shares, representing 19.94% of Hidroelectrica SA total issued share capital, and the Fund's entire holding in the company, under the following structure:

Category of shares	No. of shares sold	IPO price (RON)	Total gross proceeds (RON)
<b>Base Deal shares</b>	<b>78,007,110</b>		<b>8,064,301,072</b>
• Retail Tranche – with discount	15,525,118	RON 100.88	
• Retail Tranche – no discount	2,416,517	RON 104	
• Institutional Tranche	60,065,475	RON 104	
<b>Over-Allotment shares</b>	<b>11,701,067</b>		<b>1,216,910,968</b>
• Institutional Tranche	11,701,067	RON 104	
<b>Total</b>	<b>89,708,177</b>		<b>9,281,212,040</b>

Source: internal records of the Fund

The **Institutional Tranche** was allocated 80% of the total shares while **Retail Tranche** was allocated 20% of the total shares (with pro rata allocation factor 0.3209762650).

**Admission and start of trading on BVB** under the symbol “H2O” took place on **12 July 2023** and Hidroelectrica SA shares were included in the **BET index** of the BVB immediately following the Admission.

The **Stabilisation Period** ended on **19 July 2023**, following the notification received by the Fund according to the details presented in the current report published on the same date. Further to this, on 21 July 2023, the Fund collected the additional gross proceeds in the amount of RON 1,216,910,968 as the sale of the 11,701,067 additional shares in Hidroelectrica SA was completed.

The Fund does not hold any shares in Hidroelectrica SA following the completion of the IPO.



The total costs incurred by the Fund in 2023 in respect of the IPO were of approximately RON 243 million and mainly included investment bank fees, legal fees, and other consultancy fees.

### **Societatea Nationala a Sarii SA**

On 5 July 2021, the GSM of Salrom approved in principle the listing of the company on the BVB, through a public offering of the company's shares held by the Fund.

On 27 July 2022, the Government approved a Memorandum supporting the listing of Salrom by a public offering of the company's shares held by the Fund, which is a key milestone in the listing process.

The approval is a positive development as it allows the Fund to explore its options with regards to a potential realisation of all or part of its holding in the company.

The Fund continues to engage with the majority shareholder and the company in relation to preparations for a potential IPO in the context of the protracted process for the appointment of the company's directors under the corporate governance rules applicable to state owned entities.

### **Participation in share capital increases/ decreases**

#### **Hidroelectrica SA share capital increase**

On 20 April 2023, the Fund subscribed to the share capital increase of Hidroelectrica SA with a cash contribution of RON 2,678,640. The registration of the share capital increase with the Romanian Trade Registry was finalised on 29 May 2023.

#### **CN Aeroporturi Bucuresti SA share capital increase**

CN Aeroporturi Bucuresti called a GSM that took place on 25 October 2021 through the convening notice published in the Official Gazette of Romania Part IV no. 3873/20.09.2021, for the approval of a share capital increase with the land inside Baneasa airport, brought as Romanian State's contribution in kind to the company's capital. The initial proposed value for the share capital increase was RON 3,814,809,171. This was the third time the share capital increase process was initiated since 2001, when Baneasa Airport received the land ownership certificates.

On 26 October 2021 (the second calling for the shareholders' meeting) the share capital increase was approved with only the Romanian State voting in favour, as follows:

- The share capital increase approved was RON 4,768,511,460;
- RON 3,814,809,170 represents in kind contribution of the Romanian State, calculated as the value of the land parcels as evaluated by the valuer appointed by the Trade Registry;
- The amount of RON 953,702,290 represents the value of shares offered to be subscribed by Fondul Proprietatea for maintaining the 20% participation to the share capital. The preference rights may be used by the Fund within 60 days calculated starting with the date when the shareholders' resolution is published in the Official Gazette of Romania;
- After the 60 days period expires, the share capital would be increased with the value of the paid-up shares (the Romanian State's contribution in kind being considered as already completed);
- If the Fund would not subscribe, the unsubscribed shares would be cancelled.

Fondul Proprietatea expressed its opinion, strongly disputing the fundamentally flawed land valuation report, as the land valuation report carried out in 2021 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 million.

To protect the interest of the Fund and its shareholders, Fondul Proprietatea started court cases for the annulment of the shareholders' resolution, and for the suspension of the entire process until the claim for annulment case is irrevocably closed.

Following the hearing that took place on 13 January 2022, the Bucharest Court of Appeal admitted the request of suspension filed by the Fund and ordered the suspension of the effects of the increase until the claim for the annulment of the GSM is irrevocably settled.

In the litigation related to the claim for annulment of the aforementioned GSM, on 25 May 2023, Ilfov Court (Tribunalul Ilfov) dismissed the Fund's claim as unfounded. The Court's decision is not final. The Fund filed the appeal against the decision.

Considering the above, the dilution risk was assessed as not significant and thus no additional adjustments were applied to the valuation of the company for 30 September 2023.

### **CN Administratia Porturilor Maritime share capital increase**

On 9 February 2022, during the CN Administratia Porturilor Maritime GSM, the majority shareholder approved the increase of the share capital from RON 132,906,430 to RON 323,311,340, respectively with the amount of RON 190,404,910, through incorporation of part of reserves. The Fund maintained its stake holding, as new shares issued were distributed proportionally to existing shareholders. As at the date of issuing this report, the Fund held 6,466,226 shares, representing 20% of the company's share capital. However, the Fund decided to challenge in Court the validity of the GSM which approved the share capital increase. The first instance court has rejected the complaint. The Fund has appealed the decision. On 28 September 2023, Constanta Court of Appeal dismissed the Fund's claim as unfounded. The Court's decision is final.

### **Aeroportul International Timisoara SA share capital increase**

During the GSM held on 9 June 2023, the majority shareholder approved a share capital increase of RON 25.2 million, by issuing 2,523,850 new shares at a nominal value of RON 10 per share, to finance a proposed investment project. In order to avoid dilution, Fondul Proprietatea would have to subscribe to 504,770 new shares, representing RON 5.04 million. Fondul Proprietatea challenged the validity of the GSM decision, and the Court decided to suspend the effects of the share capital increase until there is a final verdict on the issues raised in the initial claim.

As the company did not appeal the Court's decision, the effects of the GSM decision approving the share capital increase are suspended until the final decision of the court in the annulment file above-mentioned.

### **IOR Bucuresti SA share capital increase**

The cash share capital increase of IOR Bucuresti SA approved by shareholders on 27 April 2023 was finalised on 14 September 2023, at the date of registration with the Romanian Trade Registry. The Fund decided not to participate. As a result, starting 14 September 2023, the Fund's stake in the share capital of IOR Bucuresti SA was reduced from 0.70% to 0.47%.

### **Restructuring plan of CE Oltenia and related roadmap**

In January 2022, the European Commission approved Romania's plan to grant CE Oltenia a restructuring aid for up to EUR 2.66 billion (RON 13.15 billion). The measure will enable the company to finance its Restructuring Plan with the view to restore its long-term viability. The implementation of the Restructuring Plan will lead to the need to operate capital increases, both in cash as well as

with the value of lands that will be used by CE Oltenia to develop the new investments alongside co-investors (photovoltaic power plants and gas fired power plants).

As approved in the general shareholders meetings of CE Oltenia, the Company will develop 4 solar parks with a total capacity of 455 MW together with OMV Petrom, 4 solar parks with a total capacity of 280 MW and a 475 MW natural gas energy block with Tinmar Energy and an 850 MW combined cycle power plant on natural gas with Alro.

The restructuring led to a spin-off from CE Oltenia of 2 units totalling 300MW, respectively of the Craiova II Power Plant Branch. Shareholders approved the spin-off process and related actions during the August 2022 GSM. The new company, Electrocentrale Craiova SA, was established following a symmetric spin-off, taking over the assets and liabilities of Craiova II Power Plant Branch and mirrors percentage wise the current shareholding structure of CE Oltenia (share capital of RON 23,829,130 with FP's stake of 21.559%, respectively 513,754 shares).

In 2023, CE Oltenia will receive approximately EUR 91 million (RON 449 million) in state aid as part of the Restructuring Plan. The state aid is intended to finance the purchase of greenhouse gas emission certificates in 2023. The company has received grants worth EUR 776 million so far.

As per the restructuring plan, the Romanian authorities committed to create a distinct subsidiary of CE Oltenia ("the lignite subsidiary") which will comprise and operate the existing lignite power units and related assets of CE Oltenia that are not intended for transition to gas or renewables. The accounts of the lignite subsidiary will be clearly separated from the accounts of CE Oltenia. Such lignite capacities should decrease over time in line with national lignite phase-out calendar. During the GSM taking place on 4 August 2023, the shareholders approved to initiate the establishment of the lignite subsidiary which as per the Restructuring Plan should be completed before the end of the restructuring period i.e. before the end of 2026.

The change in legislation brought by GEO 26/2023 allowing land valuation to be carried out at fair value, instead of indexation method facilitated the share capital increase with the value of the lands that will be contributed by CE Oltenia in the new investment companies, brought as Ministry of Energy's in-kind contribution to the company's share capital.

The share capital increase with the value of the lands amounting to EUR 41 million (RON 204 million) was approved during the GSM taking place on 29 August 2023, by issuing 20,346,788 new shares at a nominal value of RON 10 per share in favour of the Ministry of Energy. Following the implementation of the share capital increase with the value of the lands and registration with the Trade Registry during September 2023, the Fund's stake in CE Oltenia decreased to 11.81% while Ministry of Energy's stake increased to 87.48%.

In line with the Restructuring Plan that also entails an equity contribution in cash (EUR 150 million), CE Oltenia has conveyed a GSM for the approval of the share capital increase operation for 28 September 2023. The GSM did not meet the necessary quorum and a new GSM was called for 27 November 2023. As per the GSM materials, assuming the Fund will not participate, the Fund's stake in CE Oltenia share capital is estimated to decrease to 7.37% after the equity contribution by the Ministry of Energy.

### Enel companies and Enel S.p.a. exit from Romania

On 14 December 2022, Enel S.p.a. announced that it entered into an exclusivity agreement with Greek company Public Power Corporation (PPC) in relation to the potential disposal of all the equity held by Enel Group in Romania (Target Assets). During the exclusivity period that ended on 28 February 2023, the parties negotiated the transaction documentation and PPC carried out appropriate due diligence on the Target Assets.

On 9 March 2023 Enel S.p.a. announced that the two companies signed an agreement to sell the equity stakes held by the Enel Group in Romania to PPC for a total consideration of approximately EUR 1,260 million, equivalent to an enterprise value of about EUR 1,900 million (on a 100% basis). According to the announcement, the closing of the sale was subject to certain conditions precedent customary for this kind of transactions, including the clearance from competent antitrust authorities.

On 19 April 2023 the Fund, as seller, and PPC, as purchaser, have concluded an agreement for the sale of all the equity stakes held by the Fund in E-Distributie Muntenia SA, Enel Energie Muntenia SA, E-Distributie Dobrogea SA, E-Distributie Banat SA, and Enel Energie SA, in exchange for a total consideration of RON 650,000,000.

For more details regarding the completion of sale of the Fund's shareholding in Enel companies, please see section *Subsequent events*.

### **Minimum tax on turnover, additional turnover tax for banks, and specific tax for the oil and gas sector**

Starting with the fiscal year 2024, Law no. 296/2023 introduced a minimum tax on turnover (set at 1%) on entities whose turnover exceeds EUR 50 million in the previous year of calculation. According to the regulation, in case the regular profit tax is determined at a level lower than the minimum turnover tax, entities are required to pay profit tax at the level of the minimum turnover tax.

Entities that exclusively carry out activities involving distribution, supply and transport of electricity and natural gas are exempt from this tax regime.

At the same time, entities operating in the oil and natural gas sectors, which in the previous year register a turnover of over EUR 50 million, will pay a turnover tax in addition to the profit tax, at a rate of 0.5% of turnover. Furthermore, credit institutions, irrespective of their turnover, will be subject to an additional tax on turnover calculated by applying a rate of 2% (in 2024 and 2025), and 1% (from 2026).

## Top portfolio holdings

Name	Fund's stake (%)	Value as at 30 Sep 2023 (RON mil)	% of NAV as at 30 Sep 2023
CN Aeroporturi Bucuresti SA	20.00%	828.1	24.6%
Engie Romania SA	12.00%	490.3	14.5%
CN Administratia Porturilor Maritime SA	20.00%	313.2	9.3%
Societatea Nationala a Sarii SA	49.00%	297.2	8.8%
E-Distributie Muntenia SA	12.00%	223.5	6.6%
E-Distributie Banat SA	24.13%	212.9	6.3%
E-Distributie Dobrogea SA	24.09%	170.4	5.1%
Alro SA	10.21%	113.3	3.4%
<b>Top equity holdings</b>		<b>2,648.9</b>	<b>78.6%</b>
<b>Total equity holdings</b>		<b>2,812.5</b>	<b>83.4%</b>
<b>Net cash and receivables</b>		<b>560.3</b>	<b>16.6%</b>
<b>Total NAV</b>		<b>3,372.8</b>	<b>100.0%</b>

Source: Fund Manager calculations

## CN Aeroporturi Bucuresti SA

### Financial and operational results

RON million	2021	2022	H1 2022	H1 2023	%	Budget 2022	Budget 2023	%
Operating revenue	578.0	999.6	425.2	519.5	+22.2%	750.1	1,118.9	+49.2%
Operating profit	40.8	344.7	160.0	247.9	+54.9%	59.3	288.3	>100%
Net profit	34.0	304.0	137.6	209.4	+52.2%	56.5	229.1	>100%
Dividends	-	157.4	-	-	-	-	121.3	n/a

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

Traffic has recovered to pre-Covid levels in 9M 2023 and surged by 18% year-over-year, reaching 11.1 million passengers. This was the main positive driver for the improved operating profitability, which was up by 32% year-over-year to RON 420 million.

### Corporate governance

All Board members have interim mandates. Selection process was started, and it is expected to be finalised in the coming months.

### ESG

CN Aeroporturi Bucuresti SA does not publish sustainability reports.

## Engie Romania SA

### Financial results

RON million	2021	2022	%	Budget 2022	Budget 2023	%
Turnover	6,683.5	13,585.6	103.3%	10,268.8	13,256.0	+29.1%
Operating profit/ (loss)	85.9	1,079.3	>100%	(150.6)	556.0	>100%
Net profit/ (loss)	69.9	851.9	>100%	(127.8)	309.0	>100%
Dividends	-	-	-	-	-	-

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

### Corporate governance

Starting 26 May 2023, Engie proposed two new Board members, respectively Mr. David Liboubon and Mrs. Florence Fouquet replacing Mr. Herve-Matthieu Ricour and Mr. Vincent Philippe Sorel, for the remainder of the mandate, until 30 May 2025.

Starting 1 June 2023, Mr. Nicolas Jean-Baptiste Richard has been appointed as General Manager of Engie replacing Mr. Eric Joseph Stab. Mr. Stab will continue his role as Chairman of the Board of Directors.

Starting 19 July 2023, at the proposal of Ministry of Energy, Mrs. Ruxandra Rodica Anghel replaced Mrs. Daniela Nicolescu as Board member for the remainder of the mandate, until 30 May 2025.

Starting 10 November 2023, Ministry of Energy proposed two new Board members, respectively Mr. Florin Marian Spataru and Mr. Mircea Carlan to replace Mrs. Ruxandra Rodica Anghel and Mr. Constantin Stefan for the remainder of the mandate, until 30 May 2025.

### Tariffs

The gas distribution tariffs for Engie's subsidiary Distrigaz Sud Retelele, operating in the gas distribution sector, were increased by ANRE in March 2023 by 57.2% on average vs. previous level:

Annual consumption (MWh)	Tariffs applicable starting 1 Apr 2022 (RON/MWh)	Tariffs applicable starting 1 Apr 2023 (RON/MWh)	Change (%)
between 0-280	32.32	51.67	55.1%
between 280-2,800	30.44	48.67	59.9%
between 2,800-28,000	29.02	46.39	59.9%
between 28,000-280,000	22.39	35.80	59.9%
higher than 280,000	11.30	18.07	59.9%
clients benefitting from proximity distribution tariff	5.36	6.64	23.9%

Source: ANRE Orders no. 39/29.03.2022, and 48/29.03.2023.

\*2023 tariffs include a small component representing the capitalisation of the additional costs necessary to cover the grid losses



## ESG

Engie Romania SA published<sup>1</sup>, its latest sustainability report in November 2022, in accordance with GRI Standards, while Engie Group reports<sup>2</sup> frequently on ESG issues and has a sustainability plan at parent company level.

## CN Administratia Porturilor Maritime SA

### Financial and operational results

RON million	2021	2022	H1 2022	H1 2023	%	Budget 2022	Budget 2023	%
Operating revenue	418.9	479.5	260.3	294.4	+13.1%	489.2	542.3	+10.9%
Operating profit	140.6	131.5	106.8	117.7	+10.2%	84.2	91.4	+8.6%
Net profit	130.5	114.5	97.8	109.2	+11.7%	88.2	89.8	+1.8%
Dividends	33.3	28.6	-	-	-	23.8	23.2	-2.5%

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

Traffic reached 65.9 million tons in 9M 2023, up by 15.5% year-over-year, on the back of cereals and oily seeds linked to Ukraine. Overall, traffic of merchandise in relation with Ukraine increased 2.6 times year-over-year, to 17.4 million tons. Higher traffic drove a 9% year-over-year improvement in operating profitability, to RON 180 million.

### Corporate governance

All Board members have interim mandates. Selection process for full mandates did not start yet.

## ESG

CN Administratia Porturilor Maritime SA does not publish sustainability reports.

## Societatea Nationala a Sarii SA

### Financial results

RON million	2021	2022	H1 2022	H1 2023	%	Budget 2022	Budget 2023	%
Operating revenue	374.5	495.3	195.4	237.0	+21.3%	506.4	597.5	+18.0%
Operating profit	70.1	134.4	41.7	57.5	+37.9%	97.3	146.3	+50.4%
Net profit	60.2	120.7	35.9	56.5	+57.5%	84.4	129.7	+53.7%
Dividends	59.9	114.3	-	-	-	84.4	129.7	+53.7%

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

### Corporate governance

In January 2023, shareholders approved the re-launch of the selection process for Board Members based on GEO no. 109/2011, with the selection procedure being conducted at the level of the Ministry of Economy. Currently all Board members have interim mandates.

<sup>1</sup> [www.engie.ro/wp-content/uploads/2022/12/Strategia-de-Sustenabilitate-a-ENGIE-Romania.pdf](http://www.engie.ro/wp-content/uploads/2022/12/Strategia-de-Sustenabilitate-a-ENGIE-Romania.pdf)

<sup>2</sup> [www.engie.com/en/news/2022-integrated-report](http://www.engie.com/en/news/2022-integrated-report)

## ESG

Societatea Nationala a Sarii reports on environmental and social responsibility issues in its non-financial annual report, in accordance with GRI Standards, published on its website [www.salrom.ro](http://www.salrom.ro).

## Enel Group companies

### Financial results

#### E-Distributie Banat SA

RON million	2021	2022	%	Budget 2022	Budget 2023	%
Operating revenue	593.5	1,009.5	+70.1%	893.0	734.0	-17.8%
EBITDA	58.2	117.3	+101.5%	107.0	174.0	+62.6%
Net profit/ (Loss)	(33.3)	59.9	>100%	(13.0)	(23.0)	-76.9%

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

EBITDA computed as operating profit plus depreciation/amortization and adjusted for revenues/expenses from revaluation of tangible assets, provisions, impairment of tangible assets and subsidies, except the budget figures

#### E-Distributie Muntenia SA

RON million	2021	2022	%	Budget 2022	Budget 2023	%
Operating revenue	1,038.7	1,753.8	+68.8%	1,463.0	1,346.0	-8.0%
EBITDA	168.1	313.2	+86.3%	264.0	471.0	+78.4%
Net profit	55.8	248.7	>100%	48.0	127.0	>100%

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

EBITDA computed as operating profit plus depreciation / amortization and adjusted for revenues / expenses from revaluation of tangible assets, provisions, impairment of tangible assets and subsidies, except the budget figures

#### E-Distributie Dobrogea SA

RON million	2021	2022	%	Budget 2022	Budget 2023	%
Operating revenue	554.8	937.2	+68.9%	846.0	727.0	-14.1%
EBITDA	86.9	144.0	+65.6%	119.0	216.0	+81.5%
Net profit	11.5	75.9	>100%	15.0	9.0	-40.0%

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

EBITDA computed as operating profit plus depreciation / amortisation and adjusted for revenues / expenses from revaluation of tangible assets, provisions, impairment of tangible assets and subsidies, except the budget figures

### Distribution tariffs

According to the ANRE orders, the specific electricity distribution tariffs for the companies in the Fund's portfolio operating in power distribution sector, applicable starting with 1 April 2023, compared to those applicable starting 1 April 2022, are the following:

Company	Voltage level	Tariffs applicable starting 1 Apr 2022 (RON/MWh)	Tariffs applicable starting 1 Apr 2023 (RON/MWh)	Change (%)
		(1)	(2)	(2)/(1)-1
E-Distributie Banat	High Voltage	17.90	18.01	0.61%
	Medium Voltage	51.01	55.07	7.96%
	Low Voltage	147.89	161.68	9.32%
E-Distributie Dobrogea	High Voltage	26.36	27.29	4.12%
	Medium Voltage	59.71	65.88	12.17%
	Low Voltage	173.28	186.18	5.05%
E-Distributie Muntenia	High Voltage	12.56	14.83	9.22%
	Medium Voltage	45.71	56.06	14.12%
	Low Voltage	143.96	172.21	6.10%

Source: ANRE Orders no. 30/23.03.2022, 31/23.03.2022 and 32/23.03.2022, no. 22/29.03.2023, no. 23/29.03.2023, no. 24/29.03.2023

## ESG

Enel's subsidiaries in Romania publish sustainability reports since 2019, while Enel S.p.A. reports<sup>1</sup> frequently on ESG issues and has a sustainability plan at parent company level.

## Alro SA

### Financial results

RON million	2021	2022	9M 2022	9M 2023	%	Budget 2022 <sup>1</sup>	Budget 2023 <sup>2</sup>	%
Operating revenue	3,500.0	3,554.1	2,828.0	2,241.4	-20.7%	4,010.3	3,561.4	-11.2%
Operating profit	228.1	683.9	145.7	(182.6)	-225.3%	150.7	276.3	+83.3%
Net profit	26.3	409.5	(109.5)	(394.1)	-259.8%	19.2	68.5	>100%
Dividends	-	-	-	-	-	-	-	-

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

1. GSM resolution from 28 April 2022, values computed using the NBR USD/RON FX rate as at 31 March 2022

2. GSM resolution from 25 April 2023, values computed using the NBR USD/RON FX rate as at 31 March 2023

### Corporate governance

The members of the Board of Directors were appointed in April 2023 for a period of 4 years. The Board of Directors of Alro is composed of 11 members, out of which 3 are independent.

Starting 29 May 2023, Mr. Gheorghe Dobra was re-appointed as general manager of Alro for a 4-year mandate.

## ESG

Alro reports annually on ESG issues through its sustainability reports and has a 5-year sustainability strategy. Alro published its 2022 sustainability report in June 2023, and this can be found on its website, [www.alro.ro](http://www.alro.ro).

<sup>1</sup> <https://www.enel.com/investors/sustainability>

# Energy Sector

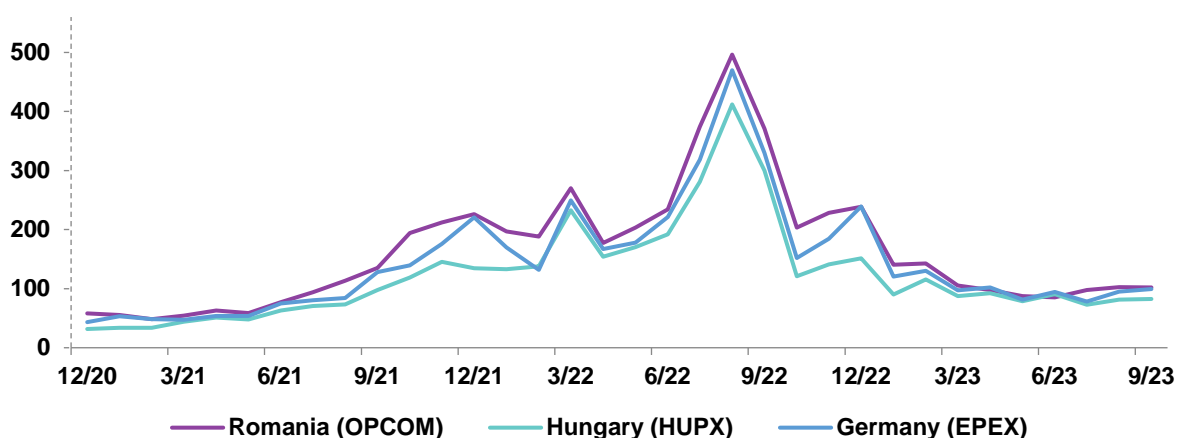
## Energy market developments

As per currently available information from the grid operator, national electricity consumption decreased by 4% in Q3 2023 compared to Q3 2022, while national production was flattish (-1% y.o.y), Romania being a net power importer in both Q3 2023 and Q3 2022.

As per OMV Petrom's estimates, national gas consumption was approximately 10% lower compared to Q3 2022, mainly as a result of reduced industrial offtake.

On the Romanian centralised markets, the weighted average price of natural gas for transactions with medium and long-term standardised products concluded in Q3 2023, irrespective of delivery period was RON 201/MWh (Q3 2022: RON 917/MWh). The average price for the quantities delivered during the quarter was RON 237/MWh (Q3 2022: RON 558/MWh). Regarding short-term deliveries, on the BRM day-ahead market, the average price in Q3 2023 was RON 154/MWh (Q3 2022: RON 848/MWh).

## Electricity prices (EUR/MWh)



Source: Bloomberg

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

	Jan – Sep 2023			Jan – Sep 2022			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	2,084.8	1,918.1	166.7	2,625.0	2,284.8	340.2	-20.6%	-16.0%	-51.0%
Crude oil	7,809.1	2,103.4	5,705.7	8,659.5	2,190.5	6,469.0	-9.8%	-4.0%	-11.8%
Usable natural gas	7,120.8	5,592.7	1,528.1	7,090.6	5,426.7	1,663.9	0.4%	3.1%	-8.2%
Hidro. nuclear. & import energy	4,428.5	3,920.0	508.5	4,051.3	3,497.8	553.5	9.3%	12.1%	-8.1%
Import oil products	3,109.1	-	3,109.1	2,426.2	-	2,426.2	28.1%	0.0%	28.1%
Others	169.5	-	169.5	335.5	-	335.5	-49.5%	0.0%	-49.5%
<b>Total resources</b>	<b>24,721.8</b>	<b>13,534.2</b>	<b>11,187.6</b>	<b>25,188.1</b>	<b>13,399.8</b>	<b>11,788.3</b>	<b>-1.9%</b>	<b>1.0%</b>	<b>-5.1%</b>

Source: National Institute of Statistics

## Energy market regulatory environment

### Updates on the energy market regulatory environment

There were no major updates in the energy market regulatory environment during the nine-month period ended 30 September 2023. An overview of main regulatory requirements, relevant for the companies in the Fund's portfolio, is included below.

### Overview of main regulatory requirements in the energy sector

GEO no. 108/2022 related to the decarbonisation of the energy market, which entered into force on 1 July 2022, foresees gradual shutdown of the lignite and coal power plants by 2030, while allowing for temporary closure postponement in case of an energy crisis.

GEO no. 108/2022 was further modified on 16 December 2022 through Law no. 334/2022. According to Law no. 334/2022 the total installed capacity of lignite and coal-fired electricity that will be phased out of service by 2032 at the latest is 4,920 MW, of which 3,780 MW by the end of 2025.

The energy capacities based on coal and lignite remaining available on 31 December 2021 are gradually taken out of operation and can be transferred to the technical reserve at the disposal of the national energy dispatcher, as follows:

- a) by the end of 2022, 660 MW of lignite-based electricity production capacity;
- b) by the end of 2025, another 1,425 MW of remaining lignite-based electricity production capacities;
- c) until the end of 2032 at the latest, additional electricity production capacities based on lignite and coal of 1,140 MW.



## Windfall tax

In the context of high energy price, the electricity sector was subject to several forms of windfall taxation throughout 2022. 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 per 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.

### **a) Electricity producers**

For electricity producers, the monthly additional revenues subject to the windfall taxation are calculated based on the average realised price above RON 450/ MWh multiplied by the volume of electricity sold. In the computation of the average price, certain expenses are subtracted from revenues (e.g. costs with electricity purchased in the market, costs with carbon allowances, grid access costs, financing costs, etc.). Starting with 1 January 2023, in the computation of the average price the costs with electricity purchased for imbalances is limited to only 5% of the value of the production sold.

Cogeneration plants supplying public heating services and production capacities commissioned after 1 April 2022 are exempted from the windfall taxation.

### **b) Electricity traders - limitation of profits to 2% for trading activities**

Starting with 1 September 2022 electricity and natural gas producing entities, aggregated electricity producing entities, electricity and natural gas traders, electricity and natural gas suppliers and independent electricity aggregators have the obligation to pay a contribution to the Fund for Energy Transition for trading activities. Based on the formula for calculating the contribution to the Fund for Energy Transition, the profit resulting from trading activities is capped at 2%.

## Caps for end-consumers prices

Throughout 2022, the Government implemented several support schemes and price caps at the level of electricity and gas end-consumers, key legislation pieces being represented by GEO 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), Law no. 259/2021 for the approval of GEO no. 118/2021 and GEO no. 3/2022 which further amended GEO no. 118/2021.

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.



Between 1 January 2023 and 31 March 2025 the following price caps apply for the end-consumers:

Electricity supply	Maximum invoiced price (VAT included)
Households (monthly consumption less than 100 KWh and households in other special circumstances specified by the law)	RON 0.68 / KWh
Households (monthly consumption less than 255 KWh)	RON 0.80 / KWh
Households (monthly consumption between 255 KWh and 300 KWh)	RON 0.80/ KWh for the first 255 KWh and RON 1.3 / KWh for the rest
Households (monthly consumption above 300 KWh)	RON 1.0 / kWh
Non-household consumers <sup>1</sup>	RON 1.0/ KWh for 85% of consumption and up to RON 1.3/ KWh for the rest of monthly consumption
Public and private hospitals as defined by Law no. 95/2006	RON 1.0 / KWh
Other household and non-household consumers not covered above	RON 1.3 / KWh
Gas supply	Maximum invoiced price (VAT included)
Households	RON 0.31 / KWh
Non-household consumers with an annual consumption of up to 50.000 MWh and heat producers	RON 0.37 / KWh

Source: Law no. 357/2022

1. Includes SMEs, certain regional public utility service providers and public authorities, Bucharest Underground service Metrorex, airports under the Ministry of Transport, companies in the food sector, agriculture and pisciculture (NACE Code 01 and 03).

Based on the existing legislation, the supply component is capped at RON 73/ MWh for power and RON 12/ MWh for natural gas respectively, with the component 10% higher for suppliers of last resort.

As an exception, based on Law no. 357/2022, in case of electricity producers who are transferring electricity from the production portfolio to the supply portfolio the capped price is either the contractual price in case it is lower than the price caps or the maximum price cap for each category of consumers.

The value resulting as a product between the quantity of electricity billed to final customers, beneficiaries of the support scheme established by the Government, and the positive difference between average purchase price of active electricity recorded by electricity suppliers and the value of the active electricity invoiced to end-consumers by the same electricity suppliers is compensated to suppliers from the state budget.

According to GEO no. 119/2022, the maximum weighted average price of electricity used by ANRE to calculate the amounts compensated from the State Budget and paid to electricity suppliers was RON 1,300/MWh, subsequently lowered through Law no. 206/2023 to RON 900/MWh as of 14 July 2023.

### Regulated domestic wholesale gas price for natural gas producers

Based on the provisions of GEO no. 27/2022 as subsequently amended natural gas producers have been obliged to sell part of their production at regulated prices.

According to the latest legislative provisions enacted through GEO no. 119/2022 and Law no. 357/2022 in the period 1 September 2022 – 31 March 2025, natural gas producers have the obligation to sell at a price of RON 150/MWh, the volumes of natural gas used for the production of thermal energy in the cogeneration plants and in the thermal power plants for population consumption.

Also, for the period 1 April 2023 – 31 March 2025, natural gas producers have the obligation to sell at a price of RON 150/MWh, the necessary quantities of natural gas resulting from the current domestic production activity to the transport and system operator Transgaz and to the gas distribution operators in order to cover 75% of the gas quantity for technological consumption.

For the household and heating producers' volumes, the producers are exempt from the payment of the windfall tax.

### **The 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 centralised 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 electricity producers from renewable sources benefiting from support schemes such as wind and solar, the cogeneration plants and the production capacities commissioned after 1 April 2022 are exempted from the obligation to sell to OPCOM.

### **Regulated transport and distribution tariffs**

According to the provisions of GEO no. 119/2022, as subsequently amended by Law no. 357/2022, for licensed economic operators, providers of electricity and natural gas transport and distribution services, the additional costs of purchasing electricity and natural gas, made between 1 January 2022 and 31 August 2025, in order to cover own technological consumption and, respectively, technological consumption, compared to the costs included in the regulated tariffs, are capitalised quarterly. The capitalised costs are recognised in the regulated tariffs in compliance with the cost recognition criteria provided in the ANRE methodologies.

Capitalised costs shall be amortised over a period of 5 years from the date of capitalisation and are remunerated with 50% of the RRR approved by the ANRE, applicable during the amortisation period of the respective costs and recognised as a distinct component. The resulting assets are recognised in the accounting records and in the annual financial statements of the distribution operators, according to the instructions developed by the Ministry of Finance.

On 19 October 2022, ANRE's methodology for capitalising the cost difference related to the own technological consumption for the period 2022-2023 was published in the Official Gazette of Romania.

### **Other regulations**

According to ANRE Order no. 1/ 20 January 2021 and Order no. 3/ 20 January 2021, starting with 1 February 2021, the regulator allows the following, until the 4<sup>th</sup> regulatory period ends (2019 - 2023), for electricity and gas distribution companies:

- to add 1% incentive above the current level of RRR for newly employed assets;
- to add an incentive of 2% to the current level of RRR for investments fully or partially financed through EU grants.

ANRE Order no. 79/4 July 2023 introduces the year 2024 as a transition period from the fourth to the fifth regulatory period, which starts in 2025.

# Corporate Strategy

## Distributions to shareholders

### Annual Cash Distribution Policy

In order to comply with the requirements of the Bucharest Stock Exchange Corporate Governance Code and in accordance with the IPS, Fondul Proprietatea adopted the Annual Cash Distribution Policy. The scope of the policy is to set a series of guidelines and principles on the cash distributions made by the Fund.

The Annual Cash Distribution Policy of the Fund currently in force is published on the Fund's website in the section *About the Fund/ Fund overview/ Corporate governance*.

### General payment procedure

The payments of the distributions to shareholders are performed through the Romanian Central Depository, according to the legislation in force, as follows:

- a) for shareholders having a custodian/ brokerage account, directly by the respective custodian bank or broker;
- b) for all other shareholders:
  - (i) by the Central Depository, through BRD Groupe Societe Generale (acting as Payment Agent), for bank transfers when the supporting documentation required by the Central Depository, along with a payment request, have been submitted;
  - (ii) by the Payment Agent for cash payments, at any of its agencies, or by bank transfer (when the supporting documentation required by the Payment Agent and a payment request were submitted to the Payment Agent).

### Annual Dividend Distribution from 2022 profit

On 21 April 2023, the shareholders approved the distribution of a gross dividend of RON 0.05 per share from 2022 annual profit, with Ex-date on 11 May 2023 and Registration date on 12 May 2023. The Fund started the payment of dividends on 6 June 2023 and by the date of this report approximately 95.9% of the total distribution amount was collected by shareholders.

### Special Dividend Distribution from Hidroelectrica SA IPO proceeds

On 18 August 2023, the shareholders approved the distribution of a gross dividend of RON 1.7225 per share from Hidroelectrica SA IPO proceeds, with Ex-date on 7 September 2023 and Registration date on 8 September 2023. The Fund started the payment of dividends on 29 September 2023 and by the date of this report approximately 89.0% of the total distribution amount was collected by shareholders.

## Buy-back programmes

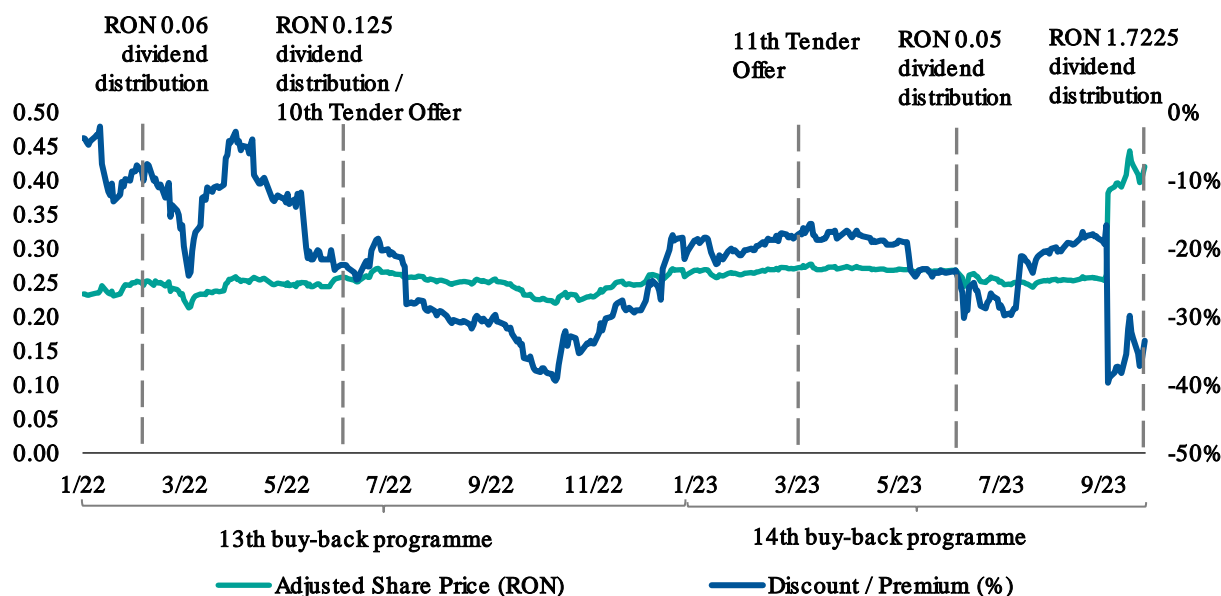
### Overview of share buy-back programmes

Programme	Period	No. of shares (million)	Tender offer	Status
First	May – Sep 2011	240.3	N/A	Completed
Second	Apr – Dec 2013	1,100.9	Oct – Nov 2013	Completed
Third	Mar – Jul 2014	252.9	N/A	Completed
Fourth	Oct 2014 – Feb 2015	990.8	Nov – Dec 2014	Completed
Fifth	Feb – Jul 2015	227.5	N/A	Completed
Sixth	Sep 2015 – Sep 2016	891.7	Aug – Sep 2016	Completed
Seventh	Sep 2016 – May 2017	830.2	Feb – Mar 2017	Completed
Eight	May – Nov 2017	141.9	N/A	Completed
Ninth	Nov 2017 – Dec 2018	1,488.0	Jan – Feb 2018	Completed
Tenth	Jan – Dec 2019	403.8	Jul – Aug 2019	Completed
Eleventh	Jan – Dec 2020	798.0	Jan – Mar 2020 / Jul – Sep 2020 / Oct – Dec 2020	Completed
Twelfth	Jan - Dec 2021	194.4	N/A	Completed
Thirteenth	Jan – Dec 2022	549.0	May – Jun 2022	Completed <sup>1</sup>
Fourteenth	Jan – Dec 2023	425.0	Jan – Mar 2023	In progress
<b>Total</b>		<b>8,534.4</b>		

Source: Fondul Proprietatea internal records

1. The cancellation of shares was completed on 12 October 2023 – for more details please see section *Subsequent events*.

### Evolution of discount / premium vs. buy-back programmes and distributions



Source: Bloomberg for Adjusted Share Price (price adjusted with cash distributions), Fund Manager calculations for Discount / Premium

Note: The (discount) / premium is calculated in accordance with the IPS i.e. the (discount) / premium between the FP shares closing price on the BVB - REGS for each trading day and the latest published NAV per share at the date of calculation. However, the discount to NAV for the trading days 7-14 September 2023 was calculated based on the 31 August 2023 NAV (published on 15 September 2023), in order to eliminate the mismatch between the NAV and FP BVB market price that was adjusted on 7 September 2023 (the Ex-date of 29 September 2023 dividend distribution).

The table below shows a summary of the buy-back programmes during the first nine months of 2023:

Progr.	Description	No of shares	Equivalent shares of GDRs	Total no of shares	% of issued share capital <sup>2</sup>
13 <sup>th</sup>	<b>Balance at 1 Jan 2023</b>	<b>544,795,835</b>	<b>4,223,250</b>	<b>549,019,085</b>	
	Acquisitions	-	-	-	
	Conversions	4,223,250	(4,223,250)	-	
	<b>Balance at 30 Sep 2023</b>	<b>549,019,085</b>	<b>-</b>	<b>549,019,085</b>	<b>8.8%</b>
	Weighted average price <sup>3</sup>	RON 2.1057	USD 22.4682	RON 2.1078	
14 <sup>th</sup>	<b>Balance at 1 Jan 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	Acquisitions	314,914,764	110,041,850	424,956,614	
	Conversions	109,356,100	(109,356,100)	-	
	<b>Balance at 30 Sep 2023</b>	<b>424,270,864</b>	<b>685,750</b>	<b>424,956,614</b>	<b>6.8%</b>
	Weighted average price <sup>3</sup>	1.6446	23.4278	1.7754	
<b>All</b>	<b>Total balance at 30 Sep 2023</b>	<b>973,289,949</b>	<b>685,750</b>	<b>973,975,699</b>	<b>15.6%</b>

Source: Fund Manager calculations

Notes:

1. All information is presented based on the transaction date
2. Calculated as the total number of shares acquired within the programme (own shares and shares corresponding to GDRs) divided by the number of shares corresponding to the issued share capital at the end of the programme (for completed programmes)/at the reporting date (for ongoing programmes).
3. Weighted average price is calculated based on transaction price, excluding the related transaction costs, for the entire buy-back programme

### The 13<sup>th</sup> buy-back programme (implemented during 2022)

The 13<sup>th</sup> buyback programme has been finalised on 30 December 2022. During the 21 April 2023 EGM, the Fund's Sole Director proposed, and the shareholders approved the cancellation of the 549,019,085 treasury shares repurchased through the 13<sup>th</sup> buy-back programme, which was finalised on 12 October 2023. For more details, please see section *Subsequent events*.

### The 14<sup>th</sup> buy-back programme (under implementation during 2023)

The 14<sup>th</sup> buy-back programme that is being implemented during 2023 was approved by shareholders during the 15 November 2022 GSM, for a total number of 3,500 million shares in the form of ordinary shares and GDRs, at a price that cannot be lower than RON 0.2 per share, or higher than RON 3.0 per share.

The Fund selected Auerbach Grayson in consortium with Swiss Capital to provide brokerage services for the programme. The Fund is allowed to buy back daily up to 25% of the average daily volume of the Fund's traded shares (in the form of ordinary shares or GDRs) on the regulated market on which the purchase is carried out, calculated in accordance with the applicable law. The duration of the 14<sup>th</sup> buy-back programme is 1 January 2023 – 31 December 2023.

#### **First Tender Offer within the 14<sup>th</sup> buy-back programme**

On 17 January 2023, the Fund submitted to the FSA an application for the endorsement of a tender offer to accelerate the 14<sup>th</sup> buy-back programme.

The daily execution of buy-backs for both shares on BVB and GDRs on LSE was suspended starting with 4 January 2023.

The Fund selected Swiss Capital SA together with Auerbach Grayson as agents and Swiss Capital SA as intermediary in relation to the purchase of shares, and The Bank of New York Mellon as tender agent in relation to the GDR purchases.

On 2 February 2023, the FSA approved the Fund's application for the public tender offer. The purchase price was RON 2.19 per share and the USD equivalent of RON 109.50 per GDR, and the subscription period was from 10 February to 13 March 2023.

On 13 March 2023, the Fund Manager announced the results of the tender offer: total subscriptions of 1,237,263,281 shares representing 549.895% of the offer (730,673,281 were subscribed in the form of shares and 506,590,000 shares in the form of GDRs, namely 10,131,800 GDRs).

Under the tender offer, the Fund repurchased 225,000,000 shares (132,875,150 in the form of shares and 92,124,850 shares in the form of GDRs, namely 1,842,497 GDRs) at a purchase price of RON 2.19 per share and the USD equivalent of RON 109.50 per GDR, computed in accordance with the terms and conditions of the tender offer documentation. The shares' Trade Date was 14 March 2023, and the settlement/ payment date was 16 March 2023 for both shares and GDRs.

The daily execution of the 14<sup>th</sup> buy-back programme resumed on 14 March 2023 on BVB and on 15 March 2023 on LSE.

For more details regarding the second Tender Offer within the 14<sup>th</sup> buy-back programme initiated by the Fund on 11 October 2023, please see section *Subsequent events*.

### Impact of the buy-back programmes on the Fund's equity

The Fund recognises the treasury shares (repurchases of own shares and GDRs) at trade date as a deduction from shareholders' equity (in an equity reserve account). Treasury shares are recorded at acquisition cost, including brokerage fees, distribution fees and other transaction costs directly related to their acquisition.

Upon completion of all legal and regulatory requirements, the treasury shares are cancelled and netted off against the share capital and / or other reserves. The details on the accounting treatment to be applied for the registration and cancellation of treasury shares can be found in the FSA Norm no. 39/2015, article 75.

A negative equity element arises upon cancellation of the shares acquired in a buy-back programme, where the acquisition price is higher than the nominal value, but this does not generate an additional shareholder's equity decrease. At the cancellation date, only a reallocation between the equity accounts is booked, without any impact on profit or loss and without generating additional shareholders' equity decrease (the decrease is recorded at share acquisition date).

Article 75 from Norm no. 39/2015 mentions that the negative balance arising on the cancellation of equity instruments may be covered from the retained earnings and other equity elements, in accordance with the resolution of the GSM.

As at 30 September 2023, the Fund's equity elements that could be used to cover the negative reserve are sufficient and include retained earnings, reserves, and share capital.

### Coverage of the negative reserves

During the 21 April 2023 Annual GSM, the shareholders approved the coverage of the negative reserves in amount of RON 230,576,693 related to the 12<sup>th</sup> buy-back programme using the other reserves set up for this purpose as per the decision taken in the 2022 Annual GSM.



The table below shows the movement of the negative reserves during the nine-month period ended 30 September 2023:

Movement in negative reserve	All amounts in RON
<b>Opening balance of the negative reserve as at 1 January 2023 (audited)</b>	<b>230,576,693</b>
Coverage of negative reserves according with GSM Resolution no. 2/ 21 Apr 2023	(230,576,693)
<b>Closing balance of the negative reserve at 30 September 2023</b>	<b>-</b>

Source: Fund Manager calculations

The table below shows additional details on the estimated negative reserve that will arise upon the cancellation of the treasury shares in balance as at 30 September 2023:

Negative reserve to arise on cancelation of the treasury shares in balance as at 30 September 2023		Buy-back programme 13	Buy-back programme 14 <sup>1</sup>
Number of shares to be cancelled	(1)	549,019,085	424,956,614
Total costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled in the future (RON)	(2)	1,194,334,988	777,780,690
Correspondent nominal value (NV = RON 0.52 per share) (RON)	(3)=(1)*NV	285,489,924	220,977,439
<b>Estimated negative reserve to be booked on cancelation (RON)</b>	<b>(4)=(3)-(2)</b>	<b>(908,845,064)</b>	<b>(556,803,250)</b>

Source: Fund Manager calculations

1. During the period 7-30 September 2023, following the price adjustment at dividend Ex-date for the 29 September 2023 dividend distribution, the Fund's shares were traded at a price lower than the related nominal value of RON 0.52 per share.

During the 21 April 2023 Annual GSM, the Fund's Sole Director proposed, and shareholders approved the cancellation of the 549,019,085 treasury shares repurchased within the 13<sup>th</sup> buy-back programme and also the allocation of RON 908,845,064 from 2022 accounting profit to other reserves in order to be available for covering the related negative reserve.

The related negative reserve in amount of RON 908,845,064 (please see table above), was recorded on 12 October 2023, after all legal and regulatory steps related to the cancellation were completed (e.g. FSA endorsement, the registration to the Trade Registry). The coverage of this negative reserve will be subject to shareholders approval during the annual shareholders' meeting subsequent to the completion of all cancellation steps.

# Financial Information

## Key financial highlights

The table below shows a summary of the Fund's financial performance during the reporting period:

NAV <sup>1</sup> and share price developments <sup>2</sup>	Notes	Q1 2023	Q2 2023	Q3 2023	Q3 2022
Total shareholders' equity at the end of the period (RON million)		13,999.6	13,008.0	3,372.8	15,433.3
Total shareholders' equity change in period (%)		-3.9%	-7.1%	-74.1%	-5.5%
Total NAV at the end of the period (RON million)	a	13,999.6	13,008.0	3,372.8	15,433.3
Total NAV change in period (%)		-3.9%	-7.1%	-74.1%	-5.5%
NAV per share at the end of the period (RON)	a	2.5823	2.4103	0.6431	2.6935
NAV per share at the end of the period (USD)	a	0.568	0.5268	0.1372	0.5337
NAV per share (RON) change in the period (%)		+0.5%	-6.7%	-73.3%	-3.2%
NAV per share total return in the period (%)	g	+0.5%	-4.9%	-0.6%	-3.2%
Share price as at the end of the period (RON)	b	2.1050	1.9460	0.4200	1.7500
Share price low in the period (RON)	b	1.9960	1.8500	0.3810	1.7500
Share price high in the period (RON)	b	2.1500	2.1250	1.9840	2.0650
Share price change in the period (%)		+3.2%	-7.6%	-78.4%	-15.1%
Share price total return in the period (%)	h	+3.2%	-5.3%	+19.2%	-15.1%
Share price discount to NAV as at the end of the period (%)	d	-18.5%	-19.3%	-34.7%	-35.0%
Average share price discount to NAV in the period (%)	d	-19.0%	-22.3%	-25.5%	-29.5%
Average daily share turnover in the period (RON million)	c, j	8.6	6.0	14.2	7.5
GDR price as at the end of the period (USD)	e	23.00	21.00	4.34	18.10
GDR price low in the period (USD)	e	21.60	20.20	4.12	18.10
GDR price high in the period (USD)	e	23.80	23.40	22.00	21.60
GDR price change in the period (%)		+6.5%	-8.7%	-79.3%	-17.0%
GDR price total return in the period (%)	i	+6.5%	-6.8%	+3.5%	-17.0%
GDR price discount to NAV as at the end of the period (%)	d	-19.0%	-20.3%	-36.7%	-32.2%
Average GDR price discount to NAV in the period (%)	d	-19.2%	-23.1%	-24.9%	-30.9%
Average daily GDR turnover in the period (USD million)	f, j	1.1	0.4	0.20	0.3

Source: BVB (for shares), Bloomberg (for GDRs), Fund Manager calculations

1. NAV for the end of each period was computed in the last calendar day of the month

2. Period should be read as Q1 2023/ Q2 2023/ Q3 2023/ Q3 2022, respectively

### Notes:

- Prepared based on local rules issued by the capital market regulator (NAV in USD calculated using the NBR FX rate at the reporting date)
- Source: BVB - REGS market - Closing prices
- Source: BVB
- Share Price/ GDR Price discount/ premium to NAV as at the end of the period (%) is calculated as the discount/ premium between FP share closing price on BVB - REGS/ FP GDR closing price on LSE on the last trading day of the period and the NAV per share at the end of the period; as a general rule, the

average discount/ premium is calculated according to IPS, using the latest published NAV per share at the date of the calculation (NAV in USD is calculated using the NBR FX rate at the reporting date) and includes both the days with premium and with discount. However, the discount to NAV for the trading days 7-14 September 2023 was calculated based on the 31 August 2023 NAV (published on 15 September 2023), in order to eliminate the mismatch between the NAV and BVB market price that was adjusted on 7 September 2023 (the Ex-date of 29 September 2023 dividend distribution).

- e. Source: Bloomberg - Closing prices
- f. Source: Bloomberg
- g. The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per share at the end of the period plus any cash distribution during the period, dividing the resulting sum by the official NAV per share at the beginning of the period. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- h. The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- i. The GDR Price Total Return is calculated in USD by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- j. Including the tender offers finalised by the Fund in June 2022/ March 2023.

## Fees, charges, and expenses directly or indirectly borne by investors

According to article 22 of Law no. 74/2015 the AIFM shall make available to investors the information on all fees, charges and expenses and the maximum amounts thereof which are directly or indirectly borne by investors.

Please find below additional details on this topic, as recommended in the communications received from FSA.

### Fees and costs directly borne by investors

The brokerage fees and other costs incurred by investors in acquiring the Fund's shares vary depending on the specific contractual agreements concluded between the investors and the intermediaries.

### Fees and costs indirectly borne by investors

Pursuant to the Management Agreement and to the shareholders' approval, the Fund bears, pays or will reimburse the AIFM the following expenses incurred by the AIFM:

- (i) expenses related to the payment of fees owed to the depositary;
- (ii) expenses related to intermediaries and advisors including related to the financial advisory services in connection with the trading, issue, purchase, sale or transfer of listed and unlisted securities or financial instruments from the Fund's portfolio, including fees and commissions due to relevant market operators;
- (iii) expenses related to taxes and fees owed to the FSA or other public authorities, according to applicable legislation, as well as expenses or charges imposed to the Fund by any tax

authority related to the expenses in this clause or otherwise applicable to the running of the business of the Fund, including the notary fees, stamp duty tax and other similar tax;

- (iv) expenses related to the financial audit performed on the Fund and any other audits or valuations required by the legislation in force applicable to the Fund (for clarity, these expenses relate to the fair value measurement of the Fund's portfolio for the purpose of IFRS accounting and financial statements preparation and NAV calculation);
- (v) expenses related to the admission to trading of the financial instruments issued by the Fund, and any subsequent issues or offerings; expenses with intermediaries and professional advisors in relation to arranging and maintaining the listing;
- (vi) expenses related to investor relations and public relations in the interest of the Fund;
- (vii) expenses related to ongoing reporting and disclosure obligations according to legislation in force;
- (viii) expenses related to the organising of any GSM and communications with the shareholders and to the payment of fees for registrar services and services related to distributions to shareholders;
- (ix) expenses related to the payment of taxes and fees owed to the BVB, LSE and any other exchange on which the financial instruments of the Fund or GDRs or depositary interests corresponding to shares of the Fund shall be admitted to trading, as well as membership fees;
- (x) expenses related to the registration with the Trade Registry or documents issued by the Trade Registry;
- (xi) expenses related to the payment of fees owed to the banks for banking services performed for the Fund, including credit facility costs;
- (xii) expenses related to appointing legal advisers and other advisors to act in the interest of the Fund;
- (xiii) expenses related to contracts with external service providers existing as of execution of the Management Agreement until the expiry or termination of the agreement, including expenses with lease for the headquarter of the Fund;
- (xiv) expenses related to remuneration, transport and accommodation of the members of the Board of Nominees (in relation to their services and attendance at meetings, in accordance with the Constitutive Act, the mandate agreements and any applicable internal regulations) and for independent persons (not employees of the AIFM) acting as representatives of the Fund on the corporate bodies of companies in the portfolio, where appropriate; and
- (xv) expenses relating to printing costs for the Fund's documentation;

All costs and expenses incurred by the AIFM in the performance of its functions shall not be for the account of the Fund but shall be borne by the AIFM.

The AIFM shall be liable for the following out of pocket expenses incurred by it when performing its duties, including, but not limited to:

- (i) expenses in connection with mailing and telephone, except for letters to the shareholders of the Fund;
- (ii) expenses in connection with business travel and accommodation, except for expenses related to investors relations activities, shareholders meetings and meetings of the Board of Nominees;

- (iii) expenses incurred with salaries, bonuses and other remunerations granted to the employees and collaborators of the AIFM or any associated company who acts as a delegate in accordance with the provisions of the Management Agreement;
- (iv) other expenses incurred for the functioning of the AIFM or any associated company who acts as a delegate in accordance with the provisions of the Management Agreement.

In performing its obligations under the Management Agreement, the AIFM shall not use Soft Dollar Practices (i.e., arrangements under which assets or services, other than execution of securities transactions, are obtained by a fund manager from or through a broker in exchange for the fund manager directing to the respective broker trades concluded on behalf of the undertaking for collective investment managed by that fund manager). All transactions in connection to the portfolio shall be consistent with the principle of best execution.

## Financial statements analysis

The condensed interim financial statements for the nine-month period ended 30 September 2023, prepared in accordance with IAS 34 Interim Financial Reporting and applying the FSA Norm no. 39/2015 with subsequent amendments, are included in full in Annex 1 to this report. The captions in the Statement of Financial Position and Statement of Comprehensive Income presented in this report may differ from the ones included in the condensed interim financial statements due to other regulatory requirements.

This section provides an overview of the Fund's financial position and performance for the nine-month period ended 30 September 2023. The analysis presents the main developments during the reporting period, for more details regarding the comparative amounts from previous period, please see the corresponding section in *Annex 1 Condensed Interim Financial Statements*.

### Statement of Financial Position

RON million	30 Sep 2023 Unaudited	30 Jun 2023 Unaudited	31 Mar 2023 Unaudited	31 Dec 2022 Audited	30 Sep 2022 Unaudited	30 Sep 2023 vs. 31 Dec 2022 (%)
Cash and current accounts	986.0	81.0	69.9	73.8	78.9	>100%
Deposits with banks	1,345.7	786.7	351.7	912.6	279.5	+47.5%
Government bonds	202.0	-	-	-	-	100%
Dividend receivables	-	175.8	-	-	-	-
Equity investments	2,162.5	2,171.8	13,111.9	13,696.6	15,124.6	-84.2%
Non-current assets held for sale	650.0	9,931.2	588.8	-	-	100%
Other assets	0.6	1.1	0.8	0.6	56.2	-
<b>Total assets</b>	<b>5,346.8</b>	<b>13,147.6</b>	<b>14,123.1</b>	<b>14,683.6</b>	<b>15,539.2</b>	<b>-63.6%</b>
Payables	981.4	58.3	37.9	27.3	25.4	>100%
Other liabilities	992.6	81.3	85.6	86.8	80.4	>100%
<b>Total liabilities</b>	<b>1,974.0</b>	<b>139.6</b>	<b>123.5</b>	<b>114.1</b>	<b>105.8</b>	<b>&gt;100%</b>
Total equity	3,372.8	13,008.0	13,999.6	14,569.5	15,433.3	-76.9%
<b>Total liabilities and equity</b>	<b>5,346.8</b>	<b>13,147.6</b>	<b>14,123.1</b>	<b>14,683.6</b>	<b>15,539.2</b>	<b>-63.6%</b>

Source: Condensed interim IFRS financial statements of the Fund

The **liquid assets** of the Fund during 9M 2023 included term deposits, government bonds, treasury bills and current accounts. The liquid assets increased by RON 1.55 billion at 30 September 2023 compared to the end of 2022. At 30 September 2023, the caption **cash and**

**current accounts** mainly comprises the outstanding balances related to the 29 September 2023 dividend distribution (RON 910.8 million).

The most important **cash inflows** during 9M 2023 were related to the proceeds from Hidroelectrica SA IPO (RON 9.28 billion) and the net dividends received from portfolio companies (RON 955.8 million), while the most significant **cash outflows** were related to net dividends paid (RON 7.78 billion) and to the acquisition of treasury shares within the 14<sup>th</sup> buyback programme, including the tender offer settled in March 2023 (RON 762.0 million in total).

The net decrease in **equity investments** of RON 11,534.1 million during 9M 2023 was mainly related to the disposal of the entire holding in Hidroelectrica SA (RON 9.28 billion), including the fair value decrease of Hidroelectrica SA before the IPO date (RON 1.87 billion) and to the reclassification of Enel holdings as non-current assets held for sale (RON 588.8 million).

At 30 September 2023 the **payables** caption mainly comprises the withholding tax due to the State budget related to dividend distributions performed during 2023 (RON 724.3 million) and the Q3 2023 fees payable to the Fund Manager (RON 172.7 million). At the same date, **other liabilities** caption comprised the dividends payable to shareholders, out of which the most significant amounts are related to the 29 September 2023 special dividend distribution (RON 907.3 million).

### Capital Expenditure

Capital expenditure comprises the value of the licenses, the implementation costs and the updates of the accounting and reporting software, net of the accumulated amortisation. During 9M 2023 the Fund did not incur any capital expenditure cost.

### Statement of Comprehensive Income

RON million	Q1 2023 Unaudited	Q2 2023 Unaudited	Q3 2023 Unaudited	9M 2023 Unaudited	9M 2022 Unaudited
Gain/ (Loss) from equity investments at fair value through profit or loss	4.1	(1,661.5)	(9.4)	(1,666.8)	2,565.8
Net gain/ (loss) from non-current assets held for sale	-	61.2	-	61.2	(157.0)
Gross dividend income	-	962.5	0.3	962.8	934.9
Net gain from other financial assets at fair value through profit or loss	-	-	0.9	0.9	244.3
Interest income	10.3	4.2	124.5	139.0	19.9
Other (expenses)/ income, net <sup>1</sup>	(0.8)	-	1.2	0.4	4.4
<b>Net operating (loss)/ income</b>	<b>13.6</b>	<b>(633.6)</b>	<b>117.5</b>	<b>(502.5)</b>	<b>3,612.3</b>
Administration fees recognised in profit or loss	(13.3)	(16.8)	(169.8)	(199.9)	(67.1)
Other operating expenses	(11.8)	(18.4)	(229.2)	(259.4)	(28.3)
<b>Operating expenses</b>	<b>(25.1)</b>	<b>(35.2)</b>	<b>(399.0)</b>	<b>(459.3)</b>	<b>(95.4)</b>
Finance costs	-	-	(0.1)	(0.1)	-
<b>(Loss)/ Profit before income tax</b>	<b>(11.5)</b>	<b>(668.8)</b>	<b>(281.6)</b>	<b>(961.9)</b>	<b>3,516.9</b>
Withholding tax on the dividend income	-	-	(7.0)	(7.0)	(6.7)
<b>(Loss)/ Profit for the period</b>	<b>(11.5)</b>	<b>(668.8)</b>	<b>(288.6)</b>	<b>(968.9)</b>	<b>3,510.2</b>
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive (loss)/ income for the period</b>	<b>(11.5)</b>	<b>(668.8)</b>	<b>(288.6)</b>	<b>(968.9)</b>	<b>3,510.2</b>

Source: Condensed interim IFRS financial statements of the Fund

1. Other (expenses)/income, net included mainly the net foreign exchange gain/(loss) and other operating income/(expenses)



The **operating income** mainly comprises the gross dividend income, the changes in fair value of financial instruments at fair value through profit or loss, interest income and the net realised gains/ losses from transactions with financial instruments. The changes in fair value of the equity investments of the Fund are recognised in profit or loss. The operating income is influenced by the performance of the portfolio companies and their decisions on dividend distributions, by the changes in the share price of listed companies as well as by money market performance.

The **loss from equity investments at fair value through profit or loss** during 9M 2023 was mainly generated by the valuation of the holding in Hidroelectrica SA at expected IPO proceeds before the reclassification to non-current assets held for sale (impact RON 1.87 billion), which was partially offset by the increase in fair value of CN Aeroporturi Bucuresti SA (impact RON 115.1 million), Engie Romania SA (impact RON 49.6 million), CN Administratia Porturilor Maritime SA (impact RON 30.2 million) and Societatea Nationala a Sarii SA (impact RON 23.5 million).

**Net gain from non-current assets held for sale** of RON 61.2 million represents the fair value movement of the holdings in the Enel group companies following their reclassification to non-current assets held for sale on 31 March 2023.

**Gross dividend income** was mainly generated by the amounts recorded from Hidroelectrica SA (RON 867.4 million), Societatea Nationala a Sarii SA (RON 56.0 million) and CN Aeroporturi Bucuresti SA (RON 31.5 million).

The significant increase in **interest income** during the nine-month period ended 30 September 2023 was recorded following the placement of Hidroelectrica SA IPO proceeds in various short term money market instruments for the period between the IPO settlement date (10 July 2023) and the related dividend distribution Payment date (29 September 2023). These instruments included bank deposits, treasury bills and government bonds.

Additional details on the **administration fees** are presented below:

RON million	Q1 2023 Unaudited	Q2 2023 Unaudited	Q3 2023 Unaudited	9M 2023 Unaudited	9M 2022 Unaudited
<b>Recognised in profit or loss</b>	<b>13.3</b>	<b>16.8</b>	<b>169.8</b>	<b>199.9</b>	<b>67.1</b>
Base fee	13.3	12.1	9.1	34.5	45.1
Distribution fee for dividend distribution	-	4.7	160.7	165.4	19.3
Performance fee	-	-	-	-	2.7
<b>Recognised in other comprehensive income</b>	<b>13.1</b>	<b>1.1</b>	<b>2.8</b>	<b>17.0</b>	<b>25.2</b>
Distribution fee for buy-back programmes	13.1	1.1	2.8	17.0	25.2
<b>Total administration fees</b>	<b>26.4</b>	<b>17.9</b>	<b>172.6</b>	<b>216.9</b>	<b>92.3</b>

Source: Condensed interim IFRS financial statements of the Fund

The increase in the administration fees recognised in profit or loss for 9M 2023 compared to 9M 2022 was mainly due to the increase in dividend distribution fee following the special gross dividend distribution of RON 1.7225 per share from Hidroelectrica SA IPO proceeds. The decrease in base fee during 9M 2023 compared to the same period in 2022 is mainly due to:

- the decrease in base fee rate as per the Management Agreement starting on 1 April 2022 compared to previous one (i.e. 0.45% vs. 0.6%);
- the lower market capitalisation of the Fund following Hidroelectrica IPO proceeds disbursement as dividends;

## Other operating expenses

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

RON million	Q1 2023 Unaudited	Q2 2023 Unaudited	Q3 2023 Unaudited	9M 2023 Unaudited	9M 2022 Unaudited
Intermediaries and other transaction related fees	6.1	12	224.7	242.8	9.4
FSA monthly fees	3.4	3.3	1.4	8.1	10.9
BON remunerations and other related expenses	0.7	0.6	0.7	2.0	1.6
Legal and litigation assistance expenses	0.5	0.6	0.7	1.8	1.7
Investor relations expenses	0.3	0.3	-	0.6	0.7
Financial auditor's fees	0.3	0.2	-	0.5	0.5
Other operating expenses	0.5	1.4	1.7	3.6	3.5
<b>Total operating expenses</b>	<b>11.8</b>	<b>18.4</b>	<b>229.2</b>	<b>259.4</b>	<b>28.3</b>

Source: Condensed interim IFRS financial statements of the Fund

The **intermediaries and other transaction related fees** in amount of RON 242.8 million are mainly related to the listing of Hidroelectrica SA and include bank fees, legal costs, and other consultancy fees.

## Related party transactions

The transactions with related parties were performed in the normal course of business. For more details, please see *Annex 1 Condensed Interim Financial Statements*.

## Financial Ratios

Description	30 September 2023
<b>1. Current liquidity ratio</b>	
<u>Current Assets*</u>	1.28
Current Liabilities	
*For the computation of this ratio, "Current assets" comprise cash and current accounts, deposits with banks and other assets. "Current liabilities" include payables and other liabilities.	
<b>2. Debt-to-equity ratio (%)</b>	
<u>Borrowings</u> x 100	-
Shareholders' Equity	
The Fund had no borrowings as at 30 September 2023 therefore this ratio is nil	
<b>3. Receivables turnover ratio - customers (number of days)</b>	
<u>Average balance of receivables</u> x 270	n/a
Turnover	
This ratio is not applicable to an investment fund and cannot be calculated	
<b>4. Turnover of non-current assets</b>	
<u>Turnover</u>	(0.18)
Non-current assets	
For the computation of this ratio, "Turnover" includes dividend income, net gain/ (loss) from financial instruments at fair value through profit or loss, interest income and other income, while "Non-current assets" included equity investments and non-current assets held for sale. This ratio has no significance for an investment fund.	

Source: Fund Manager calculations

# Subsequent Events

## Amendment of the Fund's Constitutive Act

On 2 October 2023, the Constitutive Act of the Fund as updated based on the EGM Resolution no. 1 of 21 April 2023 was registered with the Trade Registry Office of Bucharest Court, following the approval by the FSA through the Authorisation no. 138 / 27 September 2023.

Thus, according to the provisions of art. 34 (4) of FSA Regulation no. 7/2020, the Constitutive Act of the Fund updated through EGM Resolution no. 1 / 21 April 2023 is in force starting with the registration date with Trade Registry Bucharest, respectively from 2 October 2023.

## The share capital decrease process

Following the FSA Endorsement no. 140/5 October 2023, the decrease of the Fund's subscribed and paid-up share capital from RON 3,233,269,110.76 to RON 2,947,779,186.56 pursuant to the cancellation of 549,019,085 own shares acquired by Fondul Proprietatea during 2022, as approved by the Fund's EGM Resolution no. 2/ 21 April 2023, is effective starting with 12 October 2023, when the Trade Registry registered the EGM Resolution mentioned above.

Consequently, as of 12 October 2023, the new value of the Fund's subscribed and paid-up share capital is RON 2,947,779,186.56, divided into 5,668,806,128 shares with a nominal value of RON 0.52 per share.

As a result of the decrease mentioned above the new GDR facility limit of one third of the Fund's share capital is 37,792,040 GDRs (1,889,602,000 shares equivalent).

## Second Tender Offer within the 14<sup>th</sup> buy-back programme

On 24 October 2023 the FSA approved the Fund's application for a public tender offer in relation to the acceleration of the 14<sup>th</sup> buy-back programme whose main details are included below:

- Value of the Offer: up to 670,000,000 shares in the form of shares and/or GDRs
- Purchase price: **RON 0.6319 per share** and the USD equivalent of **RON 31.5950 per GDR**
- Subscription period: **31 October 2023 – 5 December 2023**
- Allocation method: pro-rata
- Intermediary: Swiss Capital SA
- Dealer managers: Swiss Capital SA together with Auerbach Grayson
- GDR Tender Agent: Bank of New York Mellon

On 2 November 2023 the Fund submitted for FSA's approval an application to amend the public tender offer documentation by increasing the number of tendered shares (both in the form of shares and GDRs) to up to **1,670,000,000**, which was approved by the FSA on 8 November 2023.

The full Tender Offer documentation including the amendment is available on the Fund's website in *Investor Relations -Public Tender Offers* section.

## Completion of the sale of the shareholding in Enel companies

On 26 October 2023, the sale of the Fund's entire holding in E-Distributie Muntenia SA, Enel Energie Muntenia SA, E-Distributie Dobrogea SA, E-Distributie Banat SA, and Enel Energie SA ("Enel Group in Romania") was finalised. The transaction was concluded following the closing of an agreement between Enel S.p.a. and the Greek company Public Power Corporation SA for the sale of all the equity stakes held by the Enel Group in Romania. Following the Transaction, the Fund no longer holds any shares in the Enel Group in Romania.

The Fund received gross proceeds of RON 650,000,000 following the completion of the transaction, that will be used in accordance with the DCM techniques set out in the IPS.

## Minimum corporate tax

The fiscal requirements regarding the minimum corporate tax were published in the Official Gazette of Romania on 27 October 2023 and will be in force starting 1 January 2024.

Based on these provisions, a minimum corporate tax of 1% on adjusted turnover is implemented for taxpayers:

- with an adjusted turnover above EUR 50 million in the previous fiscal year **and**
- for which during the concerned year:
  - the minimum corporate tax is higher than the corporate tax calculated according to the applicable general rules **or**
  - if the entity registers a tax loss.

The adjusted turnover is calculated as the difference of the total revenues of the entity and among other (i) non-taxable revenues, (ii) revenues related to product inventory costs, (iii) revenues related to the costs of work in progress, (iv) specific revenues from the production of tangible and intangible assets, (v) revenues from subsidies, (vi) revenues obtained from compensation from insurance/ reinsurance companies for damage caused to stocks or tangible assets.

If the **adjusted turnover** exceeds the **EUR 50 million** threshold in 2023, the Fund will be subject to the provisions of the minimum corporate tax **starting 1 January 2024**. In this case, if the Fund's corporate tax position, calculated based on the general rules of the Fiscal Code, will be lower than 1% of the adjusted turnover or if it will show a tax loss, the Fund will need to pay the minimum corporate tax amounting to 1% of the adjusted turnover.

## Signatures:

14 November 2023

**Johan Meyer**

Permanent Representative

Prepared by

**Catalin Cadaru**

Financial Reporting Manager

Franklin Templeton International Services S.à r.l. acting in the capacity of Sole Director and Alternative Investment Fund Manager of Fondul Proprietatea SA

## Contact

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## Annex 1

### FONDUL PROPRIETATEA SA

#### CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

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

*This is a translation from the official Romanian version.*



## Contents

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Condensed Statement of Comprehensive Income .....	1
Condensed Statement of Financial Position .....	2
Condensed Statement of Changes in Shareholders' Equity.....	3
Condensed Statement of Cash Flows.....	5
Notes to the Condensed Interim Financial Statements .....	6

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

	Note	Period ended 30 September 2023	Period ended 30 September 2022
Net (loss)/gain from equity investments at fair value through profit or loss	5	(1,666,781,684)	2,565,784,281
Gross dividend income	6	962,766,928	934,881,307
Interest income	7	138,989,562	19,892,865
Net gain from non-current assets held for sale valued at fair value through profit or loss	5	61,200,000	-
Net gain from other financial instruments at fair value through profit or loss	8	895,812	244,261,450
Net realised (loss) from non-current assets held for sale	9	-	(156,975,000)
Net foreign exchange (loss)/gain		(952,228)	700,844
Other income, net		1,307,977	3,717,952
<b>Net operating (loss)/income</b>		<b>(502,573,633)</b>	<b>3,612,263,699</b>
	10		
<b>Operating expenses</b>		<b>(459,263,031)</b>	<b>(95,391,582)</b>
<b>Finance costs</b>	11	<b>(68,471)</b>	<b>(37,250)</b>
<b>(Loss)/Profit before income tax</b>		<b>(961,905,135)</b>	<b>3,516,834,867</b>
Withholding tax on the dividend income	12	(6,980,407)	(6,678,208)
<b>(Loss)/Profit for the period</b>		<b>(968,885,542)</b>	<b>3,510,156,659</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>(968,885,542)</b>	<b>3,510,156,659</b>
<b>Basic and diluted earnings per share</b>	13	<b>(0.1776)</b>	<b>0.5838</b>

These condensed interim financial statements were authorised for issue on 14 November 2023 by:

Franklin Templeton International Services S.à r.l. Luxembourg, in its capacity of alternative investment fund manager of Fondul Proprietatea SA

Johan Meyer

Permanent Representative

Prepared by:

Catalin Cadaru

Financial Reporting Manager

The notes on pages 6 to 34 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

	Note	30 September 2023	31 December 2022
<b>Assets</b>			
Cash and current accounts	14	875,456	58,066
Distributions bank accounts	14	985,125,638	73,775,078
Deposits with banks	14	1,345,731,536	912,616,396
Government bonds		202,025,911	-
Equity investments	16	2,162,482,313	13,696,597,396
Non-current assets held for sale	17	650,000,000	-
Other assets		586,165	569,827
<b>Total assets</b>		<b>5,346,827,019</b>	<b>14,683,616,763</b>
<b>Liabilities</b>			
Payable to shareholders	18(a)	992,582,799	74,166,644
Other liabilities and provisions	18(b)	981,457,470	39,906,577
<b>Total liabilities</b>		<b>1,974,040,269</b>	<b>114,073,221</b>
<b>Equity</b>			
Share capital	19(a)	3,233,269,111	3,233,269,111
Other reserves	19(b)	1,555,650,832	667,020,430
Treasury shares	19(c)	(1,972,115,678)	(1,194,334,988)
Retained earnings		555,982,485	11,863,588,989
<b>Total equity</b>		<b>3,372,786,750</b>	<b>14,569,543,542</b>
<b>Total liabilities and equity</b>		<b>5,346,827,019</b>	<b>14,683,616,763</b>

The notes on pages 6 to 34 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

	Share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
<b>Balance as at 1 January 2023</b>	<b>3,233,269,111</b>	<b>667,020,430</b>	<b>(1,194,334,988)</b>	<b>11,863,588,989</b>	<b>14,569,543,542</b>
(Loss) for the period	-	-	-	(968,885,542)	(968,885,542)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(968,885,542)</b>	<b>(968,885,542)</b>
<b>Transactions with owners, recorded directly in equity</b>					
Profit appropriation to other reserves	-	908,845,064	-	(908,845,064)	-
Dividends declared	-	-	-	(9,450,090,560)	(9,450,090,560)
Acquisition of treasury shares	-	-	(777,780,690)	-	(777,780,690)
Legal reserve transfer to retained earnings	-	(20,214,662)	-	20,214,662	-
<b>Total transactions with owners recorded directly in equity</b>	<b>-</b>	<b>888,630,402</b>	<b>(777,780,690)</b>	<b>(10,338,720,962)</b>	<b>(10,227,871,250)</b>
<b>Balance as at 30 September 2023</b>	<b>3,233,269,111</b>	<b>1,555,650,832</b>	<b>(1,972,115,678)</b>	<b>555,982,485</b>	<b>3,372,786,750</b>

The notes on pages 6 to 34 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

	Share capital	Reserves related to the unpaid share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
<b>Balance as at 1 January 2022</b>	<b>3,145,160,001</b>	<b>189,182,422</b>	<b>666,991,766</b>	<b>(331,650,005)</b>	<b>10,087,863,723</b>	<b>13,757,547,907</b>
Profit for the period	-	-	-	-	3,510,156,659	3,510,156,659
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,510,156,659</b>	<b>3,510,156,659</b>
<b>Transactions with owners, recorded directly in equity</b>						
Profit appropriation to other reserves	-	-	230,576,693	-	(230,576,693)	-
Dividends declared	-	-	-	-	(774,290,893)	(774,290,893)
Acquisition of treasury shares	-	-	-	(1,071,222,208)	-	(1,071,222,208)
Collection of the unpaid share capital	189,182,422	(189,182,422)	-	-	-	-
Distributions for which the statute of limitation occurred	-	-	-	-	11,143,980	11,143,980
<b>Total transactions with owners recorded directly in equity</b>	<b>189,182,422</b>	<b>(189,182,422)</b>	<b>230,576,693</b>	<b>(1,071,222,208)</b>	<b>(993,723,605)</b>	<b>(1,834,369,121)</b>
<b>Balance as at 30 September 2022</b>	<b>3,334,342,423</b>	<b>-</b>	<b>897,568,459</b>	<b>(1,402,872,213)</b>	<b>12,604,296,776</b>	<b>15,433,335,445</b>

The notes on pages 6 to 34 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**  
 (all amounts are in RON unless otherwise stated)

	9 months ended 30 September 2023	9 months ended 30 September 2022
<b>Cash flows from operating activities</b>		
Proceeds from disposal of equity investments	9,281,212,040	997,073,965
Dividends received (net of withholding tax)	955,786,521	928,225,101
Interest received	139,322,306	20,169,365
Amounts collected from the depository Bank of the Fund's GDRs	1,179,636	3,840,656
Net proceeds from transactions with treasury bills and bonds	895,812	304,282,220
Amounts received from Romanian State for the unpaid share capital	-	189,182,422
Acquisition of treasury bills and bonds	-	(227,774,993)
Suppliers and other taxes and fees paid	(355,700,334)	(164,030,840)
Subscriptions to share capital increase of portfolio companies	(2,678,640)	-
Other payments performed, net	(952,502)	(1,275,045)
<b>Net cash flows from operating activities</b>	<b>10,019,064,839</b>	<b>2,049,692,851</b>
<b>Cash flows from financing activities</b>		
Dividends paid (net of withholding tax)	(7,787,088,381)	(1,069,291,492)
Acquisition cost of treasury shares	(761,972,449)	(1,037,588,646)
Payment of fees related to the short term bank loans	(68,471)	(45,000)
<b>Net cash flows used in financing activities</b>	<b>(8,549,129,301)</b>	<b>(2,106,925,138)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,469,935,538</b>	<b>(57,232,287)</b>
Cash and cash equivalents at the beginning of the period	985,532,960	415,528,011
<b>Cash and cash equivalents at the end of the period as per the Statement of Cash Flows</b>	<b>2,455,468,498</b>	<b>358,295,724</b>
<b>Reconciliation of Statement of Cash Flows with the equivalent items reported in the Statement of Financial Position</b>		
	<b>30 September 2023</b>	<b>30 September 2022</b>
Cash and current accounts (see Note 14)	875,456	74,759
Distributions bank accounts (see Note 14)	985,125,638	78,889,157
Bank deposits with original maturities of less than three months (see Note 14)	1,345,731,536	279,398,363
Government securities with original maturities of less than three months	202,025,911	-
<b>Cash and cash equivalent as per Statement of Financial Position</b>	<b>2,533,758,541</b>	<b>358,362,279</b>
Interest accrued on bank deposits (see Note 14)	(583,836)	(66,555)
Amounts under settlement-Government securities with original maturities of less than three months (see Note 18 (b))	(77,706,207)	-
<b>Cash and cash equivalents at the end of the period as per the Statement of Cash Flows</b>	<b>2,455,468,498</b>	<b>358,295,724</b>

The notes on pages 6 to 34 are an integral part of these condensed interim financial statements.



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

(all amounts are in RON unless otherwise stated)

### 1. General information

Fondul Proprietatea SA (referred to as “Fondul Proprietatea” or “the Fund”) was incorporated as a joint stock company, undertaking for collective investment, in the form of a closed end investment company, based on Law no. 247/2005 on the reform in the field of property and justice and other adjacent measures, as subsequently amended (“Law 247/2005”) and registered in Bucharest on 28 December 2005. The address of the Fund’s registered office is 76 - 80, Buzesti Street, 7th Floor, District 1, Bucharest.

Starting 1 April 2016, Fondul Proprietatea is an alternative investment fund as defined by the Directive 2011/61/EU (“Alternative Investment Fund Managers Directive”) and by the Romanian legislation. On 28 January 2022, the Financial Supervisory Authority authorized Fondul Proprietatea as a closed-end Alternative Investment Fund intended to retail investors, with BRD Groupe Société Générale as depositary.

The Fund undertakes its activities in accordance with Law 24/2017 on issuers of financial instruments and market operations, Law 74/2015 regarding Alternative Investment Fund Managers, Law 247/2005, Law 297/2004 regarding the capital market, as subsequently amended, Law 243/2019 regulating the alternative investment funds and amending and supplementing certain normative acts and Companies Law 31/1990 republished as subsequently amended and it is an entity authorised, regulated and supervised by the FSA, as an issuer. In accordance with its Constitutive Act, the main activity of the Fund is the management and administration of its portfolio.

The Fund was initially established to allow the payment in shares equivalent of the compensation due in respect of abusive expropriations undertaken by the Romanian State during the communist period, when properties were not returned in kind. Beginning with 15 March 2013, the compensation process was suspended and starting January 2015, the Romanian State decided to use a different compensation scheme that no longer involves the payment in Fondul Proprietatea shares equivalent.

Starting with 1 April 2016 the Fund is managed by Franklin Templeton International Services S.à r.l. (“FTIS”) as its Sole Director and Alternative Investment Fund Manager (“AIFM”) under the Alternative Investment Fund Managers Directive and local implementation regulations. The FTIS mandate is for a period of two years and the current mandate was approved during 29 September 2021 shareholders’ meeting for the period 1 April 2022 – 31 March 2024. The related contractual terms along with the execution of the Management Agreement were approved by the Fund’s shareholders during 15 December 2021 shareholders’ meeting and subsequently amended during 15 November 2022 shareholders’ meeting.

Starting with 1 December 2020, the portfolio management and the administrative activities previously delegated to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch are performed by FTIS through its Bucharest Branch.

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

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

These condensed interim financial statements for the nine-month period ended 30 September 2023 are not audited.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**2. Basis of preparation****(a) Statement of compliance**

These condensed interim financial statements for the nine-month period ended 30 September 2023 have been prepared in accordance with IAS 34 Interim financial reporting and applying the FSA Norm 39/2015. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, prepared in accordance with IFRS. These condensed interim financial statements are available starting with 15 November 2023, on the Fund's official webpage, [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro) and at the Fund's registered office.

The Fund is an investment entity and does not consolidate its subsidiaries as it applies IFRS 10, IFRS 12 and IAS 27 (Investment Entities). In consequence, the Fund does not prepare consolidated financial statements, the separate financial statements being the Fund's only financial statements. The Fund has reassessed the criteria for being an investment entity for the nine-month period ended 30 September 2023 and determined that it continues to meet them.

In determining whether the Fund meets the criteria from the definition of an investment entity, the management considered the investments portfolio structure and the Fund's investment objective. Aspects considered in making this judgement were the fact that the Fund has more than one investment, more investors neither of which are related parties of the Fund and the ownership interests from its portfolio are in the form of equity. The Fund's investment objective is also a typical one for an investment entity, respectively the maximization of returns to shareholders and the increase of the net asset value per share via investments in Romanian equities and equity-linked securities. The Fund's management analysis considered also other relevant factors, including the fact that almost all Fund's investments are accounted for using the fair value model.

**(b) Going concern**

The Fund's Sole Director has, at the authorisation date of these condensed interim financial statements, a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Thus, it continues to adopt the going concern basis of accounting in preparing the financial statements. According to the Fund's Constitutive Act, the duration of Fondul Proprietatea is until 31 December 2031 and it may be extended by the extraordinary general meeting of shareholders, with additional periods of 5 years.

**(c) Basis of measurement**

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

**(d) Functional and presentation currency**

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

**(e) Foreign currency**

Transactions in foreign currency are translated into the functional currency of the Fund at the exchange rate valid at the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into the functional currency at the exchange rate valid at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated into the functional currency at the exchange rate valid at the date of the transaction and are not subsequently remeasured.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

(all amounts are in RON unless otherwise stated)

### 2. Basis of preparation (continued)

#### (e) Foreign currency (continued)

The exchange rates of the main foreign currencies, published by the National Bank of Romania at 30 September 2023 were as follows: 4.9746 RON/EUR, 4.6864 RON/USD and 5.7433 RON/GBP (30 September 2022: 4.9490 RON/EUR, 5.0469 RON/USD and 5.6367 RON/GBP).

#### (f) Use of estimates

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

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

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

- Note 4 – Financial assets and financial liabilities;
- Note 15 – Deferred tax;
- Note 16 – Equity investments;
- Note 17 – Non-current assets held for sale;
- Note 20 – Contingencies.

#### (g) The impact of the Russia – Ukraine military conflict on the Fund's financial position

On 24 February 2022, Russia engaged in military actions on Ukraine territory. Fondul does not have any direct exposure to Russia or Ukraine. The Fund Manager is closely monitoring developments that may impact financial markets including sanctions, actions by governments and developments in Ukraine itself. The Fund Manager will further assess the impact on the portfolio companies operations and valuation and take any potential actions needed, as facts and circumstances are subject to change and may be specific to investment strategies and jurisdictions. At the authorization date of these condensed interim financial statements, the Fund Manager is not able to reliably estimate the impact as events are unfolding day-by-day.

The Fund's Sole Director will continue to closely monitor the evolution of the economic environment and the effects of the economic measures applied on a national and international level.

### 3. Significant accounting policies

The significant accounting policies applied in these condensed interim financial statements are the same as those applied in the Fund's financial statements for the year ended 31 December 2022 and have been applied consistently to all periods presented in these condensed interim financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED  
30 SEPTEMBER 2023**  
(all amounts are in RON unless otherwise stated)

#### 4. Financial assets and financial liabilities

##### Accounting classifications and fair values

The table below presents the carrying amounts and fair values of the Fund's financial assets and financial liabilities:

30 September 2023	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
Cash and current accounts	875,456	-	-	875,456	875,456
Distributions bank accounts	985,125,638	-	-	985,125,638	985,125,638
Deposits with banks	1,345,731,536	-	-	1,345,731,536	1,345,731,536
Government bonds	-	202,025,911	-	202,025,911	202,025,911
Equity investments	-	2,162,482,313	-	2,162,482,313	2,162,482,313
Non-current assets held for sale	-	650,000,000	-	650,000,000	650,000,000
Other financial liabilities	-	-	(1,973,625,300)	(1,973,625,300)	(1,973,625,300)
<b>Total</b>	<b>2,331,732,630</b>	<b>3,014,508,224</b>	<b>(1,973,625,300)</b>	<b>3,372,615,554</b>	<b>3,372,615,555</b>

31 December 2022	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
Cash and current accounts	58,066	-	-	58,066	58,066
Distributions bank accounts	73,775,078	-	-	73,775,078	73,775,078
Deposits with banks	912,616,396	-	-	912,616,396	912,616,396
Equity investments	-	13,696,597,396	-	13,696,597,396	13,696,597,396
Other financial assets	325,172	-	-	325,172	325,172
Other financial liabilities	-	-	(111,120,926)	(111,120,926)	(111,120,926)
<b>Total</b>	<b>986,774,712</b>	<b>13,696,597,396</b>	<b>(111,120,926)</b>	<b>14,572,251,182</b>	<b>14,572,251,182</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**4. Financial assets and financial liabilities (continued)**
**Fair value hierarchy**

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

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

For the financial investments classified as Level 1, the Fund had adequate information available with respect to active markets, with sufficient trading volume, for obtaining accurate prices.

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

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Fund believes that a third-party market participant would consider these factors in pricing a transaction.

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

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

The table below presents the fair value amount and hierarchy of financial instruments carried at amortised cost as at 30 September 2023 and as at 31 December 2022:

<b>30 September 2023</b>	<b>Amortised cost</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and current accounts	875,456	875,456	-	-	875,456
Distributions bank accounts	985,125,638	985,125,638	-	-	985,125,638
Deposits with banks	1,345,731,536	1,345,731,536	-	-	1,345,731,536
Government bonds	202,025,911	202,025,911	-	-	202,025,911
Other financial liabilities	(1,973,625,300)	-	-	(1,973,625,300)	(1,973,625,300)
<b>Total</b>	<b>560,133,241</b>	<b>2,533,758,541</b>	<b>-</b>	<b>(1,973,625,300)</b>	<b>560,133,241</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED  
30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**4. Financial assets and financial liabilities (continued)**
**Fair value hierarchy (continued)**

<b>31 December 2022</b>	<b>Amortised cost</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and current accounts	58,066	58,066	-	-	58,066
Distributions bank accounts	73,775,078	73,775,078	-	-	73,775,078
Deposits with banks	912,616,396	912,616,396	-	-	912,616,396
Other financial assets	325,172	-	-	325,172	325,172
Other financial liabilities	(111,120,926)	-	-	(111,120,926)	(111,120,926)
<b>Total</b>	<b>875,653,785</b>	<b>986,449,540</b>	<b>-</b>	<b>(110,795,755)</b>	<b>875,653,785</b>

Considering the nature of the amounts (very short maturities and immaterial counterparty credit risk) the carrying amounts approximate the fair value of the instruments presented above.

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

<b>30 September 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity investments:	113,335,730	-	2,049,146,583	2,162,482,313
Power and gas utilities: distribution, supply	-	-	490,300,000	490,300,000
Infrastructure	-	-	1,196,828,809	1,196,828,809
Heavy industry	-	-	326,043,300	326,043,300
Aluminium	113,335,730	-	-	113,335,730
Postal services	-	-	21,700,000	21,700,000
Others	-	-	14,274,474	14,274,474
Non-current assets held for sale	-	-	650,000,000	650,000,000
<b>Total</b>	<b>113,335,730</b>	<b>-</b>	<b>2,699,146,583</b>	<b>2,812,482,313</b>

<b>31 December 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity investments:	114,429,001	-	13,582,168,395	13,696,597,396
Power utilities: generation	-	-	11,148,800,000	11,148,800,000
Power and gas utilities: distribution, supply	-	-	1,029,500,000	1,029,500,000
Infrastructure	-	-	1,066,219,748	1,066,219,748
Heavy industry	-	-	302,543,300	302,543,300
Aluminium	114,429,001	-	-	114,429,001
Postal services	-	-	21,700,000	21,700,000
Others	-	-	13,405,347	13,405,347
<b>Total</b>	<b>114,429,001</b>	<b>-</b>	<b>13,582,168,395</b>	<b>13,696,597,396</b>



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

(all amounts are in RON unless otherwise stated)

### 4. Financial assets and financial liabilities (continued)

#### Valuation process

The Fund has an established control framework with respect to the measurement of fair values. This framework includes a valuation department and a valuation committee, both independent of portfolio management which have overall responsibility for fair value measurements.

The Fund's AIFM believes that the fair values of the equity investments presented in these condensed interim financial statements represent the best estimates based on available information and under the current conditions.

The valuations are based on prevailing market, economic and other conditions at the valuation date and correspond with the current context in the global financial markets. To the extent possible, these conditions were reflected in the valuation. However, the factors driving these conditions can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and on the Fund's portfolio holdings specifically, could impact the estimated fair values in the future, either positively or negatively.

The achievement of the forecasts included in the valuation reports critically depends on the assumptions used, on the specific developments of the portfolio companies' business, on government legislation and, in case of electricity sector, on the decisions regarding the regulated tariffs for electricity distribution as well as on the continuing restructuring process of the power sector. As a result, the current valuation may not have identified, or reliably quantified the impact of all such uncertainties and implications.

The valuation reports were prepared as at 31 October 2022 or 31 May 2023 (for 30 September 2022: 31 October 2021, 31 May 2022 or 30 September 2022), based on the significance of the holding and the financial information available for the companies under valuation at the respective dates.

For 30 June 2023 NAV, following the completion of the offer period and publication of the pricing announcement on 5 July 2023 for Hidroelectrica SA IPO, the Fund updated the valuation of Hidroelectrica SA based on the total gross IPO proceeds of RON 9,281.2 million, resulting in a 14.6% discount vs. the valuation in 31 May 2023 NAV. The price used in valuation (RON 103.46 per share) was the weighted average between the final IPO price (RON 104 per share) and the discounted price for the retail investors (RON 100.88 per share). Please note that at the publication date of this report, the entire holding in Hidroelectrica SA has been sold and the proceeds have been distributed to the shareholders as per their decision during the 18 August 2023 GSM when they approved a RON 1.7225 gross dividend per share – Payment date 29 September 2023.

Also, following the signing on 19 April 2023 of the Sale and Purchase Agreement ("SPA") between the Fund, as seller, and Public Power Corporation SA, as purchaser, for the sale of all the equity stakes held by the Fund in E-Distributie Muntenia SA, Enel Energie Muntenia SA, E-Distributie Dobrogea SA, E-Distributie Banat SA, and Enel Energie SA, in exchange for a total consideration of RON 650,000,000, the Fund update the valuation of these holdings accordingly. For further information regarding these companies please see Note 22 – Subsequent events.

The Fund's management has analysed the period between the date of the valuation reports and the date when these condensed interim financial statements were authorised for issue and there was no information known or available to the Fund's management which may have significant impact on the fair values of the equity investments as at the reporting date, as they are presented in these condensed interim financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**4. Financial assets and financial liabilities (continued)**
**Valuation process (continued)**

Considering the economic uncertainties, the risks and the volatility existing in the capital markets, the Fund's Sole Director closely monitors the evolution of the economic environment and the effects of the economic measures on the Fund's portfolio companies. The Fund's Sole Director will perform a periodic analysis of multiples values of publicly traded peer companies and of the available portfolio companies' financial information and will adjust the value of unlisted holdings accordingly, if the case.

The economic uncertainties are expected to continue in the foreseeable future and consequently, there is a possibility that the assets of the Fund are not recovered at their carrying amounts in the ordinary course of business. A corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of these condensed interim financial statements.

**Valuation process Financial assets measured at fair value – Level 3**

The table below presents the movement in Level 3 equity investments during the nine-month periods ended 30 September 2023 and 30 September 2022:

	9 months ended 30 September 2023	9 months ended 30 September 2023	9 months ended 30 September 2022
	Non-current assets		
	Equity investments	held for sale	Equity investments
<b>Opening balance</b>	<b>13,582,168,395</b>	-	<b>11,603,900,630</b>
Net unrealised gain from instruments held at fair value through profit or loss	204,578,187	61,200,000	2,736,648,997
Subscriptions to share capital increase of portfolio companies	2,678,640	-	23,970
Realised (loss) from instruments held at fair value through profit or loss	(1,870,266,600)	-	-
Disposals (see note 16)	(9,281,212,040)	-	-
Reclassification to non-current assets held for sale (see note 17)	(588,800,000)	588,800,000	-
<b>Closing balance</b>	<b>2,049,146,582</b>	<b>650,000,000</b>	<b>14,340,573,597</b>

The valuation for the Level 3 equity investments as at 30 September 2023 was prepared as follows:

- 71.46% of the fair value of Level 3 equity investments was determined based on the valuation report updated with the assistance of the external valuation services provider as at 31 May 2023;
- 24.08% of the fair value of Level 3 equity investments was determined by using the agreed upon contractual sale price;
- 3.39% of the fair value of Level 3 equity investments was determined based on the valuation report updated with the assistance of the external valuation services provider as at 31 October 2022 incorporating the impact of any significant corporate action that took place until 31 December 2022;
- 1.07% of the fair value of Level 3 equity investments representing listed but illiquid holdings was determined based on the last available Bucharest Stock Exchange reference price;
- the holdings in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity were valued at nil.

As at 30 September 2023, the fair value for 18.9% of the Level 3 equity investments (31 December 2022: for 90% of the Level 3 equity investments) was determined by applying the market comparison technique using comparable trading multiples for EBITDA, while the fair value for almost 55.1% of the Level 3 equity investments (31 December 2022: for almost 10% of the Level 3 equity investments) was determined by applying the income approach using the discounted cash flow method.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

(all amounts are in RON unless otherwise stated)

### 4. Financial assets and financial liabilities (continued)

#### Valuation process Financial assets measured at fair value – Level 3 (continued)

A significant change occurred in the valuation technique for the following companies: E-Distributie Banat SA, E-Distributie Muntenia SA, E-Distributie Dobrogea SA, ENEL Energie SA, ENEL Energie Muntenia SA as they are valued based on agreed upon contractual price based on signed Sales and Purchase Agreement – please see note 22 Subsequent Events for further details.

The valuation for the Level 3 equity investments as at 31 December 2022 was prepared as follows:

- 99.7% of the fair value of Level 3 equity investments was determined based on the valuation report updated with the assistance of the external valuation services provider as at 31 October 2022 incorporating the impact of any significant corporate action that took place until 31 December 2022;
- 0.3% of the fair value of Level 3 equity investments representing listed but illiquid holdings was determined based on the last available Bucharest Stock Exchange reference price;
- the holdings in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity were valued at nil.

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

Significant unobservable inputs are the following:

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

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

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

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

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

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

(all amounts are in RON unless otherwise stated)

### 4. Financial assets and financial liabilities (continued)

#### Valuation process Financial assets measured at fair value – Level 3 (continued)

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

The following tables set out information about the significant unobservable inputs used at 30 September 2023 and 31 December 2022 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

Financial assets	Fair value as at 30 September 2023	Main valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
<b>Total</b>	<b>2,049,146,582</b>			
Unlisted equity instruments and Listed illiquid equity instruments	1,487,558,036	Income approach - discounted cash flow method- ("DCF method")	<p>EBIT estimated for each company</p> <p>Weighted average cost of capital ranging from 11.4% - 17.29% (12.37%)</p> <p>Discount for lack of marketability ranging from 11.4% - 16.2% (15.84%)</p> <p>Discount for lack of control: 0% - 26.7% (17.93%)</p> <p>Long-term revenue growth rate: 2.50% - 3% (2.50%)</p>	<p>The higher the EBIT estimates, the higher the fair value.</p> <p>The lower the weighted average cost of capital, the higher the fair value.</p> <p>The lower the discount for the lack of marketability, the higher the fair value.</p> <p>The lower the discount for the lack of control, the higher the fair value.</p> <p>The higher the long-term revenue growth rate, the higher the fair value.</p>
Unlisted equity instruments	510,937,936	Market approach - comparable companies (based on EBITDA multiple)	<p>EBITDA estimated for each company</p> <p>EBITDA multiple ranging from 5.25 - 6.17 (6.13)</p> <p>Discount for lack of marketability: 16.20% (16.2%)</p>	<p>The higher the EBITDA estimates, the higher the fair value.</p> <p>The higher the EBITDA multiple, the higher the fair value.</p> <p>The lower discount for lack of marketability, the higher the fair value.</p>
Unlisted equity instruments	21,700,000	Market approach - comparable companies (based on Price /Earnings multiple)	<p>Price/Earnings value: 5.5 (5.5)</p> <p>Discount for lack of marketability: 22.8% (22.8%)</p>	<p>The higher the Price /Earnings multiple, the higher the fair value.</p> <p>The lower the discount for the lack of marketability, the higher the fair value.</p>
Unlisted equity instruments	-	Market approach - comparable companies (based on Revenue multiple)/ DCF method	<p>Revenue multiple: 0.36</p> <p>Weighted average cost of capital 13.6%</p> <p>Long-term revenue growth rate: 2.50%</p>	Irrespective of the evolution of the unobservable inputs, the value of this investment is zero due to the negative equity value of this company generated by a high level of net debts.
Listed illiquid equity instruments	28,950,610	Bucharest Stock Exchange reference price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the Financial Supervisory Authority.	

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

(all amounts are in RON unless otherwise stated)

### 4. Financial assets and financial liabilities (continued)

#### Valuation process Financial assets measured at fair value – Level 3 (continued)

Financial assets	Fair value as at 31 December 2022	Main valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
<b>Total</b>	<b>13,582,168,395</b>			
Unlisted equity instruments	12,198,937,936	Market approach - comparable companies (based on EBITDA multiple)	EBITDA estimated for each company EBITDA multiple ranging from 3.49 - 10.23 (9.82) Discount for lack of marketability: 7.21% - 16.20% (7.98%)	The higher the EBITDA estimates, the higher the fair value. The higher the EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments and Listed illiquid equity instruments	1,318,758,036	Income approach - discounted cash flow method	EBIT estimated for each company Weighted average cost of capital ranging from 10% - 20.6% (12.38%) Discount for lack of marketability ranging from 11.4% - 16.2% (15.82%) Discount for lack of control: 0% - 26.7% (17.87%) Long-term revenue growth rate: 2.50% - 3% (2.50%)	The higher the EBIT estimates, the higher the fair value. The lower the weighted average cost of capital, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. The lower the discount for the lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	21,700,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 5.5 (5.5) Discount for lack of marketability: 22.8% (22.8%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	-	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.36 Weighted average cost of capital 13.6% Long-term revenue growth rate: 2.50%	Irrespective of the evolution of the unobservable inputs, the value of this investment is zero due to the negative equity value of this company generated by a high level of net debts.
Listed illiquid equity instruments	42,772,423	Bucharest Stock Exchange reference price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the Financial Supervisory Authority.	

As at 30 September 2023 and 31 December 2022, the Fund's investments in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity are valued at nil.

Although Fund's management believes that its estimates of fair value for these equity investments are appropriate, the use of different methodologies or assumptions could lead to different measurement of fair value.



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**5. Net (loss)/gain from equity investments and non-current assets held for sale valued at fair value through profit or loss**

	9 months ended 30 September 2023	9 months ended 30 September 2023	9 months ended 30 September 2022
	Equity investments	Non-current assets held for sale	Equity investments
Net unrealised gain from instruments held at fair value through profit or loss	219,269,126	61,201,606	3,137,215,365
Net unrealised (loss) from instruments held at fair value through profit or loss	(15,784,210)	(1,606)	(570,146,451)
Realised (loss) from instruments held at fair value through profit or loss	(1,870,266,600)	-	(1,284,633)
<b>Total</b>	<b>(1,666,781,684)</b>	<b>61,200,000</b>	<b>2,565,784,281</b>

The unrealised gain from equity investments at fair value through profit or loss for the nine-month period ended 30 September 2023 was mainly generated by the change in fair value for the holdings in CN Aeroporturi Bucuresti SA (unrealised gain of RON 115,100,000), Engie Romania SA (unrealised gain of RON 49,600,000), CN Administratia Porturilor Maritime SA (unrealised gain of RON 30,200,000) and Societatea Nationala a Sarii SA (unrealised gain of RON 23,500,000).

The unrealised gain from non-current assets held for sale valued at fair value through profit or loss for the nine-month period ended 30 September 2023 was generated by the change in fair value for the holdings in E-Distributie Muntenia SA (unrealised gain of RON 39,601,978) and Enel Energie Muntenia SA (unrealised gain of RON 21,599,628).

The unrealised gain from equity investments at fair value through profit or loss for the nine-month period ended 30 September 2022 was mainly generated by the change in fair value for the holding in Hidroelectrica SA (unrealised gain of RON 3,074,576,030), as a result of the strong performance registered by the company in the period in the current electricity market context.

The unrealised loss from equity investments at fair value through profit or loss for the nine-month period ended 30 September 2022 was generated by the negative change in fair value for the unlisted holdings in Engie Romania SA (unrealised loss of RON 123,170,000), in E-Distributie Banat SA (unrealised loss of RON 111,890,000), E-Distributie Dobrogea SA (unrealised loss of RON 84,150,000) and also in E-Distributie Muntenia SA (unrealised loss of RON 79,520,000). The loss was also generated by the drop in share price for OMV Petrom SA (16.2% decrease which generated a total loss of RON 134,786,783 out of which RON 1,284,633 was realised following the sale of 40.4 million shares in the company).

The realised loss from equity investment at fair value through profit or loss for the nine-month period ended 30 September 2023 was generated by the negative change in fair value for Hidroelectrica SA following the fair value adjustment made to bring the participation to IPO price (RON 1,870,266,600 decrease).



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**6. Gross dividend income**

	9 months ended 30 September 2023	9 months ended 30 September 2022
Hidroelectrica SA	867,437,770	764,040,020
Societatea Nationala a Sarii SA	55,996,590	29,345,514
CN Aeroporturi Bucuresti SA	31,486,581	-
CN Administratia Porturilor Maritime SA	5,728,126	6,660,439
OMV Petrom SA	-	133,564,154
Others	2,117,861	1,271,180
<b>Total</b>	<b>962,766,928</b>	<b>934,881,307</b>

The dividend income was subject to 8% Romanian withholding tax during the nine-month period ended 30 September 2023 and subject to 5% Romanian withholding tax during the nine-month period ended 30 September 2022. In cases where the relevant shareholding of the Fund was above 10% of total share capital of the paying company, for at least one year prior to the dividend distribution date, a withholding tax exemption is applied. According to the Annual Cash Distribution Policy of the Fund, the special cash distributions received from portfolio companies are not subject to Fund's dividend distribution to shareholders. The Fund Manager may propose the distribution to shareholders of such amounts after considering the on-going measures imposed by the Discount Control Mechanism and the available cash. For the purpose of the Annual Cash Distribution Policy of the Fund, the special cash distributions are the amounts distributed by the portfolio companies from other sources than the annual net profit included in the latest annual financial statements. From the total gross dividend income for the nine-month period ended 30 September 2023 a total amount of RON 87,369,624 represented special cash distributions (nine-month period ended 30 September 2022: RON 275,783,145).

**7. Interest income**

The interest income recorded for the nine-month period ended 30 September 2023 of RON 138,989,562 (nine-month period ended 30 September 2022: RON 19,892,865) was mainly generated by the cash inflows from Hidroelectrica IPO. The proceeds from this transaction were placed in various short-term instruments for the period between the IPO settlement date and the Payment date of the dividend distribution approved by the shareholders on 18 August 2023, which occurred on 29 September 2023. These instruments included bank deposits, treasury bills and government bonds. The remaining interest income for 2023 as well as the amounts recorded for the nine-month period ended 30 September 2022 were generated by other cash placements performed by the Fund.

**8. Net gain from other financial instruments at fair value through profit or loss**

The net gain from other financial instruments at fair value through profit or loss for the nine-month period ended 30 September 2023 represents the net increase of fair value for government bonds held by the Fund during the period.

The net gain from other financial instruments at fair value through profit or loss for the nine-month period ended 30 September 2022 includes the realised gain from the change in the fair value of the receivable related to the unpaid share capital from the Romanian State which was classified at fair value through profit or loss, in amount of RON 189,182,422. On 1 February 2022, the Romanian State, represented by the Ministry of Finance paid RON 189,182,422 to the Fund, as payment for the unpaid shares owned by the Romanian State in the Fund.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**9. Net realised (loss) from non-current assets held for sale**

The realised loss of RON 156,975,000 registered in the nine-month period ended 30 September 2022 from the partial disposal of the Fund's participation in OMV Petrom SA classified as non-current asset held for sale represents the difference between the total proceeds from the disposal (RON 978,250,000) and the fair value at the reclassification date of the non-current assets held for sale disposed of (RON 1,135,225,000). Please see the annual financial statements for the year ended 31 December 2022, prepared in accordance with IFRS for further details regarding the sale of the Fund's entire holding in this company.

**10. Operating expenses**

	9 months ended 30 September 2023	9 months ended 30 September 2022
Intermediaries and other transaction related fees (i)	242,825,880	9,370,704
FTIS administration fees (ii)	199,852,266	67,137,444
FSA monthly fees (iii)	8,134,482	10,905,094
Third party services (iv)	6,243,525	5,871,707
BON remunerations and related taxes (v)	1,277,667	992,852
Depository bank fee	406,420	329,630
Other operating expenses	522,791	784,151
	<b>459,263,031</b>	<b>95,391,582</b>

*(i) Intermediaries and other transaction related fees*

For the nine-month period ended 30 September 2023, these fees were mainly related to costs for the listing of Hidroelectrica SA and mainly include bank, legal and other consultant fees.

For the nine-month period ended 30 September 2022 these fees were mainly related to the partial sale of the OMV Petrom holding, consisting of brokerage fees, market fees and legal fees linked to the sale in total amount of RON 7.5 million.

*(ii) FTIS administration fees*

The administration fees include the base fee and the distribution fee. The distribution fee related to dividend distributions to shareholders is recognised through profit or loss while the distribution fee related to the buy-backs is recognised directly in equity as buy-backs acquisition cost.

The administration fees recorded during the period ended 30 September 2023 and the period ended 30 September 2022 are presented in the table below:

	9 months ended 30 September 2023	9 months ended 30 September 2022
Base fee	34,508,885	45,114,174
Distribution fee related to dividend distributions to shareholders	165,343,381	19,308,635
Performance fee	-	2,714,634
<b>Administration fees recognised in profit or loss</b>	<b>199,852,266</b>	<b>67,137,444</b>
Distribution fees related to buy-backs recognised in equity	17,017,151	25,163,672
<b>Total administration fees</b>	<b>216,869,418</b>	<b>92,301,116</b>

The administration fees are invoiced and paid on a quarterly basis. The performance fee is no longer applicable after 31 March 2022, in accordance with the provisions of the Management Agreement in force.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**10. Operating expenses (continued)**
*(ii) FTIS administration fees (continued)*

The significant increase in the dividend distribution fee is due to the fees related to the distribution amounting RON 9,180.2 billion with payment date on 29 September 2023 (distribution fee of RON 160.6 million).

*(iii) FSA monthly fees*

During the first nine months of 2023 and the first nine months of 2022, the FSA fee was 0.0078% per month applied on the total net asset value.

*(iv) Third party services*

Third party services recorded during the period included the following categories of expenses:

	9 months ended 30 September 2023	9 months ended 30 September 2022
Legal consultancy and litigation assistance	1,814,852	1,719,603
Board of Nominees related costs	767,182	575,521
Public relations services	694,731	212,047
Investors' relations expenses	608,683	720,038
Financial auditor's fees	493,274	481,590
Tax compliance and advisory services	331,354	299,336
Corporate brokerage fee Jefferies	291,507	219,952
Regulatory and compliance expenses	254,973	270,080
GSM organization	193,359	41,295
Portfolio valuation services	70,309	802,055
Other services	723,301	530,190
	<b>6,243,525</b>	<b>5,871,707</b>

The financial audit fees are recorded in the year they relate to. The financial auditor of Fondul Proprietatea for the financial years ended 31 December 2022 and 31 December 2023 is Ernst & Young Assurance Services SRL.

*(v) BON remunerations and related taxes*

Remunerations and related taxes included the remunerations paid to the members of the Board of Nominees as well as the related taxes and contributions payable to the Romanian State budget (see Note 21(a) – Related parties – Key Management for further details).

**11. Finance cost**

On 17 May 2023, for cash management purposes, the Fund entered into a short-term loan facility agreement with BRD – Groupe Societe Generale SA for a total committed amount of RON 284,000,000. The amounts presented in this category for the nine-month period ended 30 September 2023 represent the commitment fee charged by the credit institution for this facility. The utilisation period for this facility ended on 30 June 2023 and the final maturity of the facility was on 31 July 2023 – no amounts were drawn by the Fund.

The amounts registered in the nine month period ended 30 September 2022 represent the commitment fees for the previous loan facility which the Fund had signed with BRD – Groupe Societe Generale SA – total amount of RON 45,000,000 which remained undrawn and expired on 29 June 2022.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**12. Income tax**

No current tax and no deferred tax were recorded during the nine-month periods ended 30 September 2023 and 30 September 2022.

	9 months ended 30 September 2023	9 months ended 30 September 2022
<b>Reconciliation of effective tax rate</b>		
Net (loss)/ profit for the period	(968,885,542)	3,510,156,659
Withholding tax on the dividend income	(6,980,407)	(6,678,208)
<b>(Loss)/ Profit excluding income tax</b>	<b>(961,905,135)</b>	<b>3,516,834,867</b>
<b>Income tax benefit/ (expense) using the standard tax rate (16%)</b>	<b>153,904,822</b>	<b>(562,693,579)</b>
<i>Impact on the income tax of:</i>		
Non-taxable income (other than dividend income)	1,558,906,286	658,452,662
Taxation applied on dividend income	147,062,301	142,902,801
Non-deductible expenses	(1,889,479,764)	(206,196,016)
Elements similar to revenues (taxable equity items)	(3,234,346)	(1,783,037)
Fiscal result impact in the current period	25,860,294	(37,361,040)
<b>Tax on income (i.e. withholding tax on the dividend income)</b>	<b>(6,980,407)</b>	<b>(6,678,208)</b>

The fiscal result impact as at 30 September 2023 of RON 25,860,294 included in the table above represents the current tax on profit for the nine month period ended 30 September 2023 which was offset by the Fund's tax losses carried forward. The fiscal result impact as at 30 September 2022 of RON 37,361,040 included in the table above represents the unrecognised deferred tax asset for the tax losses recorded for the nine month period ended 30 September 2022.

Non-taxable income and non-deductible expenses are mainly generated by fair value gains / losses and by dividend income related to the equity portfolio companies in which the Fund has held more than 10% stake for more than one year continuously. As at 30 September 2023 and 31 December 2022 there is no income tax due or to be recovered from the State Budget by the Fund. Please see Note 15 Deferred tax for details regarding the deferred tax computation and recognition.

**13. Basic and diluted earnings per share**

Basic earnings per share is calculated by dividing the profit or loss for the period by the weighted average number of ordinary paid shares in issue during the period, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares (based on their settlement date). As at 30 September 2023 and 30 September 2022, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted earnings per share are the same.

	9 months ended 30 September 2023	9 months ended 30 September 2022
(Loss)/Profit for the period	(968,885,542)	3,510,156,659
Weighted average number of ordinary shares	5,456,437,663	6,012,879,762
<b>Basic and diluted earnings per share</b>	<b>(0.1776)</b>	<b>0.5838</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

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

	30 September 2023	31 December 2022
Petty cash	416	416
Current accounts with banks	875,040	57,650
Distributions bank accounts	985,125,638	73,775,078
<b>Cash and current accounts</b>	<b>986,001,094</b>	<b>73,833,144</b>
	<b>30 September 2023</b>	<b>31 December 2022</b>
Bank deposits with original maturities of less than three months	1,345,147,699	911,699,816
Interest accrued on bank deposits	583,837	916,580
<b>Deposits with banks</b>	<b>1,345,731,536</b>	<b>912,616,396</b>

The cash held in the distributions bank accounts can only be used for payments to shareholders. Such payments are subject to a general statute of limitation, respectively the shareholders may request the payments only within a three-year term starting with the distribution payment date, except for specific instances that are individually assessed. The significant increase seen in distribution bank accounts caption is linked to the remaining amounts allocated for the September 2023 dividend distribution which was approved by the shareholders on 18 August 2023 (RON 910.8 million). The Payment date approved by the shareholders was 29 September 2023 and on this day 89% of total due amounts were disbursed to shareholders.

**15. Deferred tax**

As at 30 September 2023 and 31 December 2022 there is no difference between the carrying amount and tax base of assets and liabilities that could result in amounts that are deductible/ taxable when determining taxable profit or tax loss of future periods. In consequence, as at 30 September 2023 and 31 December 2022, the net deferred tax position is nil as the Fund did not recognise any deferred tax asset or deferred tax liability.

As at 31 December 2022 the unused fiscal loss carried forward amounts to RON 717,393,241 out of which RON 500,524,785 will expire on 31 December 2027 and RON 216,868,456 will expire on 31 December 2029. The effective tax rate used to calculate the deferred tax position of the Fund is 16% (standard tax rate). There was no movement in the deferred tax position during the nine month periods ended 30 September 2023 and 30 September 2022. The deferred tax balances during both these periods were zero.

**16. Equity investments**

All Fund's equity investments are classified at fair value through profit or loss.

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

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

The movement in the carrying amounts of equity investments at fair value through profit or loss during the nine month periods ended 30 September 2023 and 30 September 2022 is presented below:



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**  
(all amounts are in RON unless otherwise stated)

**16. Equity investments (continued)**

	9 months ended 30 September 2023	9 months ended 30 September 2022
<b>Opening balance</b>	<b>13,696,597,396</b>	<b>12,577,678,606</b>
Subscriptions to share capital increase of portfolio companies	2,678,640	23,970
Disposals (please see below)	(9,281,212,039)	(18,861,688)
Net (loss)/gain from equity investments at fair value through profit or loss	(1,666,781,684)	2,565,784,281
Reclassification to non-current assets held for sale	(588,800,000)	-
<b>Closing balance</b>	<b>2,162,482,313</b>	<b>15,124,625,169</b>

**Sale of Hidroelectrica SA**

On 31 March 2022, the general shareholders of Hidroelectrica SA approved the initiation of the listing of the Company's shares on the Bucharest Stock Exchange following a public offering of the Company's shares held by the Fund. On 22 June 2023, the FSA issued Decision no. 641/ 22.06.2023 by which it approved the documentation regarding the initial public offering of Hidroelectrica shares.

On 23 June the prospectus of the offering was published which contained an indicative price range between RON 94 and RON 112 as well as a discount for retail investors in the first five business days of the offer period. The offer period was set between 23 June 2023 and 4 July 2023. Citigroup Global Markets Europe AG, Erste Group Bank AG, Jefferies GmbH, and Morgan Stanley Europe SE acted as Joint Global Coordinators in connection with the offering. The Fund granted the Joint Global Coordinators an option (the "Over-Allotment Option"), representing up to 15% of the Offer Shares, exercisable within 30 calendar days following the Admission. The expected size of the offer, including any Over-Allotment Option, was for up to 89,708,177 Offer Shares to be sold by the Fund, representing up to its entire holding of 19.94% of Hidroelectrica total issued share capital. On 5 July 2023, the Fund announced its agreement to sell 89,708,177 shares, representing 19.94% of Hidroelectrica SA total issued share capital, and the Fund's entire holding in the company, under the following structure:

Category of shares	No. of shares sold	IPO price (RON)	Total gross proceeds (RON)
<b>Base Deal shares</b>	<b>78,007,110</b>		<b>8,064,301,072</b>
• Retail Tranche – with discount	15,525,118	RON 100.88	
• Retail Tranche – no discount	2,416,517	RON 104	
• Institutional Tranche	60,065,475	RON 104	
<b>Over-Allotment shares</b>	<b>11,701,067</b>		<b>1,216,910,968</b>
• Institutional Tranche	11,701,067	RON 104	
<b>Total</b>	<b>89,708,177</b>		<b>9,281,212,040</b>

On 10 July the Fund received gross proceeds of RON 8,064,301,072 (excluding any Over-Allotment Option). On 12 July 2023 the Fund issued a Convening Notice of the Ordinary General Meeting of Shareholders in which it proposed that a dividend be approved in order to disburse these funds. Admission and start of trading on BVB under the symbol "H2O" took place on 12 July 2023 and Hidroelectrica SA shares were included in the BET index of the BVB immediately following the admission.

The Stabilisation Period ended on 19 July 2023, following the notification received by the Fund according to the details presented in the current report published on the same date. Further to this, on 21 July 2023, the Fund collected the additional gross proceeds in the amount of RON 1,216,910,968 and the sale of the 11,701,067 additional shares in Hidroelectrica SA was completed.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**16. Equity investments (continued)**
**Portfolio**

As at 30 September 2023 and 31 December 2022 the Fund's portfolio comprised the following holdings:

	30 September 2023	31 December 2022
CN Aeroporturi Bucuresti SA	828,100,000	713,000,000
Engie Romania SA	490,300,000	440,700,000
Administratia Porturilor Maritime SA	313,200,000	283,000,000
Societatea Nationala a Sarii SA	297,200,000	273,700,000
E-Distributie Muntenia SA	223,501,978	183,900,000
E-Distributie Banat SA	212,899,138	212,900,000
E-Distributie Dobrogea SA	170,399,628	170,400,000
Alro SA	113,335,730	114,429,001
Zirom SA	28,843,300	28,843,300
Romaero SA	27,283,173	41,974,112
Posta Romana SA	21,700,000	21,700,000
Enel Energie Muntenia SA	21,599,628	-
Enel Energie SA	21,599,628	21,600,000
Hidroelectrica SA	-	11,148,800,000
Other	42,520,110	41,650,983
<b>Total equity investments</b>	<b>2,812,482,313</b>	<b>13,696,597,396</b>
<b>Reclassified as non-current assets held for sale</b>	<b>650,000,000</b>	<b>-</b>
<b>Total equity investments as per balance sheet</b>	<b>2,162,482,313</b>	<b>13,696,597,396</b>

The difference in the amounts presented under reclassification as non-current assets held for sale in the tables above represents the change in fair value of these instruments as presented in Note 4 – *Financial assets and liabilities*. None of the equity investments are pledged as collateral for liabilities.

As of 30 September 2023 and 31 December 2022 the Fund had the following subsidiaries, all of which are incorporated in Romania:

	30 September 2023	31 December 2022
Zirom SA	28,843,300	28,843,300
Alcom SA	10,407,436	10,407,436
Comsig SA	n/a	-
	<b>39,250,736</b>	<b>39,250,736</b>

According to the National Trade Registry deregistration date, as of 28 March 2023, the Comsig SA liquidation process has been finalised and as such the Fund excluded this company from its portfolio – It had previously been booked at RON 0.

As of 30 September 2023 and 31 December 2022 the Fund had two associates, both incorporated in Romania:

	30 September 2023	31 December 2022
Societatea Nationala a Sarii SA	297,200,000	273,700,000
Plafar SA	2,199,600	2,199,600
	<b>299,399,600</b>	<b>275,899,600</b>

Please see Note 21(b) and (c) – *Related parties* for information on the transactions and balances registered with these companies.



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**17. Non-current assets held for sale**
**Enel companies**

On 14 December 2022 Enel Spa announced that it entered into an exclusivity agreement with Greek company Public Power Corporation (PPC) in relation to the potential disposal of all the equity held by Enel Group in Romania.

As of 31 March 2023, the Fund reclassified, in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” requirements, its entire holdings in the companies Enel Energie Muntenia SA, Enel Energie SA, E-Distributie Banat SA, E-Distributie Dobrogea SA, E-Distributie Muntenia SA, as non-current assets held for sale at their total valuation at reclassification date of RON 588,800,000.

On 19 April 2023, the Fund, as seller, and PPC, as buyer, have concluded an agreement for the sale of all the equity stakes held by the Fund in E-Distributie Muntenia SA, Enel Energie Muntenia SA, E-Distributie Dobrogea SA, E-Distributie Banat SA, and Enel Energie SA (the “SPA”), in exchange for a total consideration of RON 650,000,000. The SPA is concluded following the entry by Enel Spa and PPC into the agreement for the sale of all the equity stakes held by the Enel Group in Romania. The change in fair value of RON 61,200,0000 is presented in Note 4 – Financial assets and liabilities.

	<b>30 September 2023</b>
E-Distributie Banat SA	212,899,138
E-Distributie Dobrogea SA	170,399,628
E-Distributie Muntenia SA	223,501,978
Enel Energie Muntenia SA	21,599,628
Enel Energie SA	21,599,628
	<b>650,000,000</b>

Non-current assets held for sale at 31 December 2022 were nil. The completion of the sale under the SPA is subject, among others, to the closing of the transaction between Enel and PPC. Please see Note 22 – Subsequent events for more information regarding this transaction.

**18. Liabilities**
**(a) Payable to shareholders**

The movement of payables to shareholders during the period is presented in the table below:

	<b>30 September 2023</b>	<b>31 December 2022</b>	<b>30 September 2022</b>
<b>Opening balance</b>	<b>74,166,644</b>	<b>408,245,702</b>	<b>408,245,702</b>
Gross distributions approved during the period out of which	9,450,090,560	774,290,893	774,290,893
-Annual dividends	269,837,832	774,290,893	774,290,893
-Special dividends	9,180,252,728	-	-
Payments of net distributions performed from the dedicated bank accounts	(7,787,068,710)	(1,074,343,988)	(1,069,291,497)
Withholding tax payable to state budget	(744,605,695)	(22,853,319)	(22,857,780)
Distributions for which the statute of limitation occurred	-	(11,172,644)	(11,143,980)
<b>Closing balance</b>	<b>992,582,799</b>	<b>74,166,644</b>	<b>79,243,338</b>

For both 30 September 2023 and 30 September 2022 the withholding tax presented in the table above contains the total withholding amount related to the distributions in each period.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**18. Liabilities (continued)**
**(b) Other liabilities and provisions**

	30 September 2023	31 December 2022
Withholding tax on dividends	724,340,307	1,934,140
FTIS Administration fees	172,676,251	14,961,308
Payables related to government bonds under settlement	77,706,207	-
Payables related to treasury shares under settlement	5,290,122	12,583,133
Financial Supervisory Authority fees	263,006	1,141,614
Intermediaries and other transaction related payables	135,416	7,591,736
Other liabilities	1,046,161	1,694,646
<b>Total</b>	<b>981,457,470</b>	<b>39,906,577</b>

The significant increase seen in the captions: Withholding tax on dividends and FTIS Administration fees for 30 September 2023 is due to the gross dividend which had Payment date on 29 September 2023. At 31 December 2022, intermediaries and other transaction related payables mainly consist of brokerage fees, market fees and legal fees linked to the sale of OMV Petrom which was gradually performed during 2022 and also costs related to the ongoing listing projects.

**19. Shareholder' equity**
**(a) Share capital**

There was no change in the share capital of the Fund recorded during the first nine months of 2023. Please see Note 22 – Subsequent events for information regarding the status of the capital decrease to be recorded by the Fund during 2023.

During the year ended 31 December 2022, the share capital of the Fund decreased by RON 101,073,312 following the cancellation on 19 October 2022 of 194,371,754 treasury shares acquired by the Fund within the twelfth buyback programme.

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

	30 September 2023	31 December 2022
Number of shares in issue	6,217,825,213	6,217,825,213
Number of paid shares	6,217,825,213	6,217,825,213
Nominal value per share (RON)	0.52	0.52

The shareholders structure as at 30 September 2023 was as follows:

Shareholder categories	% of subscribed and paid share capital	% of voting rights
Romanian institutional investors	37.71%	44.60%
Romanian private individuals	22.58%	26.71%
Foreign institutional investors	10.28%	12.16%
The Bank of New York Mellon (depository bank for the Fund's GDRs)	4.84%	5.72%
Romanian State	5.96%	7.05%
Foreign private individuals	3.18%	3.76%
Treasury shares	15.45%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Depozitarul Central SA (Central Depository)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**19. Shareholder' equity (continued)**
**(b) Other reserves**

	<b>30 September 2023</b>	<b>31 December 2022</b>
Legal reserve (i)	646,653,823	666,868,485
Other reserves (ii)	908,845,064	230,576,693
Distributions for which the statute of limitation occurred	151,945	151,945
Losses from cancellation of treasury shares (negative equity reserves) (iii)	-	(230,576,693)
	<b>1,555,650,832</b>	<b>667,020,430</b>

(i) As required by the Romanian Companies' Law, a minimum 5% of the profit for the year must be transferred to the legal reserve until the reserve equals at least 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders. As at 30 September 2023 the legal reserve amount represented 20% of the value of the issued share capital.

During the 21 April 2023 meeting, the shareholders approved the decrease of the legal reserve of Fondul Proprietatea by RON 20,214,661.57 from RON 666,868,485 representing 20.63% of the share capital to RON 646,653,823 representing 20.00% of the share capital. Following the decrease, the corresponding amount was transferred to retained earnings and remains available for future use by shareholders.

(ii) The amounts allocated to other reserves are to be used to cover the losses (negative reserves) recorded from cancellation of shares acquired through the buy-back programmes.

During the GSM held on 21 April 2023, the Fund's shareholders also approved the allocation to other reserves of an amount of RON 908,845,064 from the 2022 net audited accounting profit to be used for covering the negative reserves estimated to arise in 2023 from the cancellation of treasury shares acquired during 2022 through the thirteenth buy-back programme.

During the General Shareholder Meeting held on 21 April 2023 the shareholders approved that the amount of RON 230,576,693, which was allocated to other reserves based on the 20 April 2022 GSM, be used to cover the negative reserve generated from the cancellation of shares acquired during 2021 through the twelfth buy-back programme.

(iii) Losses from cancellation of treasury shares comprise the negative reserves related to the losses on the cancellation of treasury shares acquired at an acquisition value higher than the nominal value. These amounts will be covered from retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting. Starting with January 2017 and up to the Ex-date of the September 2023 dividend disbursement (7 September 2023), the Fund's share nominal value was constantly lower than its market price. All buy-backs performed at an acquisition price higher than the nominal value generated negative reserves.

The table below shows the changes in the negative reserves recorded as result of the losses from cancellation of treasury shares during the nine-month periods ended 30 September 2023 and 30 September 2022:

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**19. Shareholder' equity (continued)**
**(b) Other reserves(continued)**

	9 months ended 30 September 2023	9 months ended 30 September 2022
<b>Opening balance</b>	<b>230,576,693</b>	<b>671,941,938</b>
Coverage of the negative reserves according to OGSM Resolution no. 2/21 April 2023 ( twelfth buy-back programme)	(230,576,693)	-
Coverage of the negative reserves according to OGSM Resolution no. 5/20 April 2022 (eleventh buy-back programme)	-	(671,941,938)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

**(c) Treasury shares**

The table below summarises the details regarding the fourteenth buy-back programme, respectively the buy-back programme carried during 2023:

<b>Program</b>	<b>GSM date approving the buy-back programme</b>	<b>Starting date</b>	<b>Completion date</b>	<b>Acquisition price range as approved by GSM</b>
<b>Fourteenth buy-back</b>	15-Nov-2022	1-Jan-2023	31-Dec-2023	0.2 - 3 RON per share

The fourteenth buy-back programme refers to the acquisition by the Fund of a maximum number of 3,500,000,000 shares and/or equivalent global depository receipts corresponding to the Fund's shares.

The movement in the number of treasury shares (including the equivalent shares of GDRs bought-back) during the nine-month periods ended 30 September 2023 and 30 September 2022 is presented in the tables below:

9 months ended 30 September 2023	Treasury shares number - opening balance	Acquisitions during the period	Cancellations during the period	Treasury shares number - closing balance
<b>Buy-back 13</b>	549,019,085	-	-	549,019,085
<b>Buy-back 14</b>	-	424,956,614	-	424,956,614
	<b>549,019,085</b>	<b>424,956,614</b>	<b>-</b>	<b>973,975,699</b>

9 months ended 30 September 2022	Treasury shares number - opening balance	Acquisitions during the period	Cancellations during the period	Treasury shares number - closing balance
<b>Buy-back 12</b>	194,371,754	-	-	194,371,754
<b>Buy-back 13</b>	-	488,182,982	-	488,182,982
	<b>194,371,754</b>	<b>488,182,982</b>	<b>-</b>	<b>682,554,736</b>

The movement of treasury shares carrying amounts during the nine-month periods ended 30 September 2023 and 30 September 2022 is presented in the tables below:

9 months ended 30 September 2023	Opening balance	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance
<b>Buy-back 13</b>	1,194,334,988	-	-	1,194,334,988
<b>Buy-back 14</b>	-	777,780,690	-	777,780,690
	<b>1,194,334,988</b>	<b>777,780,690</b>	<b>-</b>	<b>1,972,115,678</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**19. Shareholder' equity (continued)**
**(c) Treasury shares(continued)**

9 months ended 30 September 2022	Opening balance	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance
Buy-back 12	331,650,005	-	-	331,650,005
Buy-back 13	-	1,071,222,208	-	1,071,222,208
	<b>331,650,005</b>	<b>1,071,222,208</b>	-	<b>1,402,872,213</b>

**(d) Dividend distribution**

During the 20 April 2022 General Shareholders Meeting, the Fund's shareholders approved the distribution of a gross dividend of RON 0.1250 per share from 2021 profit. The shareholders registered in the shareholders' registry with the Central Depository on 3 June 2022 had the right to receive a gross dividend of RON 0.1250 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 27 June 2022.

During the 21 April 2023 General Shareholders Meeting, the Fund's shareholders approved the distribution of a gross dividend of RON 0.05 per share from 2022 financial year profit. The shareholders registered in the shareholders' registry with the Central Depository on 12 May 2023 had the right to receive a gross dividend of RON 0.05 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 6 June 2023.

During the 18 August 2023 General Shareholders Meeting, the Fund's shareholders approved the distribution of a gross dividend of RON 1.7225 per share from retained earnings. The shareholders registered in the shareholders' registry with the Central Depository on 8 September 2023 had the right to receive dividends, proportionally with their participation in the paid in share capital of the Fund. The payment started on 29 September 2023. The dividend payment was funded by the Hidroelectrica SA IPO proceeds.

**20. Contingencies**
**(a) Litigations**

At 30 September 2023, the Fund was involved in certain litigations, either as defendant or claimant. After analysing the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Fund considers that there are no litigations which may have significant effects on the Fund's financial position or profitability.

**(b) Other contingencies**

Other contingencies of the Fund included the receivables from World Trade Center Bucuresti SA and the potential payable regarding CN Aeroporturi Bucuresti SA share capital increase, as detailed below.

**(i) Receivables from World Trade Center Bucuresti SA**

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

Between 2008 and 2010, the Fund recovered from World Trade Center Bucuresti SA, USD 510,131, EUR 148,701 and RON 8,724,888. Given the uncertainties regarding the recoverability of the amounts due by World Trade Center Bucuresti SA, the above amounts were recognised on receipt basis in the Fund's financial statements. The amounts recovered from the enforcement procedure were accounted for by the Fund as contributions of the Romanian State to the share capital of the Fund, decreasing the receivable related to the unpaid capital.



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

(all amounts are in RON unless otherwise stated)

### 20. Contingencies (continued)

#### (b) Other contingencies (continued)

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

On 7 July 2016, the Bucharest Court admitted the claim filed by World Trade Center Bucuresti SA and obliged Fondul Proprietatea to pay back the amounts recovered from the enforcement procedure (EUR 148,701, USD 10,131 and RON 8,829,663) and the related legal interest calculated for these amounts. During the period from July to August 2016, the Fund performed the payment of these amounts and the related legal interest to World Trade Center Bucuresti SA. The Court decision is irrevocable.

On 18 February 2020, the Court ruled in favour of the Fund in the case started against the Romanian State, represented by Ministry of Public Finance, for recovering the contributions of the Romanian State to the share capital of the Fund. The decision was issued in the first stage and Ministry of Public Finance appealed it. On 18 September 2020, Bucharest Court of Appeal admitted the appeal of Ministry of Public Finance. The Fund filed the second appeal which was rejected by the High Court of Cassation and Justice on 1 April 2021.

The Fund has initiated legal actions against World Trade Center Bucharest SA and the Ministry of Finance for recovering the amounts, which are pending with the Court.

#### (ii) CN Aeroporturi Bucuresti SA share capital increase

CN Aeroporturi Bucuresti called through the convening notice published in the Official Gazette of Romania Part IV no. 3873/20.09.2021, a General Shareholders Meeting for 25 October 2021, in order to approve a share capital increase with the land located inside the Baneasa Airport, brought as Romanian State's contribution in kind to the company's share capital. The proposed value for the share capital increase was initially RON 3,814,809,171. This is the third time when the process to increase the share capital is initiated since 2001, when Baneasa Airport received the land ownership certificates.

During 26 October 2021 (i.e. second call of the shareholders meeting) the share capital increase was approved only with Romanian State votes in favour as follows:

- The share capital increase approved was for RON 4,768,511,460, out of which:
  - RON 3,814,809,170 represents in kind contribution of Romanian State calculated as the value of the land parcels valued by the valuer appointed by Trade Registry;
  - The amount of RON 953,702,290 represents the value of shares offered to be subscribed by Fondul Proprietatea for maintaining 20% participation in the share capital. The preference rights may be used by the Fund within 60 days calculated starting with the date when the shareholders resolution is published in the Official Gazette;
- After the 60 days period expires, the share capital will increase with the value of paid-up shares (Romanian State in kind contribution being already considered completed);
- If the Fund would not subscribe, the unsubscribed shares would be cancelled and Fondul Proprietatea holding will be diluted to 0.73%.

Fondul Proprietatea already expressed its opinion strongly disputing the fundamentally flawed land valuation report, as the land valuation report carried out in 2021 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 million. Fondul Proprietatea commenced court proceedings for the annulment of the shareholders resolutions asking the court to suspend the entire process till the claim for annulment case is irrevocably closed, to protect the interest of the Fund and its shareholders.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**20. Contingencies (continued)**
**(b) Other contingencies (continued)**

Following the hearing that took place on 13 January 2022, the Bucharest Court of Appeal admitted the request of suspension filed by the Fund and ordered the suspension of the effects of the increase until the claim for the annulment of the CN Aeroporturi Bucuresti GSM is irrevocably settled.

In the litigation related to the claim for annulment of the aforementioned GSM, on 25 May 2023, Ilfov Court (*Tribunalul Ilfov*) dismissed the Fund's claim as unfounded. The Court's decision is not final. The Fund filed the appeal against this decision.

Considering the above, the dilution risk was assessed as not significant and thus no additional adjustments were applied to the valuation of the company for 30 September 2023. The Fund will continue to update its shareholders regarding the share capital increase process. The duration of court cases in Romania is not predictable. However, the Fund will use all legal available means to have a solution for this issue as soon as possible.

**21. Related parties**
**(a) Key management**
**(i) Board of Nominees ("BON")**

	9 months ended 30 September 2023	9 months ended 30 September 2022
<b>BON gross remunerations, out of which:</b>	<b>1,277,667</b>	<b>992,852</b>
Contributions to social security fund retained from gross remuneration	125,379	108,558
Contributions to health insurance fund retained from gross remuneration	50,157	43,416
Income tax	110,223	84,081
<b>Net remunerations paid to BON members</b>	<b>991,908</b>	<b>756,797</b>

Other costs incurred by the Fund in relation to the members of the Board of Nominees comprised:

	9 months ended 30 September 2023	9 months ended 30 September 2022
Professional insurance costs	277,697	388,288
Advisory services for BON	93,612	-
Other costs (accommodation, transport, meals etc)	395,873	293,984
	<b>767,182</b>	<b>682,272</b>

There were no loans between the Fund and the members of the Board of Nominees neither in the first nine months of 2023 nor in the first nine months of 2022. There are no post-employment, long term or termination benefits related to the remuneration of the members of the Board of Nominees.

**(ii) Sole Director**

FTIS is the Sole Director and Alternative Investment Fund Manager of the Fund starting with 1 April 2016. Starting 1 December 2020, the portfolio management and the administrative are performed by FTIS through its Bucharest Branch.

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



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**21. Related parties (continued)**
**(a) Key management (continued)**
**(ii) Sole Director (continued)**

	9 months ended 30 September 2023	9 months ended 30 September 2022
<b>Transactions</b>		
Administration fees	216,869,418	92,301,116

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

	9 months ended 30 September 2023	9 months ended 30 September 2022
<b>Transactions</b>		
Rent expense charged to the Fund	62,148	55,904
Operating cost charged to the Fund	24,678	21,387
	<b>86,826</b>	<b>77,291</b>

During the nine-month period ended 30 September 2023, the Fund recorded RON 626,553 (30 September 2022: RON 393,255) representing expenses incurred by FTIS Bucharest Branch on its behalf.

These expenses were primarily related to expenses in the interest of protecting and promoting the image of the Fund and its securities (investor relations). The recharge of these expenses to the Fund followed the provisions of the management agreement in place at the respective moment and was subject to Board of Nominees' approval.

The outstanding liabilities owed by the Fund were as follows:

<b>Amounts due to:</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
FTIS Luxembourg	172,676,251	14,961,308
FTIS Bucharest Branch	387,402	9,327
	<b>173,063,653</b>	<b>14,970,636</b>

There are no other elements of compensation for key management besides those described above.

**(b) Subsidiaries**

As described in Note 16 – *Equity investments*, the Fund has the following subsidiaries at 30 September 2023 and 31 December 2022:

<b>Ownership interest</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	n/a	70%

As at 31 December 2022 Comsig SA was in administrative liquidation process, which was finalised, as it was deregistered from the National Trade Registry on 28 March 2023.

As at 30 September 2023 and 31 December 2022, the Fund had no commitment to provide financial or other support to its subsidiaries, including commitments to assist the subsidiaries in obtaining financial support.

	9 months ended 30 September 2023	9 months ended 30 September 2022
<b>Gross dividend income</b>		
Alcom SA	934,651	824,054

At 30 September 2023 and 31 December 2022 there were no dividends receivable from the subsidiaries.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

**21. Related parties (continued)**
**(c) Associates**

As described in Note 16 – *Equity investments*, the Fund has the following associates at 30 September 2023 and 31 December 2022:

<b>Ownership interest</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

<b>Gross dividend income</b>	<b>9 months ended 30 September 2023</b>	<b>9 months ended 30 September 2022</b>
Societatea Nationala a Sarii SA	55,996,590	29,345,514

At 30 September 2023 and 31 December 2022 there were no dividends receivable from the associates.

**22. Subsequent events**
**Share capital decrease of Fondul Proprietatea SA**

The Bucharest Trade Registry registered as of 12 October 2023 the Resolution no. 2 / 21 April 2023 of the Fund's Extraordinary General Shareholders' Meeting which approved the decrease of the subscribed and paid-up registered share capital from RON 3,233,269,110.76 to RON 2,947,779,186.56 pursuant to the cancellation of 549,019,085 own shares acquired by Fondul Proprietatea during 2022 through the thirteenth buy-back programme.

The amendment of the Fund's Constitutive Act following the decrease was authorized by the Financial Supervisory Authority through Authorization no. 140 / 5 October 2023.

Starting with 12 October 2023, the new value of the Fund's subscribed and paid-up share capital is RON 2,947,779,186.56, being divided into 5,668,806,128 shares, each having a nominal value of RON 0.52 per share.

**Public Tender Offer launch**

On 11 October 2023, the Fund Manager submitted with the Financial Supervisory Authority of Romania an application for the approval of a tender offer for cash of its own shares in relation to the buy-back programme approved by the Fund's Extraordinary Shareholders' Resolution no. 2 / 15 November 2022.

On this date the Fund also informed the shareholders and investors that it has engaged Swiss Capital S.A. together with Auerbach Grayson as agents and Swiss Capital S.A. as intermediary in relation to the purchase of shares as per the buy-back mandate terms and that it intends to engage The Bank of New York Mellon as tender agent in relation to the purchase of global depositary receipts. Under this tender offer, the Fund intends to repurchase from its shareholders up to 670,000,000 shares (both in the form of shares and GDRs).

On 24 October 2023, the FSA approved the application for a public tender offer in relation to the acceleration of the ongoing buy-back programme. Total value of the offer approved is 670,000,000 shares in the form of shares and/or global depositary receipts which represent the shares at a purchase price of RON 0.6319 per share and the USD equivalent of RON 31.5950 per GDR, computed in accordance with the terms and conditions of the tender offer documentation. The approved subscription period is between 31 October 2023 and 5 December 2023 and the allocation method is pro-rata.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

(all amounts are in RON unless otherwise stated)

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**22. Subsequent events (continued)****Public Tender Offer launch (continued)**

On 2 November 2023, the Fund informed the shareholders that on this date an application to amend the public tender offer documentation by increasing the number of tendered shares (both in the form of shares and GDRs) to up to 1,670,000,000 was filed to FSA. The FSA approved the modification on 8 November 2023.

**Enel companies sale**

On 26 October 2023, The Fund completed the sale of its entire holding in E-Distributie Muntenia S.A., Enel Energie Muntenia S.A., E-Distributie Dobrogea S.A., E-Distributie Banat S.A. and ENEL Energie S.A. for a total amount of RON 650,000,000. The proceeds will be used in accordance with the discount management techniques set out in Fondul Proprietatea's Investment Policy such as the amended tender offer mentioned above.

## Annex 2 Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 September 2023, prepared in accordance with FSA Regulation nr. 7/2020 (Annex no. 11)

	Item	31 December 2022				30 September 2023				Differences RON
		% of the net asset	% of the total asset	Currency	Total RON	% of the net asset	% of the total asset	Currency	Total RON	
<b>I.</b>	<b>Total assets</b>	<b>100.7850%</b>	<b>100.0000%</b>	-	<b>14,683,910,693.57</b>	<b>158.528%</b>	<b>100.0000%</b>	-	<b>5,346,825,396.33</b>	<b>(9,337,085,297.24)</b>
<b>1</b>	Securities and money market instruments, out of which:	1.1503%	1.1415%	-	167,608,857.01	10.5172%	6.6342%	-	152,693,773.49	(14,915,083.52)
	securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	1.1503%	1.1415%	-	167,608,857.01	10.5172%	6.6342%	-	152,693,773.49	(14,915,083.52)
<b>1.1</b>	1.1.1 listed shares traded in the last 30 trading days	1.0789%	1.0706%	-	157,201,424.02	4.1893%	2.6427%	-	141,295,449.50	(15,905,974.52)
	1.1.2 listed shares not traded in the last 30 trading days	0.0714%	0.0709%	-	10,407,432.99	0.3380%	0.2131%	-	11,398,323.99	990,891.00
	1.1.3 other similar securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.1.4 bonds	0.0000%	0.0000%	-	-	5.9899%	3.7784%	-	-	-
	1.1.5 other title debts	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.1.6 other securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.1.7 money market instruments	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.1.8 allotment rights admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
<b>1.2</b>	Securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.1 listed shares traded in the last 30 trading days	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.2 listed shares not traded in the last 30 trading days	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.3 other similar securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.4 bonds	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.5 other title debts	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.6 other securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.7 money market instruments	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.8 allotment rights admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
<b>1.3</b>	Securities and money market instruments admitted on a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the Financial Supervisory Authority (FSA), out of which:	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.1 listed shares traded in the last 30 trading days	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.2 listed shares not traded in the last 30 trading days	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.3 other similar securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.4 bonds	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.5 other title debts	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.6 other securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.7 money market instruments	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.8 allotment rights admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
<b>2</b>	New issued securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
<b>3</b>	Other securities and money market instruments mentioned in art. 83 paragraph (1) letter a) of the O.U.G. no. 32 / 2012 of which:	92.8582%	92.1349%	-	13,528,983,081.84	78.8604%	49.7451%	-	2,861,812,826.87	(10,667,170,254.97)
	- shares not admitted at trading	92.8582%	92.1349%	-	13,528,983,081.84	78.8604%	49.7451%	-	2,659,786,915.90	(10,869,196,165.94)
	- redeemed debentures	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- unlisted bonds	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	202,025,910.97	202,025,910.97
	- allotment rights not admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-

Annex 2 Statement of Assets and Obligations as  
at 30 September 2023, prepared in accordance  
with FSA Regulation 7/2020

2

Item	31 December 2022				30 September 2023				Differences	
	% of the net asset	% of the total asset	Currency	Total RON	% of the net asset	% of the total asset	Currency	Total RON	RON	
- rights not admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
- other financial instruments	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
4 Bank deposits, out of which:	6.2639%	6.2151%	-	912,616,396.35	39.8996%	25.1689%	-	1,345,731,535.68	433,115,139.33	
4.1 bank deposits made with credit institutions from Romania	6.2639%	6.2151%	-	912,616,396.35	39.8996%	25.1689%	-	1,345,731,535.68	433,115,139.33	
- in RON	6.2639%	6.2151%	-	912,616,396.35	39.8996%	25.1689%	-	1,345,731,535.68	433,115,139.33	
4.2 bank deposits made with credit institutions from an EU state	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
4.3 Bank deposits made with credit institutions from a non-EU state	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
5 Derivatives financial instruments traded on a regulated market, out of which:	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
5.1 derivatives financial instruments traded on a regulated market from Romania (forward, futures and options, swaps, etc)	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
5.2 derivatives financial instruments traded on a regulated market from an EU state (forward, futures and options, swaps, etc)	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
5.3 derivatives financial instruments traded on a regulated market from a non-EU state (forward, futures and options, swaps, etc)	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
5.4 derivatives financial instruments traded on a regulated market (forward, futures and options, swaps, etc)	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
6 Current accounts and petty cash, out of which:	0.5067%	0.5027%	-	73,833,144.34	29.2339%	18.4407%	-	986,001,093.71	912,167,949.37	
- in RON	0.5067%	0.5027%	-	73,828,741.75	29.2096%	18.4254%	-	985,180,661.43	911,351,919.68	
- in EUR	0.0000%	0.0000%	EUR 323.22	1,599.10	0.0005%	0.0003%	EUR 3,289.92	16,366.04	14,766.94	
- in GBP	0.0000%	0.0000%	GBP 136.69	763.80	0.0001%	0.0001%	GBP 855.53	4,913.57	4,149.77	
- in USD	0.0000%	0.0000%	USD 440.10	2,039.69	0.0237%	0.0149%	USD 170,525.92	799,152.67	797,112.98	
7 Money market instruments, other than those traded on a regulated market, according to art. 82 letter g) of the O.U.G. no. 32/2012, din care:	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
- treasury bills with original maturities of less than 1 year	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
8 Participation titles of F.I.A./O.P.C.V.M.	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
9 Dividends or other receivable rights	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
- in RON	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
- in EUR	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
- in USD	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
10 Other assets out of which:	0.0059%	0.0058%	-	869,214.03	0.0174%	0.0111%	-	586,166.58	(283,047.45)	
- guarantee deposited to the broker for the buyback tender offer	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
- receivables related to the cash contributions to the share capital increases performed by portfolio companies	0.0002%	0.0002%	-	30,030.00	0.0000%	0.0000%	-	-	(30,030.00)	
- receivables related to transactions under settlement	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
- tax on dividends to be recovered from the State Budget	0.0020%	0.0020%	-	294,926.41	0.0000%	0.0000%	-	-	(294,926.41)	
- intangible assets	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
- advance payments for intangible assets	0.0006%	0.0006%	-	88,311.09	0.0039%	0.0024%	-	130,738.44	42,427.35	
- other receivables	0.0020%	0.0019%	-	299,602.65	0.0042%	0.0027%	-	142,487.18	(157,115.47)	
- in RON	0.0020%	0.0019%	-	299,602.65	0.0042%	0.0027%	-	142,487.18	(157,115.47)	
- in EUR	0.0000%	0.0000%	-	-	0.0000%	0.0000%	EUR	-	-	
- in USD	0.0000%	0.0000%	-	-	0.0000%	0.0000%	USD	-	-	
- prepaid expenses	0.0011%	0.0011%	-	156,343.88	0.0093%	0.0060%	-	312,940.96	156,597.08	

Annex 2 Statement of Assets and Obligations as  
at 30 September 2023, prepared in accordance  
with FSA Regulation 7/2020

3

	Item	31 December 2021				30 September 2022				Differences RON
		% of the net asset	% of the total asset	Currency	Total RON	% of the net asset	% of the total asset	Currency	Total RON	
II	<b>Total liabilities</b>	<b>0.7850%</b>	<b>0.7789%</b>	-	<b>114,372,608.92</b>	<b>58.5285%</b>	<b>36.9199%</b>	-	<b>1,974,040,269.22</b>	<b>1,859,667,660.30</b>
1	Liabilities in relation with the payments of fees due to the A.F.I.A.	0.1027%	0.1019%	-	14,961,308.43	5.1311%	3.2367%	-	173,061,022.38	158,099,713.95
	- in RON	0.0000%	0.0000%	-	-	0.0114%	0.0072%	-	384,771.52	384,771.52
	- in EUR	0.1027%	0.1019%	EUR	3,024,074.95	5.1197%	3.2295%	EUR	34,711,585.02	157,714,942.43
2	Liabilities related to the fees payable to the depositary bank	0.0002%	0.0001%	-	21,935.87	0.0003%	0.0002%	-	8,663.04	(13,272.83)
3	Liabilities related to the fees payable to intermediaries	0.0404%	0.0400%	-	5,880,160.97	0.0040%	0.0025%	-	135,416.41	(5,744,744.56)
	- in RON	0.0156%	0.0154%	-	2,267,852.50	0.0040%	0.0025%	-	135,416.41	(2,132,436.09)
	- in EUR	0.0136%	0.0135%	EUR	400,000.00	0.0000%	0.0000%	EUR	-	(1,978,960.00)
	- in USD	0.0112%	0.0111%	USD	352,424.91	0.0000%	0.0000%	USD	-	(1,633,348.47)
4	Liabilities related to commissions and other bank services	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
5	Interest payable	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
6	Issuance expense	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
7	Liabilities in relation with the fees/commissions to FSA	0.0078%	0.0078%	-	1,141,613.52	0.0078%	0.0049%	-	263,005.67	(878,607.85)
8	Audit fees	-0.0011%	-0.0011%	-	-160,638.87	0.0000%	0.0000%	-	-	160,638.87
9	Other Liabilities, out of which:	0.5486%	0.5445%	-	79,945,096.21	53.2285%	33.5767%	-	1,795,282,039.38	1,715,336,943.17
	- short term credit facility	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- liabilities to the Fund's shareholders related to the dividend distribution	0.5091%	0.5051%	-	74,166,644.07	29.4292%	18.5640%	-	992,582,798.78	918,416,154.71
	- liabilities related to the return of capital	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- liabilities related to Government securities under settlement	0.0000%	0.0000%	-	-	2.3039%	1.4533%	-	77,706,206.69	77,706,206.69
	- provisions	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- remunerations and related contributions	0.0002%	0.0002%	-	31,751.00	0.0009%	0.0006%	-	31,751.00	-
	- VAT payable to State Budget	0.0000%	0.0000%	-	4,874.96	0.0013%	0.0008%	-	43,196.69	38,321.73
	- tax on dividends payable to State Budget	0.0153%	0.0152%	-	2,233,527.00	21.4760%	13.5471%	-	724,340,307.00	722,106,780.00
	- other liabilities out of which:	0.0240%	0.0240%	-	3,508,299.18	0.0172%	0.0109%	-	577,779.22	(2,930,519.96)
	- in RON	0.0240%	0.0240%	-	3,508,299.18	0.0112%	0.0071%	-	374,719.22	(3,133,579.96)
	- in EUR	0.0000%	0.0000%	EUR	-	0.0037%	0.0024%	EUR	25,418.00	126,444.38
	- in USD	0.0000%	0.0000%	USD	-	0.0000%	0.0000%	USD	-	-
	- in GBP	0.0000%	0.0000%	GBP	-	0.0023%	0.0014%	GBP	13,340.00	76,615.62
10	Payables related to buybacks under settlement	0.0864%	0.0857%	-	12,583,132.79	0.1568%	0.0989%	-	5,290,122.34	(7,293,010.45)
III	<b>Net Asset Value (I - II)</b>	<b>100.0000%</b>	<b>99.2211%</b>	-	<b>14,569,538,084.65</b>	<b>100.0000%</b>	<b>63.0801%</b>	-	<b>3,372,785,127.11</b>	<b>(11,196,752,957.54)</b>

## Unitary Net Asset Value

Item	30 September 2023	30 September 2022	Differences
<b>Net Asset Value</b>	<b>3,372,785,127.11</b>	<b>15,433,328,041.56</b>	<b>(12,060,542,914.45)</b>
Number of outstanding shares	5,243,849,514	5,729,642,231	(485,792,717)
Unitary net asset value	0.6431	2.6935	(2.0504)

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## DETAILED STATEMENT OF INVESTMENTS AS AT 30 September 2023

### 1. Securities admitted or traded on a regulated market in Romania, out of which:

#### 1.1 Listed shares traded in the last 30 trading days (working days)

Issuer	Symbol	Date of the last trading session	No of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset	Valuation method
Alro SA	ALR	29-Sep-23	72,884,714	0.5	1.5550	113,335,730.27	10.21%	2.1197%	3.3603%	Closing Price
IOR SA	IORB	29-Sep-23	2,622,273	0.1	0.2580	676,546.43	0.47%	0.0127%	0.0201%	Reference price (Closing Price)
ROMAERO SA	RORX	29-Sep-23	1,311,691	2.5	20.8000	27,283,172.80	18.87%	0.5103%	0.8089%	Reference price (Closing Price)
<b>Total</b>						<b>141,295,449.50</b>		<b>2.6427%</b>	<b>4.1893%</b>	

#### 1.2. Shares not traded in the last 30 trading days (working days)

Issuer	Symbol	Date of the last trading session	No of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset	Valuation method
Alcom SA	ALCQ	10-Feb-17	89,249	2.5	116.6112	10,407,432.99	71.89%	0.1946%	0.3086%	Value based on the valuation report as at 31 October 2022 (applying the income approach using the discounted cash flow method)
MECON SA	MECP	3-Apr-23	60,054	11.6	16.5000	990,891.00	12.51%	0.0185%	0.0294%	Fair value (Last trading price)
<b>Total</b>						<b>11,398,323.99</b>		<b>0.2131%</b>	<b>0.3380%</b>	

#### 1.3. Shares not traded in the last 30 trading days (working days) for which the financial statements are not obtained within 90 days from the legal filing dates

Not the case

#### 1.4. Allocation rights admitted to trading

Not the case

#### 1.5. Preferred rights admitted to trading

Not the case

#### 1.6. Bonds admitted to trading issued or guaranteed by local government authorities / corporate bonds

Not the case

#### 1.7. Bonds admitted to trading issued or guaranteed by central government authorities

Not the case

#### 1.8. Other securities admitted to trading on a regulated market

Not the case

#### 1.9. Amounts under settlement related to the securities admitted or traded on a regulated market in Romania

Not the case



**2. Securities admitted or traded on a regulated market from a member state of EU, out of which:**

2.1. Shares traded in the last 30 trading days (working days)

Not the case

2.2. Bonds admitted to trading issued or guaranteed by local public administration authorities, corporate bonds

Not the case

2.3. Bonds admitted to trading issued or guaranteed by central government authorities

Not the case

2.4. Other securities admitted to trading on a regulated market in other EU member state

Not the case

2.5. Amounts being settled for securities admitted to or traded on a regulated market in other EU member state

Not the case

**3. Securities admitted or traded on a regulated market from a non-member state of EU**

3.1. Shares traded in the last 30 trading days (working days)

Not the case

3.2. Issued bonds admitted to trading or guaranteed by local government authorities, corporate bonds traded in the last 30 days (working days)

Not the case

3.3. Other securities admitted to trading on a regulated market in a non-member state of EU

Not the case

3.4. Amounts being settled for securities admitted to or traded on a regulated market in a non-member state of EU

Not the case

**4. Money market instruments traded or listed on regulated markets in Romania**

Not the case

Amounts being settled for money market instruments admitted or traded on a regulated market in Romania

Not the case

**5. Money market instruments traded or listed on regulated markets from other EU member state**

Not the case

Amounts under settlement related to money market instruments admitted or traded on a regulated market in another EU Member State

Not the case

**6. Money market instruments traded or listed on regulated markets from a non-member state of EU**

Not the case

Amounts under settlement related to money market instruments admitted or traded on a regulated market in a non-EU Member State

Not the case

## 7. Newly issued securities

### 7.1. Newly issued shares

Not the case

### 7.2. Newly issued bonds

Not the case

### 7.3. Preferential rights (after registration with the Central Depository, prior to admission to trading)

Not the case

## 8. Other securities and money market instruments mentioned in art. 83 paragraph (1) letter a) of the O.U.G. no. 32/2012

### 8.1 Other securities mentioned in art. 83 paragraph (1) letter a) of the O.U.G. no. 32/2012

#### 8.1.1. Shares not admitted to trading

Issuer	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital %	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset	Company status	Valuation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	10	91.0099	2,107,698.27	20.00%	0.0394%	0.0625%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the income approach using the discounted cash flow method)
Aeroportul International Timisoara - Traian Vuia SA	32,016	10	171.7891	5,499,999.83	20.00%	0.1029%	0.1631%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the income approach using the discounted cash flow method)
CN Administratia Canalelor Navigabile SA	203,160	10	66.665	13,543,661.40	20.00%	0.2533%	0.4016%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	10	118.2238	3,257,538.59	20.00%	0.0609%	0.0966%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
CN Administratia Porturilor Dunarii Maritime SA	21,237	10	180.6618	3,836,714.65	20.00%	0.0718%	0.1138%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for EBITDA)
CN Administratia Porturilor Maritime SA	6,466,226	10	48.4362	313,199,415.78	19.99%	5.8577%	9.2861%	Unlisted companies, in function	Value based on the valuation report as at 31 May 2023 (applying the income approach using the discounted cash flow method)
CN Aeroporturi Bucuresti SA	2,875,443	10	287.9904	828,099,979.75	20.00%	15.4877%	24.5524%	Unlisted companies, in function	Value based on the valuation report as at 31 May 2023 (applying the income approach using the discounted cash flow method)
Complexul Energetic Oltenia SA	5,314,279	10	0	0.00	11.81%	0.0000%	0.0000%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (valued at zero mainly due to high net debt position)
E-Distributie Banat SA	9,220,644	10	23.0894	212,899,137.57	24.12%	3.9818%	6.3123%	Unlisted companies, in function	Fair value / share (As per Aggregated Value agreed in the Sale and Purchase agreement)
E-Distributie Dobrogea SA	6,753,127	10	25.2327	170,399,627.65	24.09%	3.1869%	5.0522%	Unlisted companies, in function	Fair value / share (As per Aggregated Value agreed in the Sale and Purchase agreement)
E-Distributie Muntenia SA	3,256,396	10	68.6347	223,501,762.54	12.00%	4.1801%	6.6266%	Unlisted companies, in function	Fair value / share (As per Aggregated Value agreed in the Sale and Purchase agreement)
ENEL Energie Muntenia SA	444,054	10	48.6418	21,599,585.86	12.00%	0.4040%	0.6404%	Unlisted companies, in function	Fair value / share (As per Aggregated Value agreed in the Sale and Purchase agreement)
ENEL Energie SA	1,680,000	10	12.8569	21,599,592.00	12.00%	0.4040%	0.6404%	Unlisted companies, in function	Fair value / share (As per Aggregated Value agreed in the Sale and Purchase agreement)

Annex 2 Statement of Assets and Obligations as  
at 30 September 2023, prepared in accordance  
with FSA Regulation 7/2020

7

Issuer	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital %	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset	Company status	Valuation method
Engie Romania SA	2,390,698	10	205.0865	490,299,885.38	11.99%	9.1699%	14.5369%	Unlisted companies, in function	Value based on the valuation report as at 31 May 2023 (applying the market comparison technique using comparable trading multiples for EBITDA)
Gerovital Cosmetics SA	1,350,988	0	0	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Plafar SA	132,784	10	16.5652	2,199,593.52	48.99%	0.0411%	0.0652%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the income approach using the discounted cash flow method)
Posta Romana SA	14,871,947	1	1.4591	21,699,657.87	6.48%	0.4058%	0.6434%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the market comparison technique using comparable trading multiples for price/Earnings)
ROMPLUMB SA	1,595,520	3	0	0.00	33.26%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Salubriserv SA	43,263	3	0	0.00	17.48%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Simtex SA	132,859	3	0	0.00	30.00%	0.0000%	0.0000%	Juridical reorganisation	Priced at zero
Societatea Electrocentrale Craiova SA	513,754	10	0	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (lack of financial statements required for year end valuation)
Societatea Nationala a Sarii SA	2,011,456	10	147.7536	297,199,865.24	48.99%	5.5584%	8.8117%	Unlisted companies, in function	Value based on the valuation report as at 31 May 2023 (applying the income approach using the discounted cash flow method)
World Trade Center Bucuresti SA	198,860	79	0	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero
Zirom SA	6,000,000	10	4.8072	28,843,200.00	100.00%	0.5394%	0.8552%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2022 (applying the income approach using the discounted cash flow method)
<b>Total</b>				<b>2,659,786,915.90</b>		<b>49.7451%</b>	<b>78.8604%</b>		

#### 8.1.2. Shares traded under systems other than regulated markets

Not the case

#### 8.1.3. Unlisted shares valued at zero value (no updated financial statements submitted to the Trade Register)

Issuer	No of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset
World Trade Hotel SA	17,912	1	0.0000	0.00	19.90%	0.0000%	0.0000%
<b>Total</b>				<b>0.00</b>		<b>0.0000%</b>	<b>0.0000%</b>

#### 8.1.4. Bonds not admitted to trading

ISIN code	Date of the last trading session	No. of instruments	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Cumulate d discount/ premium	Market price / Reference composite price	Current value	Stake in total bonds issue	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset	Valuation method
ROJEC97WMUQ4	30-Sep-23	24,000	26-Sep-23	25-Oct-23	25-Oct-23	120,000,000.00	13,150.68	4,484,383.56	-	99.8618	124,318,579.56	1.0784%	2.3251%	3.6859%	Fair value (reference composite price published by Markit, including the cumulated interest)
ROJEC97WMUQ4	30-Sep-23	15,000	28-Sep-23	25-Oct-23	25-Oct-23	75,000,000.00	8,219.18	2,810,958.91	-	99.8618	77,707,331.41	0.6740%	1.4533%	2.3040%	
<b>Total</b>								<b>7,295,342.47</b>			<b>202,025,910.97</b>		<b>3.7784%</b>	<b>5.9899%</b>	

#### 8.1.5. Amounts being settled for shares traded on systems other than regulated markets

Not the case

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

8.2. Other money market instruments mentioned in art. 83 paragraph (1) letter a) of the O.U.G. no. 32/2012

Commercial papers

Not the case

## 9. Available cash in the current accounts and petty cash

### 9.1. Available cash in the current accounts and petty cash in RON

Bank	Current value	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset
BRD Groupe Societe Generale*	988,559,477.3	18.4887%	29.3099%
BRD Groupe Societe Generale - amounts under settlement**	(3,433,839.8)	(0.0642%)	(0.1018%)
Banca Comerciala Romana	49,423.4	0.0009%	0.0015%
CITI Bank	1,540.4	0.0000%	0.0000%
ING BANK	1,572.3	0.0000%	0.0000%
Raiffeisen Bank	938.1	0.0000%	0.0000%
Unicredit Tiriac Bank	1,133.6	0.0000%	0.0000%
Petty cash	416.2	0.0000%	0.0000%
<b>Total</b>	<b>985,180,661.43</b>	<b>18.4254%</b>	<b>29.2096%</b>

\*The amount held with BRD Groupe Societe Generale represents cash held in the distributions bank accounts which can only be used for payments to shareholders.

\*\*The amount under settlement according with the bank statement as at 30 September 2023

### 9.2. Available cash in the current accounts and petty cash in foreign currency

Bank	Currency	Current value	NBR exchange rate	Current value (in RON)	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset
BRD Groupe Societe Generale	EUR	3289.92	4.9746	16,366.04	0.0003%	0.0005%
BRD Groupe Societe Generale	GBP	855.53	5.7433	4,913.57	0.0001%	0.0001%
BRD Groupe Societe Generale	USD	170525.92	4.6864	799,152.67	0.0149%	0.0237%
<b>Total</b>				<b>820,432.28</b>	<b>0.0153%</b>	<b>0.0243%</b>

## 10. Bank deposits by categories: within credit institutions from Romania / EU Member States / non-member EU states

Bank deposits in RON

Name of the bank	Starting date	Maturity date	Initial value	Daily interest	Cumulative interest	Current value (RON)	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Valuation method
CITI Bank	27-Sep-23	04-Oct-23	230,000,000.00	33,861.11	135,444.44	230,135,444.44	4.3042%	6.8233%	Bank deposit value cumulated with the daily related interest for the period from starting date
Banca Comerciala Romana	27-Sep-23	04-Oct-23	230,000,000.00	33,861.11	135,444.44	230,135,444.44	4.3042%	6.8233%	
Raiffeisen Bank	27-Sep-23	04-Oct-23	230,000,000.00	33,222.22	132,888.89	230,132,888.89	4.3041%	6.8232%	
BRD Groupe Societe Generale	29-Sep-23	02-Oct-23	215,000,000.00	29,562.50	59,125.00	215,059,125.00	4.0222%	6.3763%	
BRD Groupe Societe Generale	29-Sep-23	02-Oct-23	10,147,699.41	1,341.75	2,683.50	10,150,382.91	0.1898%	0.3009%	
Unicredit Tiriac Bank	29-Sep-23	02-Oct-23	215,000,000.00	29,861.11	59,722.22	215,059,722.22	4.0222%	6.3763%	
ING BANK	29-Sep-23	02-Oct-23	215,000,000.00	29,263.89	58,527.78	215,058,527.78	4.0222%	6.3763%	
<b>Total</b>			<b>1,345,147,699.41</b>		<b>583,836.27</b>	<b>1,345,731,535.68</b>	<b>25.1689%</b>	<b>39.8996%</b>	

**11. Derivative financial instruments traded on a regulated market**

11.1. Future contracts

Not the case

11.2. Options

Not the case

11.3. Amounts under settlement for derivative financial instruments traded on a regulated market

Not the case

**12. Derivative financial instruments traded outside of the regulated markets**

12.1. Forward contract

Not the case

12.2. Swap contract

Not the case

12.3. Contracts for differences

Not the case

12.4. Other derivative contracts regarding securities, currencies, interest or profitability rates or other derivative instruments, financial indices or financial indicators / other  
derivative contracts regarding goods to be settled in cash or which may be settled in cash at the request of one of the parties

Not the case

**13. Money market instruments, other than those traded on a regulated market, according with art. 82 letter g) of the O.U.G. no. 32/2012**

Treasury bills

Not the case

**14. Participation titles in the O.P.C.V.M. / AOPC**

14.1. Participation titles denominated in RON

Not the case

14.2. Participation titles denominated in foreign currency

Not the case

14.3. Amounts under settlement regarding participation titles denominated in RON

Not the case

14.4. Amounts under settlement regarding participation titles denominated in foreign currency

Not the case

## 15. Dividends or other receivable rights

15.1. Dividends receivable

Not the case

15.2. Shares distributed without cash consideration

Not the case

15.3. Shares distributed with cash consideration

Not the case

15.4. The amount to be paid for shares distributed in exchange of cash consideration

Not the case

15.5. Preference rights (before admission to trading and after the trading periods)

Not the case

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

Item	31 December 2021	31 December 2022	30 September 2023
Net Asset	13,244,639,868.31	14,569,538,084.65	3,372,785,127.11
NAV/share	2.2624	2.5701	0.6431

## Leverage of Fondul Proprietatea

Method type	Leverage level	Exposure amount
a) Gross method	83.41%	2,813,301,121.67
b) Commitment method	100.00%	3,372,785,127.11

Franklin Templeton International Services S.à r.l acting in its capacity of alternative  
investment fund manager of Fondul Proprietatea SA

Johan Meyer  
Permanent representative

BRD Groupe Societe Generale

Victor Strambei  
Manager Depositary Department