

Fondul Proprietatea SA

(this is a translation from the official Romanian version)



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Annexes

- Annex 1 Condensed Interim Financial Statements for the six-month period ended 30 June 2020, 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 June 2020, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)
- Annex 3 Statement of the persons responsible

List of Abbreviations

AIF	Alternative Investment Fund
AIF Law	Romanian Law no. 243/2019 on the regulation of alternative investment funds and amending and supplementing certain normative acts
AIF Regulation	Regulation no. 7/2020 on the authorisation and function of alternative investment funds, issued by the Financial Supervisory Authority
AIFM	Alternative Investment Fund Manager
AIFM Directive	Directive 2011/61/EU on Alternative Investment Fund Managers
ANRE	Romanian Energy Regulatory Authority
ATS	Alternative Trading System
Brexit	The withdrawal of the United Kingdom from the European Union
BVB	Bucharest Stock Exchange
CNVM	National Securities Commission (currently FSA)
Companies' Law	Law 31/1990 regarding companies, with subsequent amendments
Depozitarul Central SA	Romanian Central Depository
EGM	Extraordinary General Shareholders Meeting
EU	European Union
Fondul Proprietatea/ the Fund/ FP	Fondul Proprietatea SA
FSA	Romanian Financial Supervisory Authority
FTIML/ Investment Manager	Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch
FTIS/ Alternative Investment Fund Manager/ Sole Director	Franklin Templeton International Services S.à r.l.
GDP	Gross Domestic Product
GDR	Global Depositary Receipt
GEO	Government Emergency Ordinance
GEO 114/2018	GEO 114/29 December 2018 on the implementation of certain measures in the field of public investments and of fiscal-budgetary measures and the amendment and completion of certain normative acts
GEO 1/2020	GEO 1/ 9 January 2020 regarding some fiscal-budgetary measures and the amendment and completion of some normative acts
GEO 74/2020	GEO 74/ 19 May 2020 for modifying Romanian Energy Law no. 123/2012
GSM	General Shareholders Meeting
IFRS	International Financial Reporting Standards as endorsed by the European Union
IMF	International Monetary Fund
IPS	Investment Policy Statement
LSE	London Stock Exchange
NAV	Net Asset Value
REGS	Main market (Regular) of Bucharest Stock Exchange
RRR	Regulatory Rate of Return
SRD II	Shareholders Rights Directive II - Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement

Overview

Company Information

Fondul Proprietatea was incorporated on 28 December 2005 as a joint stock company operating as a closed-end investment company. The Fund is registered with the Bucharest Trade Register under the number J40/21901/2005 and has the sole registration code 18253260.

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.

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 both the Management Agreement in force between 1 April 2018 and 31 March 2020 (according to 14 February 2018 GSM Resolution) and the new Management Agreement in force during the period 1 April 2020 – 31 March 2022 (according to 28 June 2019 GSM Resolution). FTIS has delegated the role of Investment Manager, as well as certain administrative functions to FTIML for the entire duration of its mandate as AIFM.

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	PJR09SIIR/400006/18.08.2010
LEI code	549300PVO1VWBFH3DO07
CIVM registration no	AC-4522-5/23.10.2019

Source: Fondul Proprietatea

Shareholder Information

Shareholder Structure as at 30 June 2020¹

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights ²
Romanian institutional shareholders	29.00	30.46	34.01
The Bank of New York Mellon (GDRs) ³	23.57	24.75	27.61
Romanian private individuals	17.45	18.33	20.46
Foreign institutional shareholders	12.38	13.00	14.51
Foreign private individuals	2.82	2.97	3.31
Romanian State represented by Ministry of Public Finance	4.87	0.09	0.10
Treasury shares ⁴	9.91	10.40	-

Source: Depozitarul Central SA

As at 30 June 2020 the Fund had 7,441 shareholders and the total number of voting rights was 6,494,137,323.

¹ Information provided based on settlement date of transactions

² The unpaid shares of the Romanian State, represented by the Ministry of Public Finance, and the treasury shares held by FP were not taken into consideration at the calculation of the total number of voting rights

³ Fondul Proprietatea held 37,399 GDRs as at 30 June 2020

⁴ 754,151,074 treasury shares out of which 403,812,443 treasury shares acquired in the tenth buyback program and 350,338,631 treasury shares acquired in the eleventh buyback program

Largest Shareholders

Shareholder	Latest ownership disclosure	% of voting rights
NN Group	6 March 2020	10.01%
Anchorage Capital Group LLC	21 September 2018	6.69%
Allianz-Tiriac private pension funds	1 July 2019	5.05%

Source: ownership disclosures submitted by shareholders

Disclosure of holdings during the period

On 9 March 2020, the Fund announced that Fondul de Pensii Facultative NN Activ, Fondul de Pensii Facultative NN Optim, Fondul de Pensii Administrat Privat NN and NN Investment Partners B.V. have sent an aggregate disclosure of holdings over 10% of the total voting rights in the Fund, according to which, by virtue of acting in concert, they held together as of 6 March 2020, a number of 685,469,767 voting rights, representing 10.01% of the total number of voting rights in the Fund.

Share Capital Information

Share capital information	30 June 2020	30 June 2019	31 December 2019
Issued share capital (RON)	3,959,264,762.44	4,733,020,898.32	3,959,264,762.44
Paid in share capital (RON)	3,770,082,340.44	4,543,838,476.32	3,770,082,340.44
Number of shares in issue	7,613,970,697	9,101,963,266	7,613,970,697
Number of paid shares	7,250,158,347	8,738,150,916	7,250,158,347
Nominal value per share (RON)	0.52	0.52	0.52

Source: Fondul Proprietatea

Summary of Financial Results

The following table shows a summary of the financial information of the Fund during the period:

NAV* and share price developments**	Notes	H1 2020	H1 2019	YE 2019
Total shareholders' equity at the end of the period (RON million)		10,141.4	10,734.4	11,871.5
Total shareholders' equity change in period (%)		-14.6%	+9.2%	+20.8%
Total NAV at the end of the period (RON million)	a	10,141.4	10,734.7	11,871.5
Total NAV change in period (%)		-14.6%	+5.0%	+16.2%
NAV per share at the end of the period (RON)	a	1.5622	1.5112	1.7339
NAV per share change in the period (%)		-9.9%	+7.2%	+23.0%
NAV per share total return in the period (%)	g	-5.9%	+14.4%	+31.2%
Share price as at the end of the period (RON)	b	1.2600	1.0700	1.2100
Share price low in the period (RON)	b	0.9980	0.8000	0.8000
Share price high in the period (RON)	b	1.3800	1.1000	1.2100
Share price change in the period (%)		+4.1%	+21.2%	+37.0%
Share price total return in the period (%)	h	+9.9%	+21.2%	+49.1%
Share price discount to NAV as at the end of the period (%)	d	19.3%	29.2%	30.2%
Average share price discount in the period (%)	d	23.6%	33.6%	29.4%
Average daily share turnover in the period (RON million)	c, j	8.7	4.8	5.6
GDR price as at the end of the period (USD)	e	14.4000	12.6000	13.7000
GDR price low in the period (USD)	e	11.2000	9.6500	9.6500
GDR price high in the period (USD)	e	15.7000	12.7000	13.9000
GDR price change in the period (%)		+5.1%	+20.0%	+30.5%
GDR price total return in the period (%)	i	+10.4%	+21.0%	+41.4%
GDR price discount to NAV as at the end of the period (%)	d	20.3%	30.7%	32.7%
Average GDR price discount in the period (%)	d	24.6%	34.5%	30.4%
Average daily GDR turnover in the period (USD million)	f, k	0.8	0.7	0.7

Source: Fondul Proprietatea, BVB (for shares) and Bloomberg (for GDRs)

* NAV for the end of each period was computed in the last working day of the month

** Period should be read as H1 2020/ H1 2019/ year 2019, respectively

Notes:

- a. Prepared based on local rules issued by the capital market regulator
- b. Source: BVB - REGS market - Closing prices
- c. Source: BVB
- d. Share Price/ GDR Price discount to NAV as at the end of the period (%) is calculated as the discount 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; the average discount is calculated according to IPS, using the latest published NAV per share at the date of calculation
- e. Source: Bloomberg - Closing prices
- f. Source: FP and 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 carried by the Fund in August 2019/ March 2020 with a total value (excluding transaction costs) of RON 109.0 million/ RON 173.0 million for the 90.1 million shares/ 124.5 million shares acquired on BVB
- k. Including the tender offers carried by the Fund in August 2019/ March 2020 with a total value (excluding transaction costs) of USD 17.0 million/ USD 24.2 million for the 59.9 million shares/ 75.5 million shares equivalent to the GDRs acquired on LSE

The table below presents the unaudited results of the Fund in accordance with IFRS for the six months ended 30 June 2020:

RON million	30 June 2020	30 June 2019
(Loss)/ Profit for the six months ended	(848.6)	1,683.2
Total shareholders' equity as at	10,141.4	10,734.4

The main contributor to the loss in the first six months of 2020 was the net unrealised loss from equity investments at fair value through profit or loss amounting to RON 1,960.9 million, generated by OMV Petrom SA, as a result of the negative evolution of this company's share price during the first semester of 2020 (total impact – decrease of RON 696.6 million, share price drop of 27.5%) and the decrease in the value of unlisted holdings in the portfolio of RON 1,264.4 million following the valuation update process (mostly related to CN Aeroporturi Bucuresti SA, E-Distributie companies and Hidroelectrica SA). This was partially offset by the gross dividend income from portfolio companies of RON 1,151.2 million recorded during this period.

For more details, please see the section *Financial Statements Analysis*.

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Analysis of the Fund's Activity

Regulated Stock Market Trading

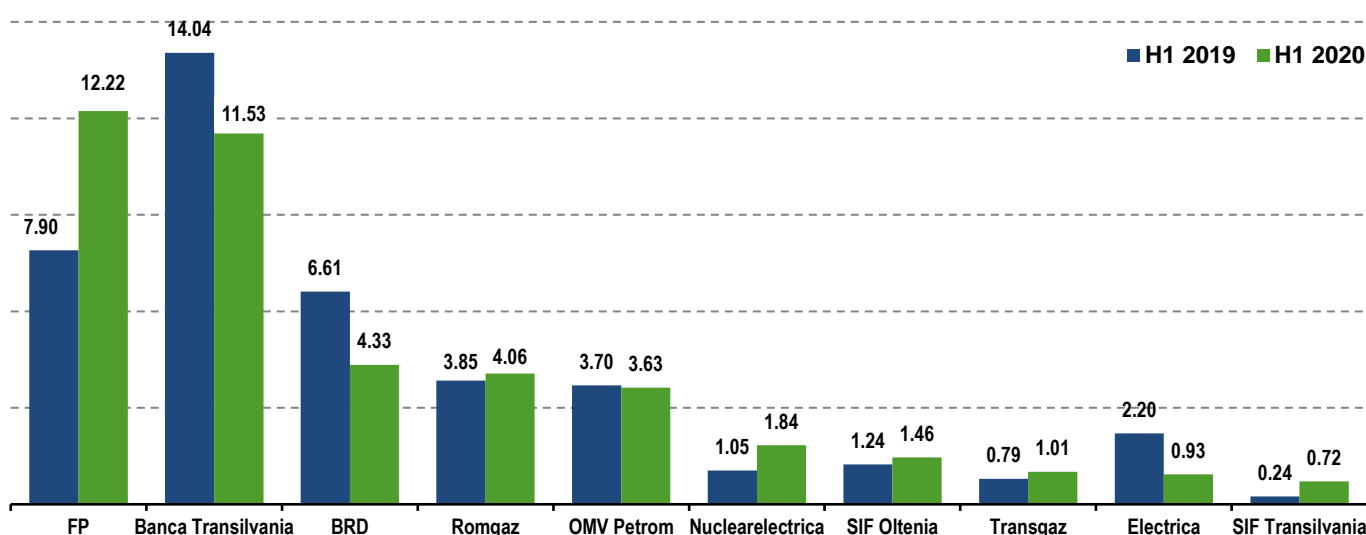
Local Stock Market Evolution

In the first six months of 2020, in the context of COVID-19 pandemic, BVB recorded the lowest decrease compared to the largest markets in Central Europe, in both local currency and EUR terms:

% change in H1 2020	in local currency	in EUR
BET-XT (Romania)	-13.73%	-14.64%
PX (Czech Republic)	-18.32%	-22.39%
BUX (Hungary)	-22.26%	-28.06%
WIG20 (Poland)	-20.06%	-23.69%
ATX (Austria)	-30.43%	-30.43%

Source: Bloomberg

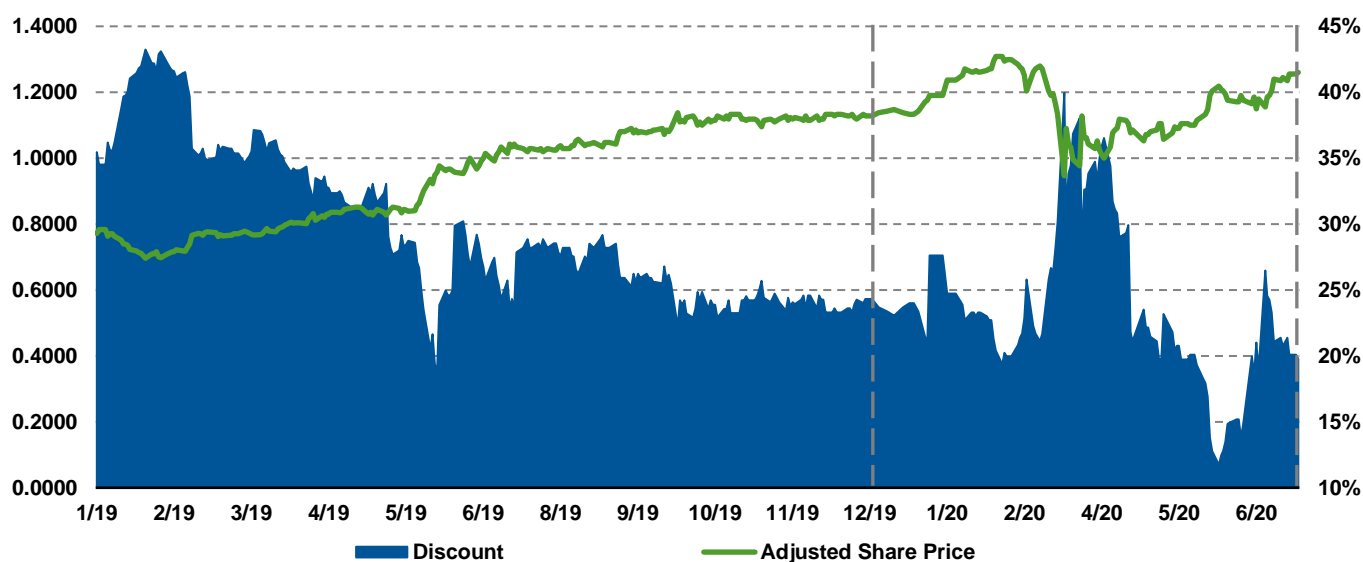
Average Daily Turnover (RON million)



Source: BVB, Bloomberg

Note: The values for FP, Electrica, OMV Petrom and Romgaz also include the GDR trading on LSE. The values for FP include the tender offer from March 2020, of RON 173.0 million for the 124.5 million shares acquired on BVB and RON 105.0 million for the 75.5 million shares equivalent to the GDRs acquired on LSE.

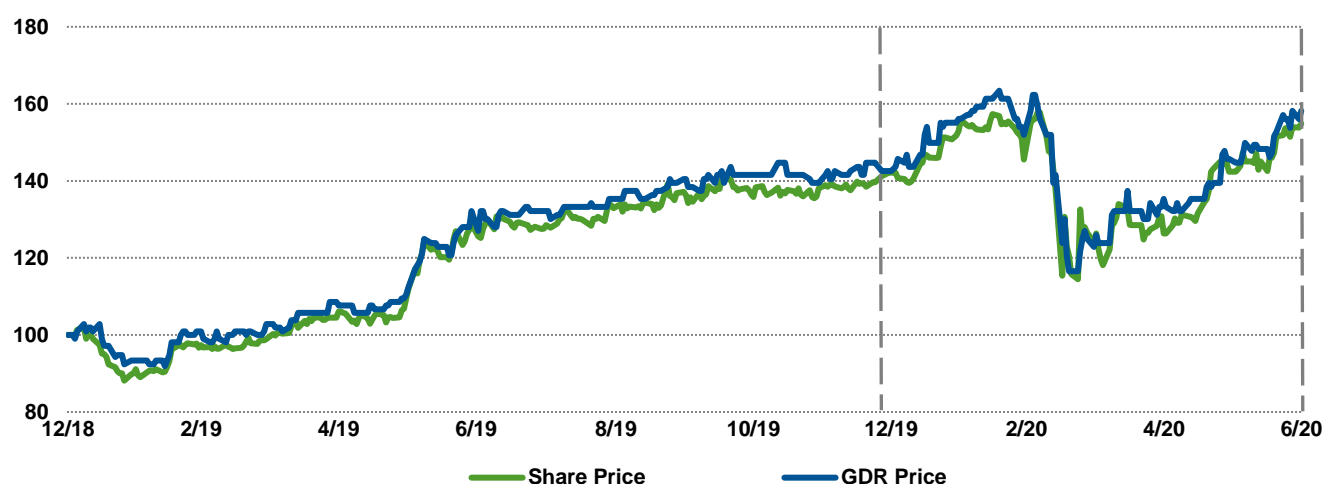
Fund's Share Price and Discount History (RON per share)



Source: Bloomberg for Adjusted Share Price, Fondul Proprietatea for Discount

Note: The discount is calculated in accordance with the IPS i.e. the discount 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

FP Share Price vs. FP GDR price (%)



Source: Bloomberg

The share price had a strong performance in the first two months of the year, reaching a record high of RON 1.3800 per share on 14 February 2020. The negative impact of COVID-19 pandemic on the economic activity and global capital markets led to a significant drop in the Fund's performance in March. In the second quarter of the year, the markets started recovering, and Fondul followed this trend. Therefore, the share price as at the end of June 2020, was 13.5% higher compared to the end of March 2020, and 4.1% higher compared to end of December 2019.

Management and Governance of the Fund

Management Agreements in force during the reporting period

During the first quarter of 2020 the Fund was managed under the Management Agreement concluded between the Fund and FTIS as AIFM on 14 February 2018, which entered into force on 1 April 2018 with a duration of 2 years (1 April 2018 – 31 March 2020). Starting with 1 April 2020, the Fund is managed under the Management Agreement approved during 28 June 2019 GSM, with a duration of 2 years (1 April 2020 – 31 March 2022), under the same key commercial terms as the previous one.

Both Management Agreements mentioned above include the following management structure:

- FTIS is Sole Director and AIFM under AIFM Directive and local implementation regulations;
- Board of Nominees approved the delegation of certain portfolio management and administrative activities from FTIS to FTIML.

Key commercial terms

Base Fee per year	<ul style="list-style-type: none"> • 0.60% • Discount 15% – 20%, + 0.05%, i.e. Base Fee Rate = 0.65% • Discount < 15%, + 0.05%, i.e. Base Fee Rate = 0.70%
Consideration for the Base Fee	<ul style="list-style-type: none"> • Weighted average market capitalisation of the Fund
Distribution Fee for all cash distributions	<ul style="list-style-type: none"> • 1.00% applied to the value of the distributions
Consideration for the Distribution Fee	<ul style="list-style-type: none"> • Share buy-backs and GDR buy-backs • Public tender buy-backs • Return of share capital and dividends
Duration	<ul style="list-style-type: none"> • 2 years
Continuation vote	<ul style="list-style-type: none"> • Annually, in April

Legal representation changes at the level of the Fund

Following Ms. Denisse Voss resignation from Franklin Templeton, with effect from 13 April 2020, the legal representation of the Fund at the level of the AIFM will be as follows: Mr. Eric Bedell, Mr. Craig Blair, Mr. John

Hosie, Mr. Rafal Kwasny, Mr. Calin Metes, Mr. Johan Meyer, Mr. Daniel Naftali, Mr. Luis Perez and Mr. Boris Petrovic, as permanent representatives, with Mr. Johan Meyer being also the portfolio manager of the Fund.

Board of Nominees succession planning

In the 2019 Annual Report of the Fund it was mentioned that three members of the Board of Nominees will have served for nine years as members of the Board during 2021 and as a result, a plan for succession is under way. The succession planning process is currently ongoing. For more updates regarding the changes in Board of Nominees please see section *Subsequent events*.

Performance Objectives

According to the Management Agreement in force starting with 1 April 2020, the First Reporting Period of the mandate is from 1 January until 31 December 2020 and the Second Reporting Period is from 1 January until 31 December 2021.

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 NAV¹ per share 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.

NAV Objective – First reporting period (interim monitoring)

The Adjusted NAV per share as at 30 June 2020 was 6.1% lower than the 31 December 2019 NAV per share of RON 1.7339.

NAV Objective	Amount RON	Details
Total NAV as 30 June 2020	10,141,371,645	
Dividend gross distribution from 2019 profit	417,965,383	Dividend distribution of RON 0.0642 per share, with Ex-date 9 June 2020, Registration date 10 June 2020 and Payment date 1 July 2020
Distribution fees for cash distributions after 31 December 2019	4,179,654	Distribution fee for the dividend distribution from 2019 profits
Costs related to buy-backs after 31 December 2019	4,496,728	Fees related to the eleventh buy-back programme, excluding the distribution fees for buy-backs (includes mainly the FSA fee of 1% of the tender offer value finalised in March 2020)
Distribution fees for buy-backs performed after 31 December 2019	4,535,275	Distribution fees for the eleventh buy-back programme
Costs related to the returns of capital and dividends after 31 December 2019	2,911	Fees charged by the Central Depository and Paying Agent for returns of capital and dividends
Total Adjusted NAV as at 30 June 2020	10,572,551,596	
Number of Fund's paid shares, less treasury shares and GDRs held as at 30 June 2020	6,491,646,029	
Adjusted NAV per share as at 30 June 2020	1.6287	
NAV per share as at 31 December 2019	1.7339	
Difference	(0.1052)	
%	-6.1%	

Source: Fondul Proprietatea

The COVID-19 pandemic generated a severe decline of the financial markets around the world, impacting the Fund's portfolio significantly. The total NAV at 30 June 2020 was 14.6% lower compared to the end of 2019, while the NAV per share dropped by 9.9% over the same period. OMV Petrom SA, the largest listed holding in the portfolio recorded a share price decrease of 27.5% with a total NAV impact of RON 696.6 million.

¹ Summarizing the provisions of the IPS, 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.

Additionally, the value of unlisted holdings decreased by RON 1,264.4 million following the valuation update in June.

The Sole Director is committed to its continued efforts towards protecting shareholders' value and to implement the necessary measures in accordance with the IPS to address this volatile environment. The Sole Director proposed, and shareholders approved during the 28 April 2020 shareholders meeting a cash dividend distribution of RON 0.0642 per share with payment date on 1 July. The eleventh buy-back programme is ongoing - a tender offer for 200 million shares was finalised in March and a new tender offer for 220 million shares was approved by the FSA on 29 July 2020 with the subscription period between 4 August and 9 September 2020. Our proactive investor relations program continues online during this period, organising numerous conference calls with current and potential investors of the Fund. We also work closely with the management of portfolio companies and support them in identifying the most suitable actions to tackle the current challenges and protect the company's value.

Discount Objective – First reporting period (interim monitoring)

In the period between 1 January 2020 and 30 June 2020, the share price discount to NAV was lower than 15% in 7.4% of the trading days.

Discount Evolution¹

Discount as at 30 June 2020	Minimum discount during the interim monitoring period	Maximum discount during the interim monitoring period	Average discount during the interim monitoring period
19.8%	11.75%	39.96%	23.58%

Source: Fondul Proprietatea

The AIFM and the Investment Manager will continue their efforts to reduce the discount to NAV as we firmly believe that the Fund's shares should be trading at a lower discount than the current levels, given the quality of the underlying portfolio assets, our track record in working with the portfolio companies to improve efficiency and profitability, the attractive dividend yield, the ongoing buy-back programmes and our transparency, disclosure, and proactive investor relations efforts.

GDR Facility

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations, or 50,759,804 GDRs as at 30 June 2020, each GDR representing 50 shares. As at 30 June 2020, 1,794,740,200 of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depository bank, accounting for 35,894,804 GDRs, representing 70.71% of the GDR facility.

Credit Facility Agreement

The Fund had in place a credit facility from BRD Groupe Societe Generale SA expiring on 29 June 2020. The facility was extended until 29 June 2022, having the same committed amount of RON 45 million. The credit facility is for general corporate and operational use. The Fund may access, subject to bank's approval and in accordance with the provisions of the credit facility, additional financing in excess of the said committed amount, without exceeding a total amount of RON 100 million at any given time.

The Fund did not use the credit facility during the six months ended 30 June 2020 and the outstanding balance is nil.

2019 Dividend Distribution

On 28 April 2020, the shareholders approved the distribution of a gross dividend of RON 0.0642 per share, with Ex-date on 9 June 2020 and Registration date on 10 June 2020. The Fund started the payment of dividends on 1 July 2020. 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:

¹ The daily discount is calculated in accordance with the IPS, i.e. the discount between the FP shares closing price on the BVB – REGS for each trading day and the latest reported NAV per share at the date of calculation.

- (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)

Also, as an important notice to shareholders, this dividend payment is subject to the general statute of limitation. As such, shareholders may request the payments only within a three-year term starting with the Payment Date, namely by 1 July 2023.

2017 Returns of Capital

During 31 October 2016 GSM and 28 February 2017 GSM, the Fund's shareholders approved 2 returns of capital of RON 0.05 per share each, according to the following details:

Details	March 2017 Return of Capital	June 2017 Return of Capital
GSM Resolution	Resolution no. 10/31 October 2016	Resolution no. 1/28 February 2017
Registration date	7 March 2017	12 June 2017
Payment date	27 March 2017	30 June 2017
General statute of limitation until	27 March 2020	30 June 2020
Updated general statute of limitation limit date	27 September 2020	27 September 2020

Considering the exceptional measures and the restrictions imposed by the authorities in the context of COVID-19 pandemic, the AIFM accepted to extend the period for paying unclaimed amounts for both returns of capital mentioned above until **27 September 2020**.

Investor Relations

In the first six months 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 2 road-shows in the UK and the United States and met with 24 investment professionals interested in finding out more details about the Fund 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.

Between 26 – 27 February we organised in collaboration with WOOD & Company the seventh edition of the "Romania Investor Days in London" event. 78 representatives from 45 international investments firms, with assets under management of over EUR 2,000 billion, and 45 representatives from 18 Romanian companies, listed or candidates for IPOs, participated in the event. During the event, 204 individual and group meetings were held between the investors and the management teams of the Romanian companies present at the event.

Following the outbreak of COVID-19 pandemic and subsequent travel restrictions in March, investor meetings and conferences moved online. Therefore, until the end of June, we participated in 6 institutional investor online conferences organised by brokers and investment banks, during which we had calls with 74 representatives from international asset managers and brokers and discussed the impact of the COVID-19 pandemic on the operations of the main portfolio holdings, as well as the main measures taken so far by the companies' management, latest regulatory developments in Romania, ongoing and future corporate actions for the Fund.

On 28 February, we organised a conference call to present and discuss the 2019 annual results, while on 15 May we organised a conference call regarding the first quarter of 2020 results report. On average, 27 analysts and investors participated in the conference calls and received information regarding the financial results published on the same day, and latest updates regarding the Fund and its portfolio holdings.

Furthermore, during the first six months of the year, we held 31 additional conference calls with analysts, brokers, current and prospective investors, interested in the latest developments regarding the Fund's corporate actions, and its portfolio companies.

Communication between the Investment Manager and investors remains our top priority as we aim to ensure that investors are informed about the latest developments and obtain feedback as we continue to focus on maximising shareholder value.

Buy-back Programmes

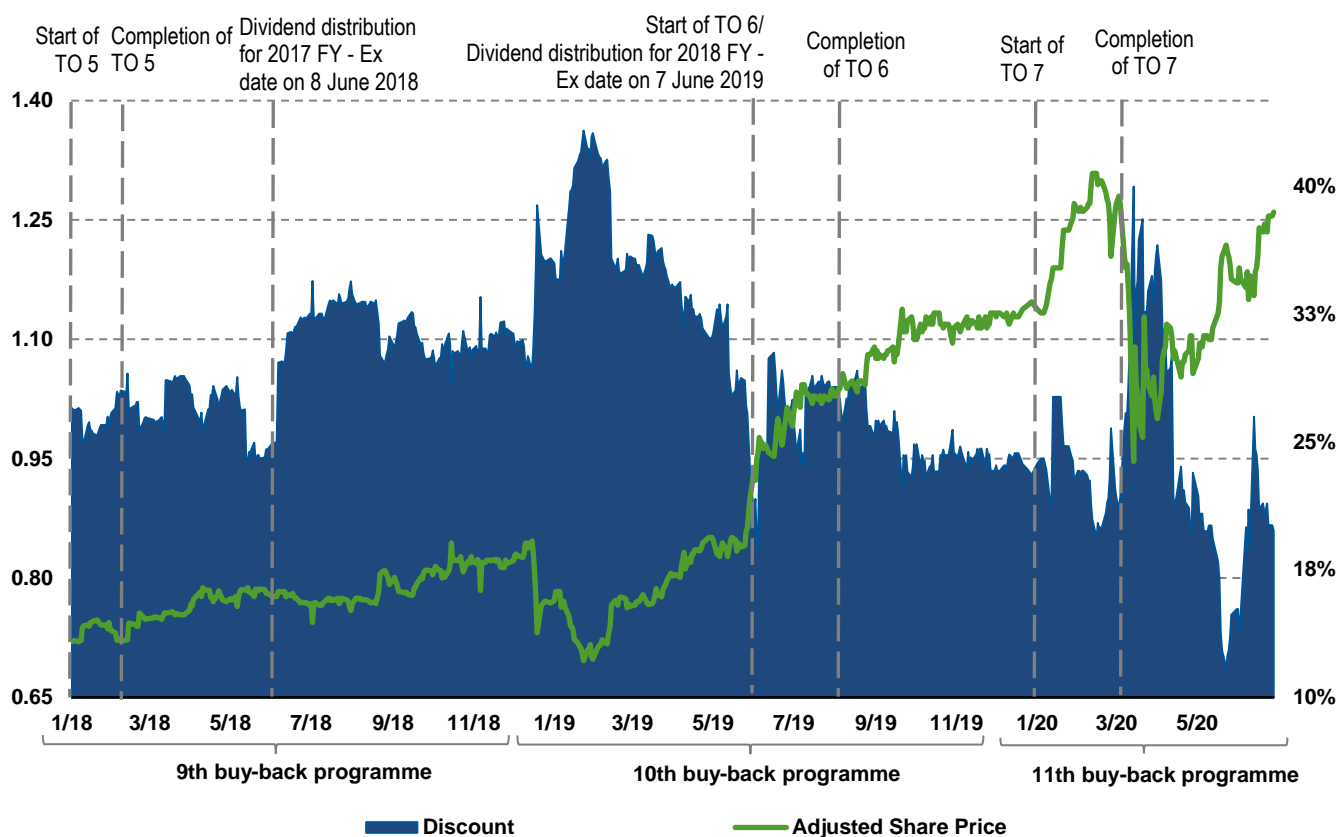
Overview of share buy-back programmes since listing

Programme	Period	No. of shares repurchased (million shares)	Tender offer	Cancellation of shares
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. The cancellation of shares was approved by shareholders during the annual GSM on 28 April 2020 and the implementation process is ongoing.
Eleventh	Jan – Dec 2020	354.7	Jan – Mar 2020	Started on 1 January 2020
TOTAL		6,922.7		

Source: Fondul Proprietatea

Discount evolution and buy-back programmes

The chart below presents the evolution of the discount and trading price by reference to the buy-back programmes and dividend distributions implemented:



Source: Bloomberg for Adjusted Share Price, Fondul Proprietatea for Discount

Note: The discount is calculated in accordance with the IPS i.e. the discount 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

During the six months ended 30 June 2020, the Fund bought back a total number of 354,699,875 own shares within the eleventh buy-back programme (out of which 259,570,275 ordinary shares and 95,129,600 ordinary shares corresponding to GDRs), representing 4.7% of the total issued shares as at 30 June 2020, for a total acquisition value of RON 454,464,658, excluding transaction costs. The total number of own shares (including shares corresponding to GDRs) held by the Fund as at 30 June 2020 is 758,512,318 own shares, having a total nominal value of RON 394,426,405.36 (RON 0.52 per share). During the first semester of 2020 the Fund converted 1,851,062 GDRs acquired into 92,553,100 ordinary shares. As at 30 June 2020, the Fund held 51,530 GDRs.

The table below shows a summary of the buy-back programmes during the first six months of 2020*:

Prog.	Description	No of shares*	Equivalent shares of GDRs	Total no of shares	% of issued share capital***
10th	Opening balance as at 1 January 2020	403,812,443	-	403,812,443	
	Acquisitions	-	-	-	
	Conversions	-	-	-	
	Cancellations	-	-	-	
	Closing balance as at 30 June 2020	403,812,443	-	403,812,443	5.3%
	Weighted average price (RON per share; USD per GDR)**	1.0798	13.0730	1.0872	
11th	Opening balance as at 1 January 2020	-	-	-	
	Acquisitions	259,570,275	95,129,600	354,699,875	
	Conversions	92,553,100	(92,553,100)	-	
	Closing balance as at 30 June 2020	352,123,375	2,576,500	354,699,875	4.7%
	Weighted average price (RON per share; USD per GDR)**	1.2647	14.4000	1.2813	
Total	Total balance of treasury shares as at 30 June 2020	755,935,818	2,576,500	758,512,318	10.0%

Source: Fondul Proprietatea

* Based on the transaction date

** Weighted average price is calculated based on transaction price, excluding the related transaction costs, for the entire buy-back programme

***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)

The eleventh buy-back programme

During 15 November 2019 GSM the shareholders approved the eleventh buy-back programme for a maximum number of 800,000,000 shares and/ or equivalent GDRs corresponding to shares, starting with 1 January 2020 until 31 December 2020, at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The shares repurchased during the buy-back programme will be cancelled. 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 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.

First Tender Offer within the eleventh buy-back programme

On 7 January 2020, the Fund submitted to the FSA an application for the endorsement of a tender offer to accelerate the eleventh buy-back programme. Under the tender offer the Fund intended to repurchase up to 200 million shares from its shareholders, both in the form of shares and GDRs.

The daily execution of buy-backs for both shares on BVB and GDRs on LSE was suspended starting with 12 December 2019.

The Fund engaged Swiss Capital SA and Auerbach Grayson as dealer managers 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 purchase of GDRs.

On 22 January 2020, the FSA approved the Fund's application for the tender offer within the eleventh buy-back programme. The purchase price was RON 1.39 per share and the USD equivalent of RON 69.50 per GDR and the initial subscription period was from 29 January 2020 until 4 March 2020. On 26 February 2020, the Fund announced the extension of the subscription period until 13 March 2020.

On 13 March 2020, the Investment Manager announced the results of the tender offer: total subscriptions of 3,371,755,437 shares representing 1,685.9% of the Offer (2,098,546,337 in the form of shares and 1,273,209,100 shares in the form of GDRs, namely 25,464,182 GDRs).

Under the tender offer, the Fund repurchased 200,000,000 shares (124,478,000 in the form of shares and 75,522,000 shares in the form of GDRs, namely 1,510,440 GDRs) at a purchase price of RON 1.39 per share and the USD equivalent of RON 69.50 per GDR, computed in accordance with the terms and conditions of the offer documentation.

The daily execution of the eleventh buy-back programme was resumed on 23 March 2020 on both BVB and LSE.

For more details regarding the second Tender Offer within the eleventh buy-back programme please see section *Subsequent events*.

Cancellation of shares acquired within the tenth buy-back programme

During the Annual GSM held on 28 April 2020 the shareholders approved the decrease of the subscribed share capital of the Fund from RON 3,959,264,762.44 to RON 3,749,282,292.08 following the cancellation of the 403,812,443 shares acquired within the tenth buy-back programme.

The share capital decrease will take place based on Article 207 (1) (c) of Companies' Law no. 31/1990 and will be effective after all the following conditions are met:

- (i) the GSM resolution is published in the Official Gazette of Romania, Part IV for at least two months – the resolution was published in the Official Gazette of Romania no. 1731/18 May 2020 and the two-month term expired on 18 July 2020;
- (ii) FSA endorses the amendment of Article 7 (1) of the Constitutive Act of the Fund as approved by shareholders during the GSM – the request was filed and the FSA's process for endorsement is ongoing;
- (iii) the shareholders' resolution for approving the share capital decrease is registered with the Trade Registry – this is the last step and should be performed after FSA issues the decision for endorsing the changes.

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 General Shareholders Meeting. As at 30 June 2020, 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

The total negative reserve recorded by the Fund as at 31 December 2019 of RON 640,744,712 was related to the cancellation of the shares acquired within the ninth buy-back programme. During the 28 April 2020 Annual GSM, the shareholders approved the coverage of these negative reserves, as recorded in the annual audited IFRS financial statements of the Fund, from other reserves allocated specifically for this purpose during the 2019 Annual GSM.

The table below shows the movement of the negative reserves during the first six months of 2020:

All amounts in RON

Opening balance of the negative reserve as at 1 January 2020 (audited)	640,744,712
Coverage of negative reserves according with GSM Resolution no. 2/ 28 April 2020	(640,744,712)
Closing balance of the negative equity reserve at 30 June 2020 (unaudited)	-

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 June 2020:

Negative reserve that would arise on cancelation of the treasury shares in balance as at 30 June 2020		Buy-back programme 10	Buy-back programme 11
Number of shares to be cancelled	(1)	403,812,443	354,699,875
Total costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled in the future (RON)	(2)	446,008,591	463,496,660
Correspondent nominal value (NV = RON 0.52 per share) (RON)	(3)=(1)*NV	209,982,470	184,443,935
Estimated negative reserve to be booked on cancelation (RON)	(4)=(3)-(2)	(236,026,121)	(279,052,725)

Source: Fondul Proprietatea

During the 28 April 2020 Annual GSM, the shareholders approved the cancellation of the 403,812,443 treasury shares repurchased within the tenth buy-back programme and also the allocation RON 236,026,121 from 2019 audited profit to other reserves in order to be available for covering the related negative reserves. The actual coverage of this negative reserve using the amount of RON 236,026,121 transferred to other reserves will be subject to shareholders' approval during the annual shareholders' meeting subsequent to the completion of all cancellation steps.

Resolutions adopted by shareholders during the 2020 Annual GSM

During the 28 April 2020 Annual GSM of the Fund the shareholders approved:

- Several changes to Constitutive Act that partially entered into force on 24 July 2020 – the updated Constitutive Act is published on the Fund's website;
- Decrease of the subscribed share capital of the Fund from RON 3,959,264,762.44 to RON 3,749,282,292.08 following the cancellation of the 403,812,443 shares acquired within the tenth buy-back programme – this will be effective only after completion of all regulatory steps, according to regulations in force;
- Amended Investment Policy Statement as a result of changes in Romanian legislation with effective date 23 July 2020;
- Annual Activity Report of the AIFM for the period ended on 31 December 2019 and the financial statements;
- Coverage of the negative reserves incurred in 2019 from the cancellation of treasury shares;
- Net profit allocation and approval of a gross dividend of RON 0.0642 per share from 2019 year profit;
- Continuation vote for the current mandate of AIFM;
- Appointment of Deloitte Audit SRL as financial auditor of the Fund for 2021.

Impact of COVID-19 Pandemic on the Fund's Activity

Overview

On 11 March 2020, the World Health Organisation declared the epidemic of COVID-19 a pandemic. On 16 March 2020, the President of Romania declared the State of Emergency over COVID-19 outbreak. This was initially announced for a period of 30 days and was subsequently extended by another month to 14 May 2020.

Various Military Ordinances have been issued since 16 March setting numerous restrictions with the objective of limiting the virus spread: closure of schools, prohibition of movement outside home or household barring some exceptions, severely restricted domestic and international travel, enforcing additional disinfection measures, etc.

Starting 15 May 2020, the State of Emergency was replaced with the state of alert and most of the restrictions were relaxed to a certain extent. The authorities might impose additional restrictions depending on the evolution of the pandemic context.

The Government has also implemented various measures to help the economy deal with COVID-19 pandemic effects, ensure social protection for vulnerable categories, and prepare the health system: extended guarantees for companies taking loans for investments and working capital, covering the costs with technical unemployment for companies that suspend their operations due to the pandemic, procurement of medical equipment and medical protection equipment, additional bonuses to healthcare sector employees, acquisition of hygiene goods, and the possibility to suspend mortgage and consumer loan payments until 31 December 2020, as well as other measures.

Economic impact

The widespread nature of the COVID-19 outbreak and the measures taken to contain the spread continue to have a significant impact on global economic activity and it is likely to reverberate for several quarters. The IMF¹ considers it is very likely that in 2020 the global economy will experience its worst **recession** since the Great Depression in 1930s. A partial recovery is projected for 2021, but the level of GDP will remain below the pre-virus trend, with considerable uncertainty about the strength of the rebound.

¹International Monetary Fund – World Economic Outlook – April 2020 and June 2020

Many countries have taken decisive steps, such as prompt monetary and fiscal policy responses. Central banks in the United States and Europe have started **cutting interest rates** and the National Bank of Romania has also joined the trend and has adjusted the monetary policy to lower interest rates.

Overall, the quantum of the fiscal and monetary policy response to mitigate the impact of the situation is unprecedented and some months will go by before their impact for local economic ecosystems would be fully reflected. Governments across the world, Romania included, are taking numerous **actions to support their economies**, from extended unemployment benefits to packages targeting small businesses, hospitals and healthcare centres, which will certainly increase budgetary constraints in the short term.

In addition, on 21 July 2020 the **EU leaders** approved the **post-pandemic recovery package** and the **Multannual Financial Framework**. According to the President Klaus Iohannis, Romania will receive EUR 79.9 billion from the EU for economic recovery and infrastructure development and the funds will be used to rebuild the country's infrastructure, build hospitals and schools, and modernise public systems; a significant amount will be used for economic recovery¹.

It is expected that the **Romanian economy** will experience a correction in 2020, depending on the evolution of the pandemic and the easing of restrictions. The IMF² estimates that Romania's GDP could contract by 5% in 2020 and forecasts a GDP growth of 3.9% in 2021. In this context, the current account deficit could widen to 5.5% of GDP, and the unemployment rate increase to 10.1% in 2020.

The **capital markets** of affected countries, including the BVB, recorded large corrections in the first quarter of 2020, with BET-XT index declining by 23.2% at 31 March 2020 compared to the end of 2019. However, these also tend to provide opportunities for return over the long term, as corrections have been a routine occurrence throughout financial market history. BET-XT value increased by 16.2% at 30 June 2020 compared to 31 March 2020.

The **oil price, and energy prices in general**, have declined sharply as a result of lower demand and lack of concomitant response on the production side. Uncertainty and concerns persist in relation to the duration and severity of the economic crisis and the impact on consumption generated by the pandemic. These variables may further trigger volatility of the oil price, resulting in the delay of capital-intensive projects as companies seek to preserve cash.

On the Romanian market, **consumption of gas and electricity** has declined with most industrial consumers reducing activity or shutting down facilities during the initial phase of the lockdown. This has led to lower gas and electricity prices on wholesale markets.

In addition, excess gas was already stored as a result of the **price cap** imposed by GEO 114/2018, so the crisis exacerbated pre-existing issues created through legislative and regulatory intervention by the previous Government. This clearly illustrates the need for fully liberalised energy markets in line with EU principles.

Consumption is expected to rebound gradually as restrictions are lifted. In the short term we could see altered consumer behaviour, with spending directed towards basic products and services as well as an emphasis on increased saving. The fact that the Romanian economy is to a very large extent consumption-driven has proven to be a major vulnerability in this period, given that 30% of all economic activity has been suspended, according to the Government³.

It is difficult to predict what the global or Romanian economy will look in a few months, as there are still many unknown factors at the moment. What we do see through the uncertainty ahead is that the combination of swift fiscal and monetary actions, on the one hand, and the good economic fundamentals, on the other, can provide the foundation for the resumption of growth once the pandemic is under control.

Portfolio impact

Given the current economic context as a result of COVID-19 pandemic, which caused a significant drop of stock exchanges around the world, the Fund has performed an assessment of the related impact on the valuation of unlisted holdings in the portfolio. KPMG Romania has assisted with the preparation of an analysis of multiples' evolution between 30 September 2019 and 31 March 2020/ 30 April 2020/ 29 May 2020. Using the updated multiples' values and the same methodology and computation algorithms as in the latest available valuation report,

¹ <https://www.romania-insider.com/ro-eur-80-bln-eu-recovery-fund-jul-2020#:~:text=Romania%20will%20receive%20EUR%2079.9,said%20on%20Tuesday%2C%20July%2021>.

² International Monetary Fund – World Economic Outlook – April 2020

³ <https://www.europafm.ro/primele-cifre-ale-impactului-covid-19-asupra-economiei-ludovic-orban-activitate-economica-scazuta-cu-30/>

the values for 12 unlisted holdings (accounting for more than 99% of the total unlisted portfolio as at 28 February 2020) have been updated for 31 March 2020/ 30 April 2020/ 29 May 2020 reporting.

The fully updated valuation reports for 8 largest unlisted holdings (accounting for more than 97% of the total unlisted portfolio as at 31 May 2020) were prepared with the assistance of KPMG Advisory with company financial data as at 31 March 2020 and were used for 30 June 2020 reporting. The valuation date was 31 May 2020 and the reports considered all relevant subsequent events until 30 June 2020 (e.g. such as dividend distributions).

The total impact was a decrease in value of the unlisted holdings with 15.3%/ RON 1.26 billion in 30 June 2020 NAV compared to 31 December 2019 NAV; the valuation includes the effect of annual and special dividends distributed by the unlisted companies subject to valuation update - the Fund recorded a gross dividend income of RON 940.0 million from these during the first six months in 2020.

The Fund will continue to closely monitor the evolution of financial markets and that of the specific industries the unlisted holdings operate in for each NAV reporting date, during this volatile and uncertain period. If necessary, an update of the multiples' analysis will be prepared and the valuation of unlisted holdings will be updated accordingly.

Impact on operations and business continuity

The Sole Director has taken a number of precautionary measures to limit the impact of COVID-19 on the Fund's activity.

The business continuity plan has been activated to protect and minimize risk to employees, while also ensuring no disruption to business operations and management of Fondul Proprietatea. The Sole Director has a robust and regularly tested work-from-home capability and 90% of Bucharest employees have worked remotely since 16 March. The Fund's business operations continue to be fully functional. The Sole Director has also temporarily suspended all business travel and all movements of employees are in accordance with rules imposed by the authorities. At its headquarters, additional hygiene and disinfection measures have been implemented.

The communication with the Fund's shareholders takes place smoothly in the new circumstances: the Sole Director continues to provide regular updates to them via current reports, conference calls, usual calls, e-mails and updates on the Fund's website. The only restriction that temporarily applies is that shareholders are no longer able to visit the Fund's office.

Additionally, the Fund implemented special measures for the organisation of the Annual GSM on 28 April 2020:

- the materials were distributed to shareholders by correspondence or e-mail upon specific request, in addition to the publication on the Fund's website, with no physical contact;
- the Fund addressed the Bucharest Public Health Agency, the Ministry of Public Health, the Ministry of Internal Affairs, the FSA and the Ministry of Justice regarding the possibility of holding the Annual GSM, in the context of the restrictions imposed by the authorities;
- the shareholders were encouraged to exercise their voting right by correspondence, as in the case of any GSM organised by the Fund, and as described in the convening notice;
- the GSM was organised at the Fund's headquarters, under special conditions that observed the measures regarding movement and carrying out of certain activities imposed by the State authorities.

The Sole Director does not envisage difficulties for the Fund in fulfilling commitments to shareholders and obligations to third parties, the current and estimated future cash flows being sufficient to cover the payments and the ongoing distributions to shareholders during the year.

Brexit Impact on the Fund's Activity

The UK left the European Union at 23:00 GMT on 31 January 2020. On the same day, the transition period began, due to last until 31 December 2020.

During the transition period the EU incorporated issuers admitted to trading on a UK market, will continue to be able to prepare the financial statements in accordance with IFRS as endorsed by the EU. This will continue after the end of the transition period because the UK Government has made an equivalence direction that determines that EU-endorsed IFRS are considered equivalent to UK-adopted international accounting standards for the purpose of preparing financial statements. As a result, from financial reporting perspective, there would be no

impact on the Fund both during the transition period and after that, as it would continue to prepare its financial statements in accordance with IFRS as endorsed by the EU.

The Fund is regulated as an AIF under Romanian law, with its AIFM being a Luxembourg company. In light of the UK Temporary Permissions Regime that allows up to a three-year extension of current “passporting” for the AIFM into the UK, we expect that the UK Financial Conduct Authority will continue to recognise the marketing activities for Fondul Proprietatea in UK at least until the end of 2022. The AIFM has, however, developed contingency plans involving the termination of the delegation to the Investment Manager, plans which can be implemented if and when the internal decision will be taken.

The Fund invests the majority of its assets in Romania and even if Brexit has generated a degree of uncertainty, in light of the nature of the Fund’s business and the regulatory arrangements described above, the AIFM is of the opinion that Brexit implementation would not have a significant impact on the Fund.

Regulatory Updates

New AIF Law

The AIF Law entered into force on 23 January 2020, repealing, among others, a number of the relevant provisions of Law 247/2005 regulating the Fund, starting with 23 July 2020. According to the AIF Law, the Fund is expressly qualified as an AIF oriented to retail investors. Within six months as of the entry into force of the AIF Law (i.e. until 23 July 2020), the Fund needs to comply with three types of legal requirements:

- amendment of the Fund’s constitutive documents in line with the AIF Law – already approved by shareholders during the 28 April 2020 GSM;
- application for authorisation of the Fund by the FSA as an AIF addressed to retail investors - filed on 22 July 2020, the FSA process for registration is ongoing;
- alignment of the Fund’s activity with the provisions of the AIF Law – already done.

From the date of the entry into force of the AIF Law, the Fund will be subject to specific limitations on the permitted investments, as detailed under Article 35 of the AIF Law. For a transitional period of six months after the entry into force of the AIF Law (i.e. until 23 July 2020), in addition to the specific limitations on the permitted investments detailed under Article 35 of the AIF Law, the Fund will still be subject to the limitations on the permitted investments set out under Article 7¹ of Law no. 247/2005. All investment restrictions are published on the Fund webpage in the *Investments - Investment Strategy* section.

FSA AIF Regulation for implementing the AIF Law

The AIF Regulation was published in the Official Gazette of Romania on 24 April 2020 and it sets the rules for the registration of the Fund as an AIF. The AIFM will update the investors on the future actions taken for complying with legal requirements for the registration process as an alternative investment fund. For more details, please see section *Subsequent events*.

Portfolio Analysis and Financial Highlights

NAV Methodology and NAV Evolution

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.

All NAV reports are published on the Fund's website at www.fondulproprietatea.ro, together with the share price and discount information.

Listed securities are valued either at closing market prices if listed on regulated markets, or at reference prices if listed on an ATS. In case of shares listed on ATS the reference price is considered to be the average price.

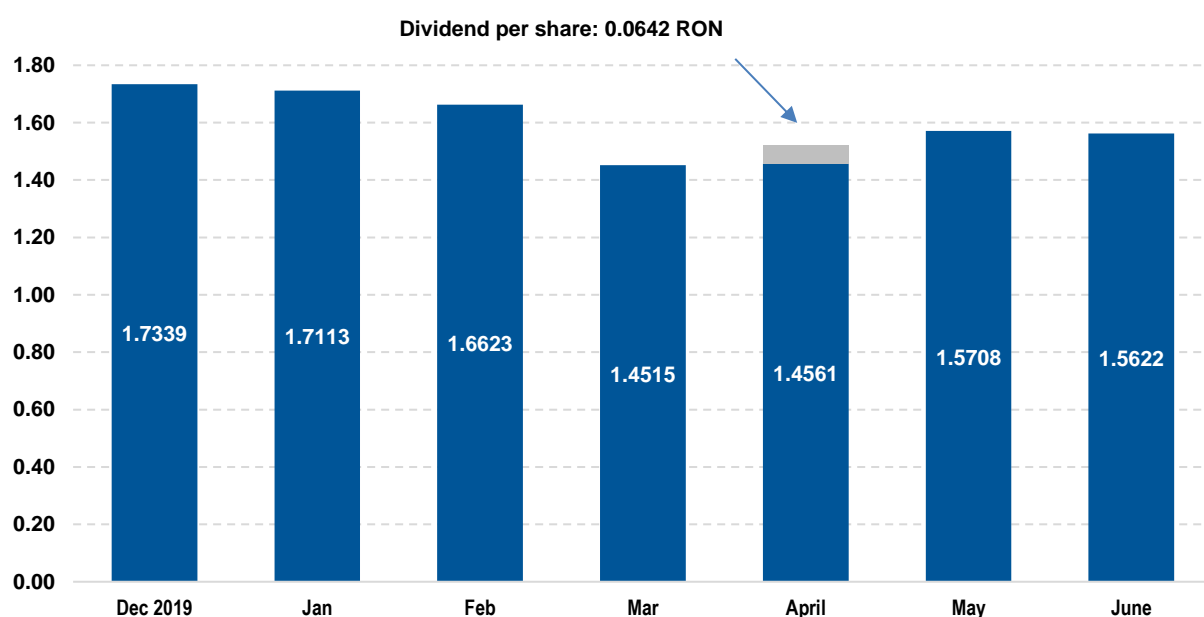
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards.

The shares in the companies under insolvency or reorganisation procedures, in companies under a judicial liquidation procedure or any other liquidation procedures, as well as in companies under temporary or final suspension of operation, are valued at zero until the procedure is finalised.

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 NAV per share calculation, the equivalent number of shares corresponding to the GDRs bought back and held by the Fund as at NAV reporting date is also deducted, together with the number of ordinary own shares bought back and held.

The AIF Law and AIF Regulation brought certain changes to the NAV calculation and publication rules. The current NAV calculation methodology would not require any significant change, most of the amendments referring to the reporting templates provided by the regulator. However, the changes would be applicable to the Fund starting the date when the Fund's registration process as an alternative investment fund with FSA is finalised.

The following chart shows information on the monthly published NAVs per share for the period 31 December 2019 to 30 June 2020:



Source: Fondul Proprietatea, based on NAV reports submitted to the FSA, computed for the last working day of the month

During the **first quarter of 2020**, the NAV per share had an overall decrease of 16.3% compared to the end of the previous year, mainly due to the valuation update of the unlisted holdings in the portfolio (impact on the Fund's NAV of RON 1,035.8 million) and the negative share price evolution of the Fund's listed holdings, principally

OMV Petrom SA (impact on the Fund's NAV of RON 889.2 million) which were partially offset by the tender offer within the eleventh buyback programme carried out by the Fund during this period.

In March 2020, the Fund engaged KPMG Romania to assist with the preparation of an analysis of multiples' evolution between 30 September 2019 and 31 March 2020, based on which updated the values for 12 largest unlisted holdings, accounting for more than 99% of the total unlisted portfolio as at 28 February 2020. The total impact was a decrease of the unlisted holdings with 13.1% / RON 1 billion in 31 March 2020 NAV compared to 28 February 2020 NAV.

During the **second quarter of 2020**, the NAV per share had an overall increase of 7.6% compared to the end of the first quarter, mainly due to the dividends recorded from portfolio companies during this period (RON 417.6 million), the valuation update of the unlisted holdings in the portfolio (impact on the Fund's NAV of RON 217.5 million compared to 31 March 2020) and the positive share price evolution of the Fund's listed holdings, principally OMV Petrom SA (impact on the Fund's NAV of RON 192.6 million compared to 31 March 2020) as well as the eleventh buyback programme carried out by the Fund during this period. These were partially offset by the dividend distribution of RON 0.0642 per share approved by shareholders during 28 April 2020 GSM (total impact in Fund's NAV of RON 418.0 million).

In June 2020, the Fund performed valuation updates for 8 unlisted holdings representing 97.9% from the Fund's total unlisted portfolio at 31 May 2020. The valuation was performed with the assistance of KPMG Advisory, in accordance with International Valuation Standards. The valuation date was 31 May 2020 and the reports also considered any relevant corporate actions until 30 June 2020 (e.g. dividend distributions). The total impact of the valuation update was an increase of RON 217.5 million, compared to 31 March 2020 NAV / a decrease of RON 1.26 billion compared to 31 December 2019 NAV. The valuation includes the effect of annual and special dividends distributed by the respective unlisted companies - the Fund recorded from these companies a gross dividend income of RON 940.0 million during the first six months of 2020.

Also, in April the Fund engaged Darian DRS to assist with the preparation of a valuation report for Alcom SA, a company listed on BVB but last traded on 10 February 2017. The total impact of this change on the Fund's NAV was a decrease of RON 3.3 million compared to previous month.

The table below presents information regarding the changes in the value of the unlisted holdings in the Fund's portfolio during the six months ended 30 June 2020:

No.	Portfolio company	Value in	Value in	30 Jun 2020 NAV vs.		Valuation method
		30 Jun 2020 NAV	31 Dec 2019 NAV	31 Dec 2019 NAV		
		RON million	RON million	RON million	%	
1	Hidroelectrica SA	4,707.50	4,886.50	(179.0)	-3.7%	Note 1
2	CN Aeroporturi Bucuresti SA	735.80	1,022.90	(287.1)	-28.1%	Note 1
3	Engie Romania SA	426.30	512.40	(86.1)	-16.8%	Note 1
4	E-Distributie Banat SA	252.60	519.30	(266.7)	-51.4%	Note 1
5	CN Administratia Porturilor Maritime SA	233.40	248.70	(15.3)	-6.2%	Note 1
6	Societatea Nationala a Sarii SA	222.10	275.40	(53.3)	-19.4%	Note 1
7	E-Distributie Muntenia SA	212.70	428.50	(215.8)	-50.4%	Note 1
8	E-Distributie Dobrogea SA	164.70	321.50	(156.8)	-48.8%	Note 1
9	Enel Energie Muntenia SA	41.20	41.70	(0.5)	-1.2%	Note 2
10	Enel Energie SA	25.80	26.30	(0.5)	-1.9%	Note 2
11	Aeroportul International Timisoara - Traian Vuia SA	11.40	13.90	(2.5)	-18.0%	Note 2
12	Posta Romana SA	10.70	11.50	(0.8)	-7.0%	Note 2
TOTAL		7,044.20	8,308.60	(1,264.4)	-15.2%	

Source: Fondul Proprietatea, based on NAV reports submitted to FSA

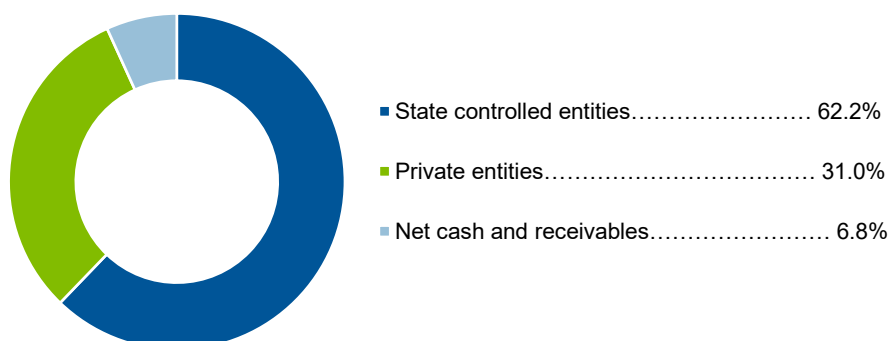
Note 1: Value based on valuation report as at 31 May 2020

Note 2: Value based on valuation report as at 30 September 2019 updated using the multiples as at 31 May 2020 derived based on the analysis of publicly traded peer companies

Investment Strategy and Portfolio Analysis

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. The equity exposure amounted to 93.2% of the Fund's NAV as at 30 June 2020. As at that date, the portfolio was composed of holdings in 33 companies (7 listed and 26 unlisted), a combination of privately held and state-controlled entities.

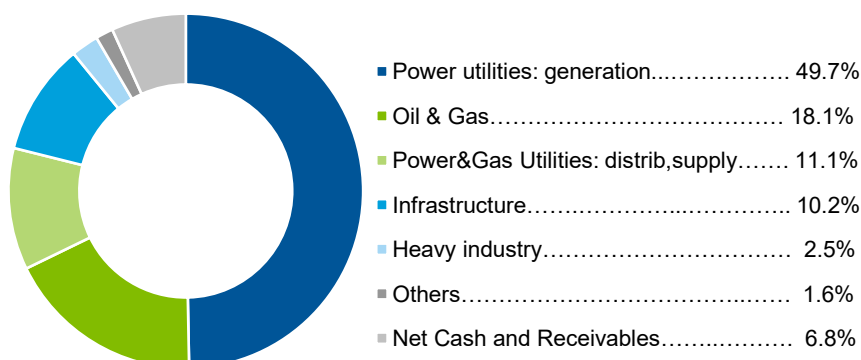
Portfolio Structure – by Controlling Ownership



- Net cash and receivables include bank deposits, current bank accounts, short-term government securities, dividend receivables, as well as other receivables and assets, net of all liabilities (including liabilities to shareholders related to returns of capital and dividend distributions) and provisions.

Source: Fondul Proprietatea, data as at 30 June 2020, % in total NAV

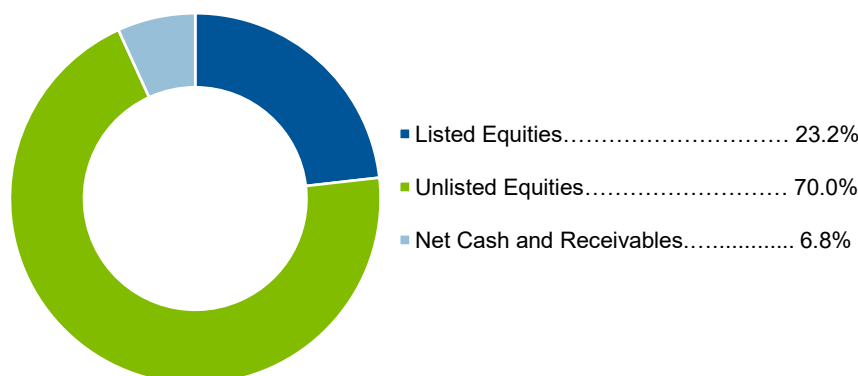
Portfolio Structure – by Sector



- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 78.9% of the NAV), through several listed and unlisted Romanian companies

Source: Fondul Proprietatea, data as at 30 June 2020, % in total NAV

Portfolio Structure – by Asset Type¹

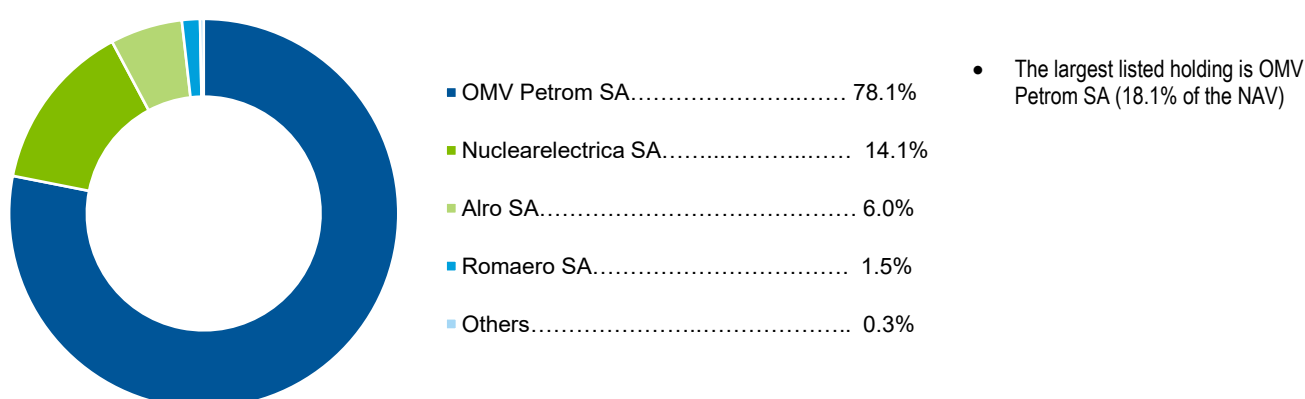


Source: Fondul Proprietatea, data as at 30 June 2020, % in total NAV

¹ Note: the value of listed shares compared to total assets of the Fund based on NAV values is 22.1% as at 30 June 2020

Portfolio Structure – Unlisted holdings

Source: Fondul Proprietatea, data as at 30 June 2020; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

Portfolio Structure – Listed holdings

Source: Fondul Proprietatea, data as at 30 June 2020; the chart reflects the company NAV value as a % in total NAV value of listed holdings

Key portfolio developments**Dividends**

During the first half of 2020, 10 companies in the Fund's portfolio declared dividends for the 2019 and 2018 financial years. In addition, 4 companies declared special dividends. The total amount of gross dividend income recorded by the Fund in the six-month period ended 30 June 2020 is RON 1,151.2 million, and the most significant amounts relate to Hidroelectrica SA, E-Distributie companies and OMV Petrom SA. For more details regarding dividend income, please refer to section *Financial Statements Analysis*.

Participation in share capital increases

In December 2019, the Fund subscribed to the share capital increase of Zirom SA with a cash contribution of RON 4.8 million which was effective on 8 January 2020, the date of registration with the Romanian Trade Register.

Energy Sector Updates**Updates on the regulatory requirements in the energy sector**

In January 2020, the Government issued GEO 1/2020 in order to repeal most of the fiscal package approved in 2018 through GEO 114/2018. The main provisions of the current form of the GEO with an impact on the Fund's portfolio are presented below:

- eliminating starting with January 2021 of regulated contracts for the supply of electricity by producers to suppliers of last resort in connection to household consumption;
- 2% tax on turnover for companies in the electricity and gas sectors was eliminated. Subsequently, for 2020, ANRE set a 0.1% contribution on the turnover for electricity producers, in line with the practice before the adoption of OUG 114/2018;
- eliminating the RON 68 per MWh cap on gas prices for households and thermal energy producers that supply heating to the centralised systems starting 1 July 2020, instead of 1 March 2022;

- the regulated RRR for energy distribution companies will be determined by ANRE and the provision from GEO 19/2019 which sets the rate at 6.9% were effective until the end of April 2020;
- the higher capital requirements for the Pillar II Pension fund managers were removed;
- the option to transfer from Pillar II to Pillar I (public pension system) was removed.

GEO 74/2020 for modifying Romanian Energy Law 123/2012

In May 2020, the Romanian Government amended Romanian Energy Law no. 123/2012 by GEO no. 74/2020. The new GEO maintained the regulated market until 31 December 2020. According to the same GEO, the obligation to supply electricity through regulated contracts applies to producers that employ dispatchable facilities with the exception of generation units benefitting from support schemes, in the ascending order of the prices set by the competent authority, for the entire household consumption benefitting from regulated tariffs such that regulated tariffs would not exceed the levels at the time GEO no. 74/2020 entered into force.

To apply the new provisions of Law no. 123/2012, on 12 June 2020 ANRE adopted a new Methodology by Order no. 88/2020, setting the methodology for the calculation of the regulated electricity prices and quantities to be sold based on regulated contracts by producers to the suppliers of last resort. The methodology is applicable for the period 1 July 2020 - 31 December 2020. According to an ANRE report, the total volume of electricity to be supplied by producers based on regulated contracts during H2 2020 amounts to approx. 3.98TWh.

Other regulations

In December 2019 ANRE issued Order no. 216/ 11 December 2019 updating the methodology for the calculation of the regulated electricity prices and quantities to be sold based on regulated contracts by producers to the suppliers of last resort. The methodology would be applied for the period 1 January 2020 - 31 December 2020 and retains the cost +5% methodology for the calculation of regulated prices.

Details regarding the regulated quantities and prices for the companies in the Fund's portfolio for the period 1 January 2020 – 30 June 2020 are included in the table below:

Company	Volume	Price
Hidroelectrica SA	1.84 TWh	RON 102.54 per MWh
Nuclearelectrica SA	1.09 TWh	RON 188.47 per MWh
CE Oltenia SA	0.05 TWh	RON 239.21 per MWh

Source: ANRE Decisions 2214, 2213, 2216, 2215, 2226, 2225 from 23 December 2019

Details regarding the regulated quantities and prices for the companies in the Fund's portfolio for the period 1 July 2020 – 31 December 2020 are included in the table below:

Company	Volume	Price
Hidroelectrica SA	1.3 TWh	RON 115.99 per MWh
Nuclearelectrica SA	1.1 TWh	RON 182.63 per MWh
OMV Petrom SA	0.2 TWh	RON 222.78 per MWh
CE Oltenia SA	1.4 TWh	RON 249.60 per MWh

Source: ANRE Decisions 1074, 1075, 1076 and 1077 from 29 June 2020, ANRE monitoring reports

According to ANRE decision issued in December 2019 for OMV Petrom SA the regulated gas quantities for households and thermal energy producers that supply heating to the centralised systems for January - March 2020 were the following:

Regulated natural gas quantity	Quantity (TWh)
Total regulated quantity, of which:	5.51
Regulated quantity for household consumers	4.52
Regulated quantity for thermal energy producers that supply heating to the centralised systems	0.99

Source: ANRE Decision no. 2101 from 12 December 2019

According to ANRE decision issued in March 2020 for OMV Petrom SA the regulated gas quantities for households and thermal energy producers that supply heating to the centralised systems for April - June 2020 were the following:

Regulated natural gas quantity	Quantity (TWh)
Total regulated quantity, of which:	5.05
Regulated quantity for household consumers	3.91
Regulated quantity for thermal energy producers that supply heating to the centralised systems	1.14

Source: ANRE Decision no. 463 from 23 March 2020

According to the ANRE orders, the specific electricity distribution tariffs for the three companies in the Fund's portfolio operating in power distribution sector, applicable starting with 16 January 2020, compared to those applicable starting with 1 July 2019 and 1 January 2020, are the following:

Company	Voltage level	Tariffs starting 1 Jul 2019 (RON/MWh)	Tariffs starting 1 Jan 2020 (RON/MWh)	Tariffs starting 16 Jan 2020 (RON/MWh)	change (%)	change (%)
		(1)	(2)	(3)	(3)/(1)-1	(3)/(2)-1
E-Distributie Banat	High Voltage	16.61	15.93	15.64	-5.84%	-1.82%
	Medium Voltage	35.56	36.46	35.80	+0.67%	-1.81%
	Low Voltage	107.45	109.54	107.57	+0.11%	-1.80%
E-Distributie Dobrogea	High Voltage	19.09	20.56	20.21	+5.87%	-1.70%
	Medium Voltage	38.18	41.29	40.58	+6.29%	-1.72%
	Low Voltage	126.41	134.02	131.71	+4.19%	-1.72%
E-Distributie Muntenia	High Voltage	9.73	10.17	10.00	+2.77%	-1.67%
	Medium Voltage	29.82	32.50	31.95	+7.14%	-1.69%
	Low Voltage	112.00	115.67	113.67	+1.49%	-1.73%

Source: ANRE Orders no. 75, 76 and 77 from 24 June 2019, ANRE Orders 224, 225 and 226 from 17 December 2019, ANRE Orders no. 4, 5 and 6 from 15 January 2020

The regulated electricity tariffs applied by the three suppliers of last resort in the Fund's portfolio to the final customers were approved by ANRE in June 2020, as follows:

Company	Voltage level	Tariffs starting 1 Jan 2020 (RON/kWh)	Tariffs starting 1 July 2020 (RON/kWh)	change (%)
		(1)	(2)	(2)/(1)-1
Enel Energie (Banat Area)	Medium Voltage	0.3440	0.3357	-2.4%
	Low Voltage	0.4535	0.4433	-2.3%
Enel Energie (Dobrogea Area)	Medium Voltage	0.3315	0.3250	-1.9%
	Low Voltage	0.4655	0.4567	-1.9%
Enel Energie Muntenia (South Muntenia Area)	Medium Voltage	0.3011	0.2936	-2.5%
	Low Voltage	0.4168	0.4073	-2.3%
Engie Romania (South Muntenia Area)	Medium Voltage	0.3503	0.3435	-1.9%
	Low Voltage	0.4660	0.4571	-1.9%

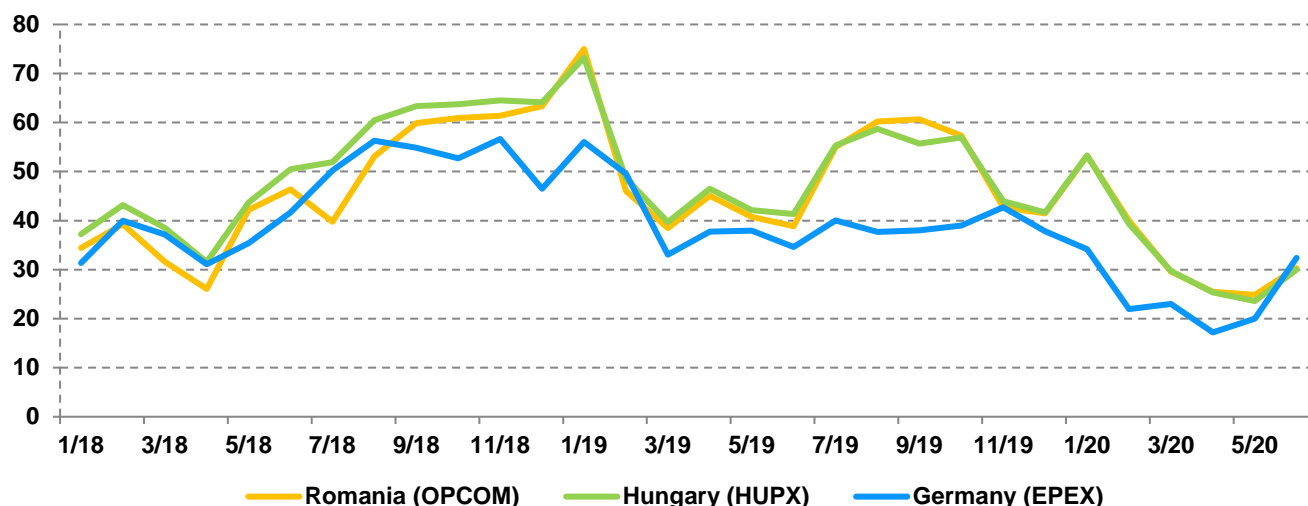
Source: ANRE Orders no. 242/23.12.2019, 243/23.12.2019, 245/23.12.2019, 135/29.06.2020, 136/29.06.2020, and 139/29.06.2020

According to ANRE's Order no. 14/ 5 February 2020, the RRR for electricity and gas distribution companies would be set by the regulator. The provision from GEO 19/2019 setting the rate at 6.9% was effective for the first 120 days of 2020. According to ANRE Order no. 75/6 May 2020 the new RRR level for electricity and gas distribution companies is 6.39% until the end of the fourth regulatory period.

On 17 July 2020, ANRE issued Orders no. 143 and 144, respectively, requiring gas producers with an annual output higher than 3 TWh to sell 40% of their gas production on centralised market between July 2020 - December 2022, following the full liberalisation of the gas market beginning with 1 July 2020 (ANRE Order 23/27 March 2020).

In accordance with Military Ordinance no. 4/2020 issued by the Romanian Government, starting 31 March 2020 the final price of utilities (electricity, gas, water among others) cannot be increased for the duration of the emergency situation.

On 24 July 2020 the President endorsed the Law no. 155/2020 amending and completing the electricity and natural gas Law no. 123/2012, which introduces new requirements for natural gas suppliers, as follows: a tax of 90% is applied to the additional income of gas suppliers resulted as a difference between the acquisition cost and the regulated gas price for producers of RON 68 per MWh until 30 June 2021. If the acquisition cost exceeds the threshold of 68 RON/MWh, no tax is due.

Electricity prices (EUR/ MWh)

Source: Bloomberg

Energy resources (thousand tonnes barrels of oil equivalent)

	January – June 2020			January – June 2019			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	1,367.5	1,150.8	216.7	2,220.3	1,862.6	357.7	-38.4%	-38.2%	-39.4%
Crude oil	4,720.1	1,647.9	3,072.2	5,782.9	1,661.7	4,121.2	-18.4%	-0.8%	-25.5%
Usable natural gas	4,696.8	3,693.6	1,003.2	5,065.7	4,094.3	971.4	-7.3%	-9.8%	+3.3%
Hidro. nuclear. and import energy	2,824.6	2,508.0	316.6	2,684.8	2,536.1	148.7	+5.2%	-1.1%	+112.9%
Import oil products	1,383.1	-	1,383.1	1,235.8	-	1,235.8	+11.9%	-	+11.9%
Others	187.7	-	187.7	243.4	-	243.4	-22.9%	-	-22.9%
Total resources	15,179.8	9,000.3	6,179.5	17,232.9	10,154.7	7,078.2	-11.9%	-11.4%	-12.7%

Source: National Institute of Statistics webpage

Update on the Largest 10 Portfolio Holdings**Top 10 equity investments**

No	Name	Fund's stake (%)	Value as at 30 June 2020 ¹ (RON million)	% of NAV as at 30 June 2020 ¹
1	Hidroelectrica SA	19.94%	4,707.5	46.4%
2	OMV Petrom SA	9.99%	1,835.0	18.1%
3	CN Aeroporturi Bucuresti SA	20.00%	735.8	7.3%
4	Engie Romania SA	12.00%	426.3	4.2%
5	Nuclearelectrica SA	7.00%	330.9	3.3%
6	E-Distributie Banat SA	24.13%	252.6	2.5%
7	CN Administratia Porturilor Maritime SA	20.00%	233.4	2.3%
8	Societatea Nationala a Sarii SA	49.00%	222.1	2.2%
9	E-Distributie Muntenia SA	12.00%	212.7	2.1%
10	E-Distributie Dobrogea SA	24.09%	164.7	1.6%
Top 10 equity holdings			9,121.0	90.0%
Total equity holdings			9,449.0	93.2%
Net cash and receivables			692.4	6.8%
Total NAV			10,141.4	100.0%

Source: Fondul Proprietatea, based on NAV reports submitted to FSA

¹ Rounded to one decimal

Hidroelectrica SA

RON million	2018	2019	H1 2019	H1 2020
Revenues	4,273.1*	4,177.2	2,349.3	1,801.9
Operating profit	2,212.3	1,975.3	1,411.7	965.0
Net profit	1,939.3	1,386.5	901.5	805.5
Dividends**	1,798.7	1,253.3	-	-

Source: Individual IFRS financial statements

*restated

**do not include the special dividends declared by the company

April: According to the 2019 audited financial statements, in 2019 the company recorded revenues of RON 4,177.2 million, down 2.3% y.o.y, an operating profit of RON 1,975.3 million, down 10.7% y.o.y, a profit before tax of RON 2,081.2 million, down 9.1% y.o.y and a net profit of RON 1,386.5 million, down 28.5% y.o.y. The higher effective taxation rate was driven by the use of previously untaxed realised revaluation reserves for the distribution of a special dividend in total amount of RON 1.0 bn and for covering the accounting losses of RON 1.57 bn generated by value adjustments of historical complex function investments. The company reported that EBITDA stood at RON 2,934.3 million, down 6.2% y.o.y. Over the full year 2019, the volume of electricity sold stood at 15.88 TWh, down compared to 17.86 TWh in 2018. The average realised price of energy sold in 2019 stood at RON 229.3/ MWh, up 8.8% y.o.y.

May: According to management, over the first three months of 2020, the company reported a turnover of RON 848.4 million, down 14.3% y.o.y, an EBITDA of RON 595.0 million, down 19.5% y.o.y, an operating profit of RON 467.8 million, down 17.3% y.o.y, a profit before tax of RON 489.4 million, down 16.5% y.o.y and a net profit of RON 430.3 million, down 13.6% y.o.y. Over the period, electricity sold reached 3.6 TWh, marginally up 1.1% y.o.y, out of which the electricity sold out of own production reached 3.3 TWh compared to 3.2 TWh during Q1 2019. The average realised electricity selling price was down 16.2% y.o.y to RON 203.0/MWh, being negatively impacted by the obligation of the company to sell over the period a total quantity of 1.1 TWh at the regulated price of RON 102.5/ MWh as compared to only 0.2 TWh sold at the regulated price of RON 111.6/ MWh in Q1 2019. At the end of March 2020, the company's net cash position stood at RON 2.34 bn.

May: Shareholders approved the payment of a RON 750 million special dividend out of retained earnings. The payment deadline is 30 September 2020.

June: The EGM approved with majority the preparation and submission by the company of a binding offer regarding the acquisition of CEZ Romania group for part or entire of the transaction perimeter, conditioned by the subsequent approval of the acquisition by the GSM of the company; the execution of an acquisition finance facility agreement for a facility to be granted in RON or EUR; the consortium partners with whom the binding offer would be submitted. The consortium partners were not indicated in the shareholders resolution.

August: According to management, during H1 2020 total turnover of the company decreased by 23.3% y.o.y. to RON 1,801.9 million, EBITDA declined by 25.9% y.o.y to RON 1,251.2 million, profit before tax was 31.1% lower y.o.y, reaching RON 1,008.9 million, while net profit decreased by 10.6% y.o.y. to RON 805.5 million; During the first six months of the year, the total energy sold out of own production was 6.94 TWh, down compared to 8.98 TWh during H1 2019, while total energy sold reached 7.87 TWh, declining from 9.63 TWh during H1 2019. The average realised electricity selling price was down 7.4% y.o.y to RON 200.8 per MWh, being negatively impacted by the obligation of the company to sell during the first six months of the year through regulated contracts 1.84TWh at the price of RON 102.54 per MWh compared to 1.23TWh at the price of RON 111.61 per MWh during the similar period of the previous year. At the end of June 2020, the company's net cash position stood at RON 2.82 bn.

COVID-19 considerations

In the context of COVID-19 pandemic, the company has implemented a number of measures aimed at protecting the company personnel, ensuring the safety and continuity of operations and safeguarding the financial position of the company. Among the measures outlined by management are the implementation of work from home measures in shifts for a significant part of the administrative and support personnel, implementation of strict prevention and social distancing measures for production departments, as well as close monitoring of company expenses.

OMV Petrom SA

RON million	2018	2019	H1 2019*	H1 2020	Budget 2019	Budget 2020
Sales	22,523.2	25,485.5	9,322.9	8,907.8	16,762.0	18,088.0
Operating profit	5,212.9	4,245.1	2,444.4	1,410.3	3,966.0	3,453.0
Net profit	4,077.8	3,634.7	2,221.2	1,306.8	3,202.0	2,815.0
Dividends**	1,529.4	1,756.0	-	-	-	-

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

*Restated

**Based on separate IFRS financial statements

February: The company published the 2019 preliminary results. The highlights include: the company benefited from higher sales volumes and prices for natural gas and higher sales volumes for petroleum products.

Consolidated sales increased by 14% in Q4 2019 compared to Q4 2018, despite lower selling prices for petroleum products and lower sales volumes and prices for electricity. For the entire 2019, sales increased by 13.2% y.o.y, while operating results of the group declined by 18.6% y.o.y to RON 4.2 billion from RON 5.2 billion in 2018. In Q4 2019, Downstream Oil represented 48% of the consolidated sales, while Downstream Gas accounted for 27% and Upstream for 25% (Upstream is largely sold intra group). Net income attributable to stockholders was RON 0.9 billion in Q4 2019 compared to RON 1.4 billion in Q4 2018. Company proposed a dividend of RON 0.031 per share, up 15% y.o.y which represents a 48.3% pay-out ratio.

March: Shareholders approved the revocation of Mrs. Sevil Shhaideh and the appointment of Mr. Nicolae Havrilet as supervisory board member following the request from the Ministry of Economy, Energy and Business Environment.

April: Shareholders approved the distribution of RON 1.76 billion as dividends (48% pay-out) and the Fund will receive approx. RON 175.5 million.

The company released the Q1 2020 results. Clean CCS1 operating result came 21% lower y.o.y while clean CCS1 net profit was down 28% y.o.y. Consolidated sales revenues increase by 12% compared to Q1 2019 supported by higher volumes of natural gas, partially compensated by lower commodity prices and lower sales volumes of electricity. Downstream Oil represented 63% of consolidated sales, while Downstream Gas accounted for 35% and Upstream for 1% (sales in Upstream is largely intra-group sales rather than third party sales).

June: Company announced that it was selected as the winner of the open international tender held by the Ministry of Economy and Sustainable Development of Georgia for the Offshore Block II in the Black Sea. Exploration block covers a total area of 5,282 square km and it will be formally awarded only if negotiation of a Product Sharing Contract is successfully finalised.

July: The company reported Q2 2020 consolidated sales declining by 33% y.o.y, due to the low oil and gas prices environment. Clean CCS operating result of Downstream Oil decreased by 14% y.o.y to RON 292 million, due to 25% drop in retail sales volume, on the back of lockdown measures and 52% lower refining margin of USD 1.85/bbl. In this context, net income attributable to shareholders declined by 74% y.o.y in Q2 2020 and by 56% in the first half of 2020 compared to the same period of 2019.

COVID-19 considerations

The 2020 budget of the company was prepared based on the following main assumptions:

- Average Brent oil price of USD 60/bbl; Management subsequently changed its guidance to USD 40/bbl
- Refining margins to be above the level of 2019
- Gas price expected to be below the level of 2019

Sales revenues are expected to go down by 9%, while operating result is expected to decrease by 14% in 2020.

Management presented the impact of low oil price market environment on company's operation for 2020, thus:

- A decrease of 1 USD/bbl in Brent price is impacting the company by EUR 20 million;
- A decrease of 1 USD/bbl in refining margin is impacting the company by EUR 25 million;
- A 5 cents appreciation of USD against EUR is impacting the company by EUR 50 million;
- A decrease of 1 EUR/MWh in gas price is impacting the company by EUR 18 million.

¹ without one-off special effects and adjusted by the current cost of supply (CCS)

Management included several updates in H1 2020 report regarding the market environment in the context of COVID-19 outbreak, as follows:

- Average Brent oil price expected to be at USD 40/bbl for 2020 (2019: USD 64/bbl), reiterating the guidance in Q1 2020 report;
- Refining margins expected to be below USD 4/bbl, vs. previous assumption of above USD 5/bbl (2019: USD 4.67/bbl);
- Demand for oil products and electricity expected to be below 2019, while demand for gas expected to be broadly similar to 2019, supported by gas intensive industries, whereas the expectation was significantly lower previously.

CN Aeroporturi Bucuresti SA

RON million	2018	2019	H1 2019	H1 2020	Budget 2019	Budget 2020
Operating revenue	992.6	1,066.6	509.3	220.9	1,067.1	1,152.0
Operating profit	445.9	399.0	226.2	(30.8)	399.5	431.3
Net profit	371.8	359.6	193.6	(27.4)	318.5	356.9
Dividends*	340.1	183.5	-	-	162.7	182.2

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

*do not include the special dividends declared by the company

January: The company reported that passengers' traffic for 2019 reached 14.7 million (+6.4 % y.o.y.). The board of directors appointed Mr. Florin Dimitrescu as General Manager following the resignation of the former General Manager.

February: Following the resignation of Dan Gheorghe as board member of the company, Fondul Proprietatea proposed, and subsequently shareholders approved, the appointment of Catalin Niculita as board member.

April: The majority shareholder proposed and voted for the appointment of Mr. Adrian Constantin Florescu and Mr. Mircea Cristian Raicu as temporary board members.

June: The majority shareholder proposed and voted for the appointment of Mr. Corvin Nedelcu, Mr. Cosmin Catalin Pestesan, Mr. Cosmin Florin Mihaltan and Mr. Gabriel Plaiasu as interim board members.

July: Shareholders approved the appointment of Mr. Catalin Niculita as temporary board member. The majority shareholder proposed and voted for extending by 2 months the interim mandate of Mr. Mircea Cristian Raicu and Mr. Adrian Constantin Florescu.

August: The company released H1 2020 financial results: operating revenues of RON 220.9 million (-56.6% y.o.y.), EBIT of RON -30.8 million and net loss of RON 27.4 million.

COVID-19 considerations

The company has been heavily impacted by the current crisis: the number of passengers and flights have seen a significant decline since the beginning of the COVID-19 pandemic. ACI Europe, the airport industry trade body, reveals in a report from August 2020¹ that passenger traffic decreased by 64.2% during the first half of 2020 and almost coming to a complete standstill in the second quarter with a drop of 96.4% compared to the same period in 2019. Following the tentative coordination of the lifting of travel restrictions at EU level as of mid-June, the traffic recovery has been slower than expected. As a result, passenger traffic across the European airport network still declined by 78% in July compared to the same month of last year.

Engie Romania SA

RON million	2018	2019	Budget 2019	Budget 2020
Turnover	5,791.3	6,794.6	6,664.3	7,611.2
Operating profit	485.7	433.7	360.9	271.4
Net profit	428.7	385.2	313.2	241.8
Dividends*	136.8	100.7	-	-

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

*Dividends are based on the separate financial statements

¹ <https://www.aci-europe.org/downloads/mediaroom/20-08-07%20Latest%20traffic%20data%20shows%20disastrous%20COVID-19%20impact%20on%20airport%20industry%20PRESS%20RELEASE.pdf>

Nuclearelectrica SA

RON million	2018	2019	H1 2019	H1 2020	Budget 2019	Budget 2020
Operating revenue	2,128.7	2,377.8	1,187.5	1,164.7	2,383.5	2,578.6
Operating profit	536.5	629.4	364.2	388.6	445.5	646.4
Net profit	410.6	535.6	290.7	343.2	350.0	551.5
Dividends*	378.9	498.4	-	-	311.7	467.0

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

*do not include the special dividends declared by the company

January: The company published its proposal for 2020 budget, which included also the 2019 preliminary financial results, as follows: 11.2% higher y.o.y sales of electricity of RON 2,367.2 million and an operating result of RON 445.6 million. Preliminary 2019 net profit shows an increase of 32.1% to RON 542.6 million compared to 2018. According to 2020 budget, the company expects operating revenues of RON 2,547.3 million in 2020, mainly based on a programmed quantity for sale of 10.4 TWh and an average weighted price of electricity sales at RON 238.63 RON/MWh. The 2020 budget foresees a pay-out ratio proposal of 90% out of 2020 net profit available for dividend distribution.

February: Based on the 2019 preliminary results the total quantity of electricity sold was almost flat y.o.y at 10.6 TWh (minus 0.2% compared to 2018).

March: Following Mr. Adrian Dumitriu's resignation, Board of Directors approved the appointment of Mr. Paul Ichim as interim Chief Financial Officer for a mandate of 4 months starting with 31 March 2020.

April: The company reported strong financial results in 2019, based on 12% y.o.y. higher realised average electricity prices, at 223 RON/MWh. The operating result stood at RON 629.4 million, up by 17.3% y.o.y and net profit increased by 30.4% compared to 2018, reaching RON 535.6 million. During the GSM held on 27 April 2020 the shareholders approved a gross dividend of RON 1.6531 per share, with payment date 25 June 2020.

May: Operating revenues reached RON 629.2 million in Q1 2020, down by 5.9% y.o.y, due to both lower electricity prices and quantities sold on the free market, as follows: realised average electricity prices decreased by 5.2% y.o.y to 228.9 RON/MWh and quantity of electricity sold on the same market declined by 3.7% at 2.1 TWh compared to Q1 2019. However, total quantity of electricity sold increased slightly at 2.8 TWh in Q1 2020 compared to Q1 2019, as a result of higher quantity of electricity sold on regulated market. Operating result stood at RON 242.6 million, which was lower by 15.3% y.o.y and net profit decreased marginally by 1.9% compared to Q1 2019, reaching RON 215.1 million.

July: the Board of Directors appointed Mr. Paul Ichim as Chief Financial Officer of the company for a four-year mandate with starting 1 August. Shareholders appointed Mr. Teodor Minodor Chirica as member of the Board of Directors until 28 September 2022.

August: in H1 2020, the company reported a higher net profit of RON 343.2 million (+18.1% y.o.y), especially due to 5.9% lower operating expenses y.o.y and to the positive financial result of RON 24.6 million recorded in H1 2020 vs. a net financial loss of RON 4.1 million in H1 2019. The operating result stood at RON 388.6 million, despite 7.2% lower average price y.o.y realised on free market of RON 214.4 per MWh.

COVID-19 considerations

After COVID-19 outbreak was declared a pandemic on 11 March the company took measures and concluded a plan for ensuring the protection of personnel and continuing the operation and production of electricity, especially by isolating the essential staff from the nuclear power plant located in Cernavoda. Moreover, Board of Directors decided to delay the scheduled outage of Unit 1 located in Cernavoda on 6 April, in order to avoid any risk of contamination that could be caused by the new coronavirus. Unit 1 entered the planned outage program on 20 June and the resynchronisation to the National Power Grid took place on 5 August and 7 August, respectively.

E-Distributie Banat SA

RON million	2018	2019	Budget 2019	Budget 2020
Operating revenue	533.7	550.8	516.7	565.1
Operating profit (EBIT)	(213.2)	149.2	(31.2)	(1.7)
Net profit	(211.9)	167.7	(16.5)	(5.9)
Dividends	-	-	-	-

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

February: the shareholders of the company approved a distribution of special dividends in total amount of RON 886.2 million from retained earnings.

CN Administratia Porturilor Maritime SA

RON million	2018	2019	Budget 2019	Budget 2020
Operating revenue	345.2	369.0	352.3	380.0
Operating profit	95.8	117.0	75.5	96.3
Net profit	75.7	108.2	64.7	95.7
Dividends	18.4	27.5	17.2	25.1

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

May: According to the audited financial statements, in 2019 the company reported operating revenues of RON 369.0 million, up 6.8% y.o.y, operating profit of RON 117.0 million, up 22.1% y.o.y and a net profit of RON 108.2 million, up 42.9% y.o.y. The company's reported EBITDA reached RON 163.5 million, up 23% y.o.y. At the end of December 2019, the company had a cash position of RON 555.5 million. According to the company, the total volume of goods operated reached 66.6 million tones, up 8.64% y.o.y, driven by a 18.7% y.o.y. increase in the volume of cereals, to 21.3 million tones.

COVID-19 considerations

In the context of COVID-19 pandemic, the company has implemented a number of measures aimed at protecting the company personnel, ensuring the safety and continuity of operations and safeguarding the financial position of the company.

Societatea Nationala a Sarii SA (Salrom)

RON million	2018*	2019	H1 2019	H1 2020	Budget 2019	Budget 2020
Operating revenue	436.9	469.2	209.0	127.7	411.9	396.2
Operating profit	93.5	84.6	57.7	3.1	63.7	69.3
Net profit	76.4	77.0	48.8	4.1	62.2	59.8
Dividends	76.4	40.4	-	-	62.2	59.8

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

January: The majority shareholder proposed and voted for Mr Ionica Simbanu as temporary board member.

March: Following the resignation of Mr Dan Gheorghe as board member of the company, Fondul Proprietatea proposed, and subsequently shareholders approved, the appointment of Mr Catalin Niculita as board member.

The majority shareholder proposed and voted for Mr Nicolae Tulici and Mr Lucian Petrica Rusu as temporary board members.

May: The majority shareholder proposed and voted for Mr Nicolae Tulici and Mr Catalin Paraschiv as temporary board members.

July: Fondul Proprietatea proposed and appointed through cumulative voting Ms Simona Fatu and Mr Catalin Niculita as board members. The majority shareholder proposed and voted for Mr Nicolae Tulici, Mr. Catalin Paraschiv and Mr. Lucian Rusu Petrica and as temporary board members.

The company released H1 2020 financial results: operating revenues of RON 127.7 million (-38.9% y.o.y.), EBITDA of RON 14.0 million (-80% y.o.y.), EBIT of RON 3.1 million (-94.6% y.o.y.) and net profit of RON 4.1 million (-91.6% y.o.y.).

August: During 24 August 2020 GSM, shareholders approved the distribution of a dividend of RON 40.4 million out of the company's 2019 net profit, representing a 50% pay-out.

E-Distributie Muntenia SA

RON million	2018	2019	Budget 2019	Budget 2020
Operating revenue	909.6	993.8	866.4	989.3
Operating profit (EBIT)	(137.8)	60.3	30.5	90.8
Net profit	(114.9)	96.7	35.2	106.9
Dividends	-	-	-	-

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

February: the shareholders of the company approved a distribution of special dividends in total amount of RON 1,566.3 million from retained earnings.

E-Distributie Dobrogea SA

RON million	2018	2019	Budget 2019	Budget 2020
Operating revenue	483.7	506.4	459.0	528.6
Operating profit (EBIT)	(143.2)	81.8	(47.4)	18.0
Net profit	(143.3)	87.6	(32.6)	4.0
Dividends	-	-	-	-

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

February: the shareholders of the company approved a distribution of special dividends in total amount of RON 502.8 million from retained earnings.

Key Financial Highlights

Evolution of liquid assets

RON million	30 Jun 2020	31 Mar 2020	31 Dec 2019
Current accounts*	431.3	25.9	31.9
Bank deposits	139.5	641.6	338.4
Treasury bills and government bonds	152.0	-	137.3
Dividend receivables	436.1	24.2	-
Total liabilities**	(466.5)	(55.8)	(49.0)
Liquid assets less liabilities	692.4	635.9	458.6
Net Assets Value	10,141.4	9,585.8	11,871.4
% Liquid assets less liabilities in NAV	6.8%	6.6%	3.9%

*Current accounts include also the cash blocked for distributions to shareholders

**Total liabilities less provisions

The table above shows the change in the net liquid assets of the Fund as a percentage of the NAV.

The current accounts and total liabilities positions as at 30 June 2020 are significantly higher as a result of the annual dividend distribution approved by shareholders during the 28 April 2020 GSM, with payment date 1 July 2020. For more details regarding the liquid asset evolution during the first half of 2020 please see section *Financial Statements Analysis*.

Cost Ratios of the Fund

The Fund elected to use Ongoing Charge Ratio and Total Expense Ratio as alternative performance measures because applying industry standards to the calculation of expense charges creates consistent and comparable data across the sector.

Ongoing Charge Ratio

The Ongoing Charge Ratio of the Fund represents the annual percentage impact in shareholder returns of the recurring operational expenses and it is calculated as the total ongoing charges for the last 12 months divided by the average monthly net asset value of the Fund during the same period.

For the purpose of this calculation, expenses do not include foreign exchange losses, value of equity investments disposed of, impairment adjustments, fair value adjustments, expenses with provisions and income tax expenses. Although the OCR figure is based on historical information, it provides shareholders with an indication of the likely level of costs that will be incurred in managing the Fund in the future.

The OCR of the Fund as at 30 June 2020 was 0.82% and including transaction related expenses this was 0.83% (30 June 2019: 0.73% and including transaction related expenses this was 0.74%).

Total Expense Ratio

The Total Expense Ratio for the first six months of 2020 represents the annualised expenses of the Fund divided by the period average NAV. For the purpose of this calculation, expenses do not include foreign exchange losses,

value of equity investments disposed of, impairment adjustments, fair value adjustments, expenses with provisions and income tax expenses.

The TER of the Fund as at 30 June 2020 was 0.71% and including transaction related expenses this was 0.71% (30 June 2019: 0.68% and including transaction related expenses this was 0.70%).

Performance fees

According to the Management Agreement in force the Base fee payable by the Fund to the AIFM is calculated as Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days during the calculation period, divided by 365. The standard Base Fee Rate is 60 basis points per year. In certain conditions detailed below an additional Base Fee, representing a Performance fee, becomes payable.

- For each day in a calculation period when the share price discount¹ to NAV is below or equal to 20%, but above 15%, an additional Base Fee Rate of 5 basis points per year becomes payable (i.e. the Base Fee Rate becomes 65 basis points per year for the applicable days in the relevant period);
- For each day in a calculation period when the share price discount¹ to NAV is equal to or below 15%, a further additional Base Fee Rate of 5 basis points per year becomes payable (i.e. the Base Fee Rate becomes 70 basis points per year for the applicable days in the relevant period).

The Performance fees recorded by the Fund as a result of the Fund's share price discount to NAV lowering below 20%/ 15% in certain trading days are detailed in the table below:

<i>All amounts in RON</i>	H1 2020	H1 2019
Total Performance fee during the period	664,005	21,154
Total NAV at the end of the period	10,141,371,645	10,734,714,198
% Total Performance fee in NAV	0.0065%	0.0002%

Source: Fondul Proprietatea

Income from operating activity

The income from operating activity 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.

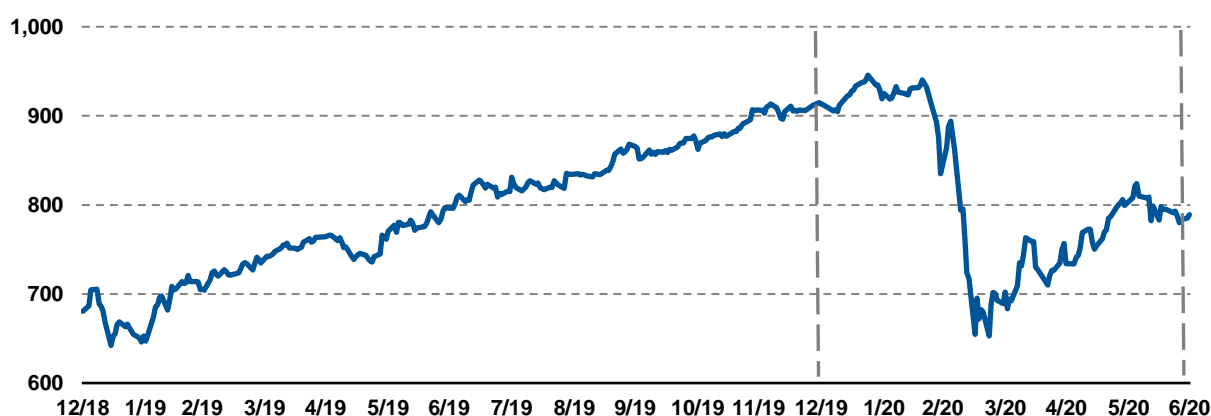
The income from operating activity is significantly influenced by the changes in the share price of listed portfolio companies, the performance of the portfolio companies and their decisions on dividend distributions, as well as by money market performance.

As at 30 June 2020 the Fund's exposure to Romanian equities accounted for 93.2% of the NAV, the difference of 6.8% being represented by the net cash and receivables.

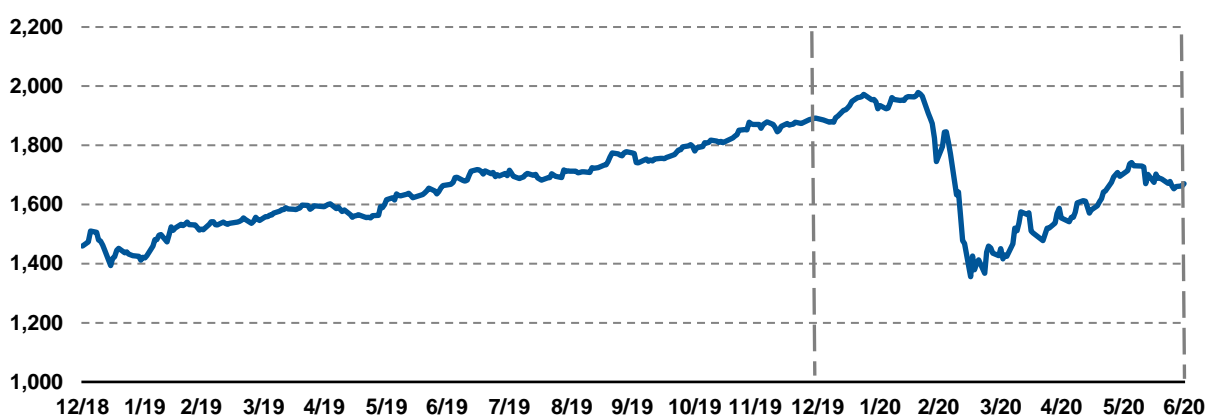
The BET-XT index, which reflects the performance of the top 25 most traded companies listed on BVB's Regulated Market, including the financial investment companies (SIFs), decreased by 13.7% during the first six months of 2020 compared to the end of 2019.

BET-BK index is a free float market capitalisation weighted index of the Romanian and foreign stocks listed on BVB's regulated market with the highest free-float market capitalisation adjusted with liquidity factors. BET-BK was designed to be used as a benchmark by asset managers and other institutional investors. The calculation methodology reflects on legal requirements and investment limits applying to investment funds. BET-BK decreased by 11.7% during the first six months of 2020 compared to the end of 2019.

¹ The daily discount is calculated in accordance with the IPS, i.e. the discount between the FP shares closing price on the BVB – REGS for each trading day and the latest reported NAV per share at the date of calculation.

BET-XT index evolution

Source: Bloomberg

BET-BK index evolution

Source: Bloomberg

Further information on the Fund's financial results can be found in the *Financial Statements Analysis* section.

Risks and Uncertainties

The following section presents details of the main risks and uncertainties that might affect the activity of the Fund and its liquidity during the next six months:

- *Risks related to COVID-19 pandemic* – the widespread nature of the COVID-19 outbreak and the measures taken to contain the spread continue to have a significant impact on global economic and local Romanian activity and is likely to reverberate for several quarters. It is expected that the Romanian economy will experience a correction in 2020, depending on the evolution of the pandemic and the lifting of restrictions. The evolution of the pandemic and the accompanying governmental actions will have a continuing impact on the Fund's companies and their financial situation and will impact the overall performance of the Fund, possibly leading to increased price volatility. Since most holdings of the Fund are not listed and do not have observable market prices, the risk of estimation uncertainty also increased. There are also amplified risks with respect to the Fund's operations including increased risks connected to cyber security, as well as increased uncertainty with respect to legal and regulatory implications driven by governmental actions to contain the virus or limit economic impact for the wider population.
- *Risks related to the oil, gas and electricity sectors* – the Fund's performance is highly correlated to the performance of companies, and their respective industries and markets within the Fund's portfolio. The Fund has a significant exposure to companies in the oil, gas and electricity sectors and as such the Fund's performance and liquidity will be correlated to the performance of those industries. These risk factors also affected the activity of the Fund during the comparative period ended 30 June 2019.
- *Risks related to the regulatory framework for energy sector* – even if a new regulatory framework was approved for the distribution companies operating in the energy sector (electricity & gas) for the period 2019 – 2023 there is a risk that important aspects of this methodology, such as the Regulated Rate of Return, are changed within the regulatory period. The RRR is used in energy tariff calculation and together with the other elements of the regulatory framework have a significant impact on the activity and the profitability of these companies. This risk factor also affected the activity of the Fund during the comparative period ended 30 June 2019.
- *Risks related to corporate governance legislation* – there is a risk of delays and omissions in the implementation of the corporate governance legislation for state owned companies (EGO no. 109/2011), in the context of the current attempts from the Parliamentary majority to cut down the already fragile corporate governance legislation. The risks of corruption and value destruction from missing corporate governance in these companies are expected to grow significantly. This risk factor also affected the activity of the Fund during the comparative period ended 30 June 2019, when there were similar discussions in Parliament.
- *Risks related to underperformance as a result of poorly managed companies in the Fund's portfolio* - the Fund owns significant holdings in companies that are controlled by Romanian State. Past experience indicates that the management of these companies, often replaced after government changes, is politically appointed as opposed to being named on the basis of professional skills, and it is often the case that their experience in the industry in which the company operates is severely limited, if not, non-existent. This risk factor also affected the activity of the Fund during the comparative period ended 30 June 2019.
- *Risks related to Brexit* – the withdrawal of the United Kingdom from the European Union might trigger certain implications on the activity of the Fund, from a regulatory and compliance point of view, among which: the need to comply with the UK's Disclosure and Transparency Rules as well as the EU ones and additional requirements for the Audit and Valuation Committee. Fund management will continue to monitor the developments on Brexit and would implement the necessary measures in order to comply with all relevant laws and regulations.
- *Risks related to liquidity* - most of the Fund's holdings are unlisted instruments which cannot easily be disposed, but the Fund's closed end structure has relatively low liquidity requirements, thus reducing the impact of potential illiquidity in the portfolio. The Fund's shares are not redeemable, and shareholders do not have the right to require their shares to be purchased by the Fund. Accordingly, the liquidity management focuses on the Fund being sufficiently liquid to meet operating and financing expenses. This risk factor also affected the activity of the Fund during the comparative period ended 30 June 2019.
- *Risks arising from changes in legislative framework governing the Fund as regulated entity and the portfolio companies* - the Fund has a significant exposure towards highly regulated economic sectors such as electricity and oil and gas, exposed to very frequent legislative change. Changes in law or regulations or changes in the

interpretation of such laws or regulation may adversely affect the investment policy and objectives of the Fund and returns to shareholders. There have been instances throughout the existence of the Fund where changes in laws have affected the Fund's portfolio composition and where the inconsistent interpretations of laws and regulations have affected the distributions to shareholders. This risk factor also affected the activity of the Fund during the comparative period ended 30 June 2019.

Financial Statements Analysis

The unaudited IFRS financial statements for the six months ended 30 June 2020, 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 Statement of Financial Position and Statement of Comprehensive Income presented in the semi-annual report may differ from the ones included in the IFRS financial statements due to other regulatory requirements.

This section provides an overview of the Fund's financial position and performance for the six months ended 30 June 2020.

Statement of Financial Position

RON million	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Jun 2019	30 Jun 2020 vs. 31 Dec 2019 (%)
	Unaudited	Unaudited	Audited	Unaudited	
Cash and current accounts	431.3	25.9	31.9	631.2	
Deposits with banks	139.5	641.6	338.4	207.8	
Treasury bills	-	-	-	49.4	
Government bonds	152.0	-	137.3	-	
Dividend receivables	436.1	24.2	-	227.6	
Equity investments	9,449.0	8,949.7	11,413.1	10,178.1	
Other assets	0.5	0.7	0.3	117.8	
Total assets	10,608.4	9,642.1	11,921.0	11,411.9	-11.0%
Payables	21.1	29.5	16.7	19.7	
Other liabilities	445.9	26.8	32.8	657.8	
Total liabilities	467.0	56.3	49.5	677.5	+843.4%
Total equity	10,141.4	9,585.8	11,871.5	10,734.4	
Total liabilities and equity	10,608.4	9,642.1	11,921.0	11,411.9	-11.0%

Source: IFRS financial statements

Overview

The cash and cash equivalents of the Fund during the first six months of 2020 included term **deposits with banks** and **government bonds** issued by the Ministry of Public Finance of Romania. All instruments are denominated in RON and have maturities of up to one year.

The increase in liquid assets by 42.4% during the six-month period ended 30 June 2020 is mainly due to the cash inflows from the dividends collected from portfolio companies (RON 704.6 million) which was offset mainly by the payments for the acquisition of own shares within the eleventh buy-back programme (RON 451.5 million), including the tender offer finalised in March.

The net decrease in **equity investments** of RON 1,964.1 million during the first six months of 2020 is principally generated by OMV Petrom SA, as a result of the negative evolution of this company's share price (total impact RON 696.6 million, share price decrease of 27.5%) and the decrease in the value of unlisted holdings in the portfolio of 1,264.4 million following the valuation update process (mostly related to CN Aeroporturi Bucuresti SA, E-Distributie companies and Hidroelectrica SA).

Equity investments

Classification and measurement of equity investments

Starting 1 January 2014, Fondul Proprietatea applies the Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities, the Fund being an investment entity. As a result, the Fund classifies and measures its investments in subsidiaries and associates as financial assets at fair value through profit or loss.

Starting 1 January 2018, the Fund adopted IFRS 9 and classified all its equity investments (other than subsidiaries and associates) as equity investments at fair value through profit or loss (the default option under IFRS 9).

The equity investments at fair value through profit or loss are initially recognised at fair value and the transaction costs are recorded in profit or loss. They are subsequently measured at fair value with all changes in fair value

accounted for through profit or loss. Equity investments at fair value through profit or loss are not subject to impairment testing.

Valuation

As at 30 June 2020 substantially all the equity investments of the Fund were carried at fair value.

Listed shares are measured at fair value using quoted prices for that instrument at the reporting date.

The fair value of *unlisted shares* is calculated and approved by the Fund's Sole Director using valuation techniques in accordance with International Valuation Standards, based on independently appraised valuation reports.

The holdings in companies in liquidation, dissolution, bankruptcy or with negative shareholders' equity, companies in insolvency or reorganisation are valued at nil.

Capital Expenditure

Capital expenditure comprises the costs for the acquisition and upgrade of the intangible assets of the Fund, which include the value of the licences, the implementation costs and the updates of the Fund's accounting and reporting software, net of the accumulated amortisation. During the first six months of 2020 the Fund did not incur any capital expenditure costs.

Statement of Comprehensive Income

RON million	Q1 2020 Unaudited	Q2 2020 Unaudited	H1 2020 Unaudited	H1 2019 Unaudited
Net (loss)/ gain from equity investments at fair value through profit or loss	(2,463.3)	502.4	(1,960.9)	1,041.6
Gross dividend income	522.9	628.3	1,151.2	680.8
Interest income	3.4	3.0	6.4	5.6
Other income, net*	0.1	4.3	4.4	3.6
Net operating (loss)/ income	(1,936.9)	1,138.0	(798.9)	1,731.6
Administration fees recognised in profit and loss	(13.0)	(16.1)	(29.1)	(26.2)
Other operating expenses	(5.1)	(5.0)	(10.1)	(12.0)
Operating expenses	(18.1)	(21.1)	(39.2)	(38.2)
Finance costs	-	-	-	(0.3)
(Loss)/ Profit before income tax	(1,955.0)	1,116.9	(838.1)	1,693.1
Income tax	-	(10.5)	(10.5)	(9.9)
(Loss)/ Profit for the period	(1,955.0)	1,106.4	(848.6)	1,683.2
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	(1,955.0)	1,106.4	(848.6)	1,683.2

Source: IFRS financial statements

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

The **net loss from equity investments at fair value through profit or loss** for the first six months of 2020 of RON 1,960.9 million was mainly generated by OMV Petrom SA (RON 696.6 million, decrease in share price of 27.5%), CN Aeroporturi Bucuresti SA (RON 287.1 million), E-Distributie Banat SA (RON 266.7 million), E-Distributie Muntenia SA (RON 215.8 million), Hidroelectrica SA (RON 179.0 million) and E-Distributie Dobrogea SA (RON 156.8 million).

Gross dividend income for the six-month period ended 30 June 2020 included the dividend income earned from the Fund's portfolio companies, mainly from E-Distributie companies (RON 522.9 million), Hidroelectrica SA (RON 399.5 million), OMV Petrom SA (RON 175.6 million), and Nuclearelectrica SA (RON 34.9 million).

Interest income arose from deposits held with banks and from short-term government securities.

Details regarding the **administration fees** for the six-month period ended 30 June 2020 are presented in the table below:

RON million	Q1 2020 Unaudited	Q2 2020 Unaudited	H1 2020 Unaudited	H1 2019 Unaudited
Recognised in profit or loss	13.0	16.1	29.1	26.2
Base fee	12.9	11.3	24.2	19.7
Distribution fee for dividend distribution	-	4.2	4.2	6.4
Performance fee	0.1	0.6	0.7	0.1
Recognised in other comprehensive income	3.1	1.4	4.5	1.3
Distribution fee for buy-back programmes	3.1	1.4	4.5	1.3
Total administration fees	16.1	17.5	33.6	27.5

Source: IFRS financial statements

The increase in the base fee H1 2020 compared to H1 2019 was mainly as a result of the increase in the Fund's share price on BVB while the increase in the distribution fee for buy-back programmes was as a result of the tender offer finalised in March 2020. The distribution fee for dividend distribution is lower in H1 2020 compared to H1 2019 as a result of the lower dividend per share distributed by the Fund in 2020.

Other operating expenses

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

RON million	Q1 2020 Unaudited	Q2 2020 Unaudited	H1 2020 Unaudited	H1 2019 Unaudited
FSA monthly fees	2.8	1.9	4.7	4.7
Depository fees	0.2	0.1	0.3	0.3
Transactions costs	0.1	-	0.1	0.7
Other expenses	2.0	2.9	4.9	6.3
Total other operating expenses	5.1	4.9	10.0	12.0

Source: IFRS financial statements

In H1 2020, **other expenses** caption comprised mainly legal and litigation assistance expenses, Board of Nominees remuneration and related expenses, portfolio valuation expenses, external audit expenses, PR expenses, investor relations expenses, and tax compliance and tax advisory expenses.

Statement of Cash Flows

RON million	H1 2020 Unaudited	H1 2019 Unaudited
Cash flows from operating activities		
Dividends received (net of withholding tax)	704.6	580.4
Proceeds from transactions with treasury bills and bonds	101.2	139.5
Interest received	6.8	5.7
Amounts collected from the depository Bank of the Fund's GDRs	4.2	3.9
Proceeds from disposal of equity investments	3.2	200.9
Acquisition of treasury bills and bonds	(151.5)	(73.6)
Suppliers and other taxes and fees paid	(43.3)	(32.6)
Subscriptions to share capital increase of portfolio companies	-	(67.3)
Other payments, net	(0.7)	(0.7)
Net cash flows from operating activities	624.5	756.2
Cash flows from financing activities		
Acquisition cost of treasury shares	(451.5)	(134.6)
Dividends paid (net of withholding tax)	(5.4)	(2.4)
Payments to shareholders related to the return of capital	(2.7)	(2.7)
Payment of fees related to the short-term bank loans	-	(0.3)
Guarantee paid for the buy-back tender offer	-	(49.5)
Net cash flows used in financing activities	(459.6)	(189.5)
Net increase in cash and cash equivalents	164.9	566.7
Cash and cash equivalents at the beginning of the period	405.8	272.4
Cash and cash equivalents at the end of the period	570.7	839.1

RON million	H1 2020 Unaudited	H1 2019 Unaudited
Cash and cash equivalents		
Cash and current accounts	4.3	0.1
Distributions bank accounts	427.0	631.2
Bank deposits with original maturities of less than three months	139.4	207.8
Cash and cash equivalents at the end of the period	570.7	839.1

Source: IFRS financial statements

During the first half of 2020 **the proceeds from disposal of equity investments** were related to the partial disposal of shares in Nuclearelectrica SA.

Payments to **suppliers and other taxes and fees paid** were higher in the first six months of 2020 compared with the first six months of 2019 mainly as a result of the expenses related to the first tender offer within the eleventh buy-back programme finalised by the Fund in March 2020.

Acquisition of treasury shares represent the acquisition cost and the brokerage fees related to the acquisition of own shares bought back by the Fund within the buy-back programmes carried during each period, through buying ordinary shares and GDRs.

Related Party Transactions

The transactions with related parties were performed in the normal course of business of the Fund and there were no significant transactions during the first half of 2020. For more details, please see *Annex 1 "Condensed Interim Financial Statements"*.

Subsequent Events

Second Tender Offer within the eleventh buy-back programme

On 17 July 2020, the Fund submitted to the FSA an application for the endorsement of a second tender offer to accelerate the eleventh buy-back programme. Under the tender offer the Fund intends to repurchase up to 220 million shares from its shareholders, both in the form of shares and GDRs. The daily execution of buy-backs for both shares on BVB and GDRs on LSE was suspended starting with 6 July 2020. The Fund engaged Swiss Capital SA and Auerbach Grayson as dealer managers 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 purchase of GDRs.

On 29 July 2020, the FSA approved the Fund's application for the second tender offer within the eleventh buy-back programme. The purchase price is RON 1.39 per share and the USD equivalent of RON 69.50 per GDR and the subscription period is from 4 August 2020 until 9 September 2020.

Changes to the Investment Policy Statement

The changes to the IPS approved by shareholders during 28 April 2020 EGM entered into force on 23 July 2020. The AIF Law entered into force on 23 January 2020, repealing, among others, a number of the relevant provisions regulating the Fund starting with 23 July 2020. All investment restrictions are published on the Fund webpage, in *Investments - Investment Strategy* section.

FSA endorsement of Fund's the Constitutive Act

The FSA issued Endorsement no. 164/ 22 July 2020 endorsing the amendments to the Fund's Constitutive Act, as approved by the Fund's EGM Resolution no. 1 of 28 April 2020, except for certain amendments which will be subject to a further EGM. The Fund's Constitutive Act in force can be accessed on the Fund's webpage in *About the Fund – Fund Overview – Corporate Governance* section.

Update regarding the Board of Nominees

Mrs. Vivian Nicoli has resigned from her positions held within the Fund's Board of Nominees and Consultative Committees due to Mrs. Nicoli's intention to take on other commitments. The effective date of the resignation is 1 September 2020. The appointment of a new Board of Nominees member will be on the agenda of the next GSM.

Registration process under AIF Law

On 22 July 2020, the Fund applied and filed the entire documentation for registering as an AIF addressed to retail investors. According to the AIF Law, the FSA shall decide on the issuance of the authorisation as an AIF within maximum 60 days from the registration of the application and submission of complete documents.

SRD II implementation process

On 29 July 2020, the Romanian law transposing Shareholder Rights Directive II was published in the Official Gazette of Romania and entered into force on 28 August 2020. By means of this law, certain new elements are introduced, such as the remuneration report and policy, while shareholder rights are strengthened for more transparent corporate governance. During the following months, the Sole Director will propose additional changes to the Constitutive Act for implementing the new legal provisions.

Romanian state prohibited from selling shares in Romanian companies for two years

In August, the Romanian Parliament approved Law 173/2020 regarding certain measures for protecting national interest within the economic activity. The law entered into force on 16 August 2020, banning the sale of shareholdings owned by the Romanian state in national companies, banks or other companies in which the state is a shareholder, irrespective of the ownership percentage, for the next two years. Ownership transfers that commenced before the entry into force of the law are suspended for a two-year term. Even though this suspension will not apply to finalised privatisations, these restrictions will likely impact the Romanian market. The law is likely to complicate the long-awaited listing of energy producer Hidroelectrica SA, Romania's most valuable state company, and other ongoing sales of companies where the state holds shares.

Signatures:

31 August 2020

Johan Meyer

Permanent Representative

Franklin Templeton International Services S.à r.l. acting in the capacity of Sole Director of Fondul Proprietatea SA

Prepared by

Catalin Cadaru

Financial Reporting Manager

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, acting as Investment Manager on behalf of Fondul Proprietatea SA

Annex 1

FONDUL PROPRIETATEA SA

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

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)

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2020**

(all amounts are in RON unless otherwise stated)

		6 months ended 30 June 2020	6 months ended 30 June 2019
	<i>Note</i>		
Net (loss)/gain from equity investments at fair value through profit or loss	5	(1,960,906,570)	1,041,564,670
Gross dividend income	6	1,151,212,033	680,838,589
Interest income		6,443,272	5,553,246
Other income, net		4,301,574	4,014,118
Net foreign exchange loss		(422,309)	(257,086)
Net gain/(loss) from other financial instruments at fair value through profit or loss		423,026	(139,136)
Net operating (loss)/income		(798,948,974)	1,731,574,401
Operating expenses	7	(39,112,093)	(38,112,182)
Finance costs	8	(30,500)	(321,778)
(Loss)/Profit before income tax		(838,091,567)	1,693,140,441
Income tax	9	(10,522,671)	(9,897,515)
(Loss)/Profit for the period		(848,614,238)	1,683,242,926
Other comprehensive income		-	-
Total comprehensive income for the period		(848,614,238)	1,683,242,926
Basic and diluted (loss)/earnings per share	10	(0.1271)	0.2348

These condensed interim financial statements were authorised for issue on 31 August 2020 by:

Franklin Templeton International Services S.à r.l. acting in the capacity of Sole Director of
Fondul Proprietatea SA

Johan Meyer

Permanent Representative

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, acting as
Investment Manager on behalf of Fondul Proprietatea SA

Catalin Cadaru

Financial Reporting Manager

The notes on pages 8 to 28 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	30 June 2020	31 December 2019
Assets			
Cash and current accounts	11	4,302,723	83,551
Distributions bank accounts	11	426,968,617	31,799,616
Deposits with banks	11	139,450,285	338,381,995
Government bonds		152,042,631	137,303,498
Dividends receivable	12	436,050,989	-
Equity investments	14	9,448,992,193	11,413,083,382
Other assets		553,904	332,386
Total assets		10,608,361,342	11,920,984,428
Liabilities			
Payable to shareholders	15 (a)	441,872,021	31,988,947
Other liabilities and provisions	15 (b)	25,113,613	17,543,492
Total liabilities		466,985,634	49,532,439
Equity			
Paid share capital	16 (a)	3,770,082,341	3,770,082,341
Reserves related to the unpaid share capital	16 (b)	189,182,422	189,182,422
Other reserves	16 (c)	772,571,346	536,545,225
Treasury shares	16 (d)	(909,505,251)	(446,008,591)
Retained earnings		6,319,044,850	7,821,650,592
Total equity		10,141,375,708	11,871,451,989
Total liabilities and equity		10,608,361,342	11,920,984,428

The notes on pages 8 to 28 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(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
Balance as at 1 January 2020	3,770,082,341	189,182,422	536,545,225	(446,008,591)	7,821,650,592	11,871,451,989
Loss for the period	-	-	-	-	(848,614,238)	(848,614,238)
Profit appropriation to other reserves			236,026,121		(236,026,121)	-
Total comprehensive income for the period	-	-	236,026,121	-	(1,084,640,359)	(848,614,238)
Transactions with owners, recorded directly in equity						
Dividends declared	-	-	-	-	(417,965,383)	(417,965,383)
Acquisition of treasury shares	-	-	-	(463,496,660)	-	(463,496,660)
Total transactions with owners recorded directly in equity	-	-	-	(463,496,660)	(417,965,383)	(881,462,043)
Balance as at 30 June 2020	3,770,082,341	189,182,422	772,571,346	(909,505,251)	6,319,044,850	10,141,375,708

The notes on pages 8 to 28 are an integral part of these condensed interim financial statements.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

		Reserves related to the unpaid share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
	Share capital					
Balance as at 1 January 2019	4,543,838,477	189,182,422	297,678,692	(1,414,500,848)	6,212,247,115	9,828,445,858
Profit for the period	-	-	-	-	1,683,242,926	1,683,242,926
Coverage of losses from cancellation of treasury shares	-	-	80,910,369	-	(80,910,369)	-
Profit appropriation to other reserves	-	-	640,744,712	-	(640,744,712)	-
Total comprehensive income for the period	-	-	721,655,081	-	961,587,845	1,683,242,926
Transactions with owners, recorded directly in equity						
Dividends declared	-	-	-	-	(642,318,809)	(642,318,809)
Acquisition of treasury shares	-	-	-	(134,926,000)	-	(134,926,000)
Total transactions with owners recorded directly in equity	-	-	-	(134,926,000)	(642,318,809)	(777,244,809)
Balance as at 30 June 2019	4,543,838,477	189,182,422	1,019,333,773	(1,549,426,848)	6,531,516,151	10,734,443,975

The notes on pages 8 to 28 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2020**

(all amounts are in RON unless otherwise stated)

	6 months ended 30 June 2020	6 months ended 30 June 2019
Cash flows from operating activities		
Dividends received (net of withholding tax)	704,598,887	580,356,948
Proceeds from transactions with treasury bills and bonds	101,199,715	139,518,862
Interest received	6,838,428	5,725,826
Amounts collected from the depository Bank of the Fund's GDRs	4,215,191	3,903,730
Proceeds from disposal of equity investments	3,184,619	200,906,333
Acquisition of treasury bills and bonds	(151,490,418)	(73,602,533)
Suppliers and other taxes and fees paid	(43,316,787)	(32,607,328)
Subscriptions to share capital increase of portfolio companies	-	(67,322,550)
Other payments, net	(685,782)	(720,034)
Net cash flows from operating activities	624,543,853	756,159,254
Cash flows from financing activities		
Acquisition cost of treasury shares	(451,493,023)	(134,593,288)
Dividends paid (net of withholding tax)	(5,370,214)	(2,373,854)
Payments to shareholders related to the return of capital	(2,712,095)	(2,702,159)
Payment of fees related to the short term bank loans	(36,200)	(323,556)
Guarantee paid for the buy-back tender offer	-	(49,500,000)
Net cash flows used in financing activities	(459,611,532)	(189,492,857)
Net increase in cash and cash equivalents	164,932,321	566,666,397
Cash and cash equivalents at the beginning of the period	405,776,121	272,355,893
Cash and cash equivalents at the end of the period as per the Statement of Cash Flows	570,708,442	839,022,290
<i>Reconciliation of Statement of Cash Flows with the equivalent items reported in the Statement of Financial Position</i>		
	30 June 2020	30 June 2019
Cash and current accounts (see Note 11)	4,302,723	77,809
Distributions bank accounts (see Note 11)	426,968,617	631,160,402
Bank deposits with original maturities of less than three months (see Note 11)	139,437,102	207,784,079
	570,708,442	839,022,290
Interest accrued on bank deposits (see Note 11)	13,183	30,509
Treasury bills and government bonds with original maturities of more than three months and less than one year	152,042,631	49,388,608
Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position	722,764,256	888,441,407

The notes on pages 8 to 28 are an integral part of these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(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 and is operating as an undertaking for collective investment, in the form of a closed end investment company, established in accordance with 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 78 - 80, Buzești Street, 7th Floor, District 1, Bucharest.

Starting 1 April 2016, Fondul Proprietatea is an alternative investment fund as defined by Alternative Investment Fund Managers Directive and by Romanian legislation.

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 no. 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. Until 2013, FSA was known as the National Securities Commission. In accordance with its Constitutive Act, the main activity of the Fund is the management and administration of its portfolio.

The Fund was established to allow the payment in shares equivalent to the compensation payable 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 date when Government Emergency Ordinance no. 4/2012 entered into force, the compensation process was suspended. In January 2015, the Law no. 10/2015 on amending Title VII of Law no. 247/2005 entered into force confirming that the Romanian State will no longer use the compensation scheme using Fondul Proprietatea shares.

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 Directive 2011/61/EU on Alternative Investment Fund Managers and local implementation regulations. The initial FTIS’ mandate for a period of two years commenced on 1 April 2016 and expired on 31 March 2018. On 14 February 2018, the Fund’s shareholders approved the renewal of FTIS’ mandate for another two years starting with 1 April 2018 under a new Management Agreement which became effective starting with the same date (i.e. 1 April 2018). During the 28 June 2019 shareholders meeting, the Fund’s shareholders approved a new mandate of FTIS as AIFM and Sole Director of the Fund for the period 1 April 2020 – 31 March 2022.

Under the three agreements mentioned above FTIS has delegated the role of Investment Manager as well as certain administrative functions to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML” or “Investment Manager”) for the entire duration of its mandate as AIFM.

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 (renamed as of 5 January 2015 as Premium Tier shares), 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 six-month period ended 30 June 2020 are not audited.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements for the six-month period ended 30 June 2020 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 2019, prepared in accordance with IFRS. These condensed interim financial statements are available starting with 31 August 2020, on the Fund's official webpage, 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 six-month period ended 30 June 2020 and continues to meet them.

(b) 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, treasury bills and government bonds, respectively), and on the historical cost or amortised cost basis for the rest of the items included in the financial statements.

(c) 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.

(d) 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 13 – Deferred tax;
- Note 14 – Equity investments;
- Note 17 – Contingencies.

(e) The impact of the COVID-19 pandemic on the Fund's financial position

Due to the negative impact of the COVID-19 pandemic on the global economic activity and global financial markets, the Fund's Sole Director estimates that the financial position and performance of the Fund may be affected, especially by the negative change in fair value of the Fund's holdings which is recorded in profit or loss and also by the decrease of income from dividends received from portfolio companies.

During the six-month period ended 30 June 2020 the Fund's Sole Director performed a periodic analysis of multiples values of publicly traded peers companies and adjusted the value of unlisted holdings accordingly, where the case (see Note 5 for further details on fair value adjustments). 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

2. Basis of preparation (continued)

(e) The impact of the COVID-19 pandemic on the Fund's financial position (continued)

However, an accurate quantification of the further impact is difficult to estimate due to limited availability of the information, high volatility and uncertainties existing in the market. Nevertheless, the Fund's Sole Director does not estimate difficulties in fulfilling the Fund's commitments to shareholders and obligations to third parties, the current and estimated future cash flows being sufficient to cover the payments to third parties and the distributions to shareholders during the year.

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 2019 and have been applied consistently to all periods presented in these condensed interim financial statements.

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:

	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
30 June 2020					
Cash and current accounts	4,302,723	-	-	4,302,723	4,302,723
Distributions bank accounts	426,968,617	-	-	426,968,617	426,968,617
Deposits with banks	139,450,285	-	-	139,450,285	139,450,285
Government bonds	-	152,042,631	-	152,042,631	152,042,631
Dividends receivable	436,050,989	-	-	436,050,989	436,050,989
Equity investments	-	9,448,992,193	-	9,448,992,193	9,448,992,193
Other financial assets	30,030	-	-	30,030	30,030
Other financial liabilities	-	-	(465,276,711)	(465,276,711)	(465,276,711)
	1,006,802,644	9,601,034,824	(465,276,711)	10,142,560,757	10,142,560,757
	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
31 December 2019					
Cash and current accounts	83,551	-	-	83,551	83,551
Distributions bank accounts	31,799,616	-	-	31,799,616	31,799,616
Deposits with banks	338,381,995	-	-	338,381,995	338,381,995
Government bonds	-	137,303,498	-	137,303,498	137,303,498
Equity investments	-	11,413,083,382	-	11,413,083,382	11,413,083,382
Other financial liabilities	30,030	-	-	30,030	30,030
Other financial liabilities	-	-	(46,977,791)	(46,977,791)	(46,977,791)
	370,295,192	11,550,386,880	(46,977,791)	11,873,704,281	11,873,704,281

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

5. Net (loss)/gain from equity investments at fair value through profit or loss

	6 months ended 30 June 2020	6 months ended 30 June 2019
Unrealised net (loss)/gain from equity investments at fair value through profit or loss	(1,961,723,274)	1,031,632,081
Realised net gain from disposal of equity investments at fair value through profit or loss	816,704	9,932,589
Total	(1,960,906,570)	1,041,564,670

The unrealised net loss from equity investments at fair value through profit or loss for the six-month period ended 30 June 2020 was generated by the negative change in fair value of the Fund's holdings as result of the negative impact of the COVID-19 pandemic on the economic activity and global capital markets. The most significant decreases of fair value were recorded by the holdings in OMV Petrom (net unrealised loss of RON 696,616,414), E-Distributie companies (total net unrealised loss of RON 639,300,000), CN Aeroporturi Bucuresti SA (net unrealised loss of RON 287,100,000) and Hidroelectrica SA (net unrealised loss of RON 179,000,000).

The unrealised net gain from equity investments at fair value through profit or loss for the six-month period ended 30 June 2019 was mainly generated by the change in fair value for the holding in OMV Petrom SA (net unrealised gain of RON 543,700,615) and Hidroelectrica SA (net unrealised gain of RON 259,000,000), as result of the strong performance of these companies.

The realised net gain from disposal of equity investments at fair value through profit or loss was calculated as the difference between the proceeds from the disposal and the fair value of the equity investments disposed of at the last annual financial statements date. The realised gain from disposal of equity investments at fair value through profit or loss for the six-month period ended 30 June 2020 was generated by the partial disposal of the holding in Nuclearelectrica SA (six-month ended 30 June 2019: by the disposal of the entire holding in BRD Groupe Societe Generale SA).

6. Gross dividend income

	6 months ended 30 June 2020	6 months ended 30 June 2019
Hidroelectrica SA	399,532,431	358,726,907
E-Distributie Banat SA	213,812,923	-
E-Distributie Muntenia SA	187,961,077	-
OMV Petrom SA	175,569,990	152,915,798
E-Distributie Dobrogea SA	121,130,893	-
Nuclearelectrica SA	34,883,435	26,728,073
Engie Romania SA	12,084,099	16,411,668
CN Administratia Porturilor Maritime SA	5,492,149	3,676,101
Alcom SA	275,360	1,602,858
CN Aeroporturi Bucuresti SA	-	68,014,798
Alro SA	-	33,349,130
BRD Groupe Societe Generale SA	-	18,306,434
Others	469,676	1,106,822
	1,151,212,033	680,838,589

The dividend income was subject to 5% Romanian withholding tax during the six-month periods ended 30 June 2020 and 30 June 2019. 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

6. Gross dividend income (continued)

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 six-month period ended 30 June 2020 a total amount of RON 672,484,145 represented special cash distributions (six-month period ended 30 June 2019: RON 34,803,043).

7. Operating expenses

	6 months ended 30 June 2020	6 months ended 30 June 2019
Administration fees	29,085,060	26,190,702
FSA monthly fees	4,697,723	4,721,315
Third party services	3,695,901	4,737,012
BON remunerations and related taxes	723,690	723,690
Depository bank fee	301,453	322,651
Intermediaries and other fees related to disposal of portfolio holdings	136,698	700,017
Other operating expenses	471,568	716,795
	39,112,093	38,112,182

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. An additional base fee of 0.05% is payable to FTIS as performance fee when the discount of the Fund's share price to net asset value per share is below or equal to 20% but above 15% and a further 0.05% when the discount is equal or below 15%.

The administration fees recorded during the first six months of 2020 and the first six months of 2019 are presented in the table below:

	6 months ended 30 June 2020	6 months ended 30 June 2019
Base fee	24,241,401	19,746,360
Distribution fee related to dividend distributions to shareholders	4,179,654	6,423,188
Performance fee	664,005	21,154
Administration fees recognised in profit or loss	29,085,060	26,190,702
Distribution fees related to buy-backs recognised in equity	4,535,275	1,347,144
Total administration fees	33,620,335	27,537,846

The administration fees are invoiced and paid on a quarterly basis.

During the first six months of 2020 and the first six months of 2019, the FSA fee was 0.0078% per month applied on the total net asset value. For the period 1 April – 14 May 2020, FSA granted a 25% discount on the monthly fees to all market issuers as result of the emergency state declared due the COVID-19 pandemic.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

7. Operating expenses (continued)

	6 months ended 30 June 2020	6 months ended 30 June 2019
Legal consultancy and litigation assistance	1,215,592	2,304,732
Portfolio valuation services	572,405	459,838
Financial auditor's fees	463,921	333,511
Investors' relations expenses	309,211	299,658
Board of Nominees accommodation, transport and insurance costs	249,056	340,343
Public relations services	196,287	150,870
Tax compliance and advisory services	184,125	241,846
Other services	505,304	606,214
	3,695,901	4,737,012

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 18 (a) for further details).

8. Finance cost

On 29 June 2020, the Fund extended the credit facility concluded with BRD - Groupe Societe Generale SA for a period of another two years, until 29 June 2022. The credit facility is for general corporate and operational use and has a committed amount of RON 45,000,000. The Fund may access, subject to bank's approval and in accordance with the provisions of the credit facility agreement, additional financing in excess of the said committed amount, without exceeding a total amount of RON 100,000,000 at any given time.

The finance costs for the six-month period ended 30 June 2020 of RON 30,500 (six-month period ended 30 June 2019: RON 321,778) comprise the commitment fee on undrawn amounts from the credit facility.

There are no outstanding amounts from the credit facility as at 30 June 2020 and 31 December 2019.

9. Income tax

No current tax and no deferred tax were recorded during the six-month periods ended 30 June 2020 and 30 June 2019.

	6 months ended 30 June 2020	6 months ended 30 June 2019
Reconciliation of effective tax rate		
Net (loss)/profit for the period	(848,614,238)	1,683,242,926
Withholding tax on the dividend income	(10,522,671)	(9,897,515)
(Loss) /Profit excluding income tax	(838,091,567)	1,693,140,441
Income tax benefit/(expense) using the standard tax rate (16%)	134,094,651	(270,902,471)
<i>Impact on the income tax of:</i>		
Taxation applied on dividend income	173,671,253	99,036,659
Non-taxable income (other than dividend income)	140,016,659	96,160,091
Non-deductible expenses	(350,285,176)	(30,401,712)
Fiscal result impact in the current period	(108,020,058)	96,209,918
Tax on income (i.e. withholding tax on the dividend income)	(10,522,671)	(9,897,515)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

9. Income tax (continued)

The fiscal result impact as at 30 June 2020 of RON 108,020,058 included in the table above represents the unrecognised deferred tax for the tax losses recorded in the first six months of 2020 (see Note 13 for further details). The fiscal impact as at 30 June 2019 of RON 96,209,918 represents the current tax on profit for the first six months of 2019 which was offset by the Fund's tax losses carried forward.

As at 30 June 2020 and 31 December 2019 there is no tax on profit due or to be recovered from the State Budget by the Fund.

See Note 13 *Deferred tax* for details regarding the deferred tax computation and recognition.

10. Basic and diluted (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the loss or profit 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 June 2020 and 30 June 2019, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted (loss)/earnings per share are the same.

	6 months ended 30 June 2020	6 months ended 30 June 2019
(Loss)/Profit for the period	(848,614,238)	1,683,242,926
Weighted average number of ordinary shares	6,674,119,240	7,168,115,335
Basic and diluted (loss)/earnings per share	(0.1271)	0.2348

11. Cash and current accounts and deposits with banks

	30 June 2020	31 December 2019
Petty cash	114	114
Current accounts with banks	4,302,609	83,437
Distributions bank accounts	426,968,617	31,799,616
Cash and current accounts	431,271,340	31,883,167

	30 June 2020	31 December 2019
Bank deposits with original maturities of less than three months	139,437,102	338,295,751
Interest accrued on bank deposits	13,183	86,244
Deposits with banks	139,450,285	338,381,995

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

12. Dividends receivable

	30 June 2020	31 December 2019
Dividends receivable		
Hidroelectrica SA	399,532,431	-
E-Distributie Dobrogea SA	24,226,179	-
Engie Romania SA	12,084,099	-
CN Aeroporturi Bucuresti SA	10,668,574	10,668,574
Other dividends receivable	322,854	711,095
	446,834,137	11,379,669
Impairment loss allowance	(10,783,148)	(11,379,669)
	436,050,989	-

The dividend receivable balance as at 30 June 2020 mainly comprises the outstanding balance of the annual and special dividend from Hidroelectrica SA and the remaining balance of special dividend approved by the shareholders of E-Distributie Dobrogea SA on 14 February 2020. For both, Hidroelectrica and E-Distributie Dobrogea dividends, the payment date is after 30 June 2020 according to these companies' shareholders resolution.

As at 31 December 2019, the Fund has a receivable from dividends in total amount of RON 11,379,669, which is fully provided and mainly comprises the outstanding dividend from CN Aeroporturi Bucuresti SA of RON 10,668,574.

13. Deferred tax

As at 30 June 2020 and 31 December 2019 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 June 2020 and 31 December 2019, the net deferred tax position is nil as the Fund did not recognise any deferred tax asset or deferred tax liability.

As at 30 June 2020 the unused fiscal loss carried forward amounts to RON 3,595,180,951 (31 December 2019: RON 2,920,055,589) out of which RON 2,920,055,589 will expire on 31 December 2022 and RON 675,125,362 will expire on 31 December 2027.

As at 30 June 2020 and 31 December 2019 the Fund did not recognise any deferred tax asset for the unused tax losses carried forward as there is a high probability that there will be insufficient future taxable profit against which the loss carried forward can be utilised.

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 six-month periods ended 30 June 2020 and 30 June 2019. The deferred tax balances during both these periods were zero.

14. Equity investments

As a result of the application of IFRS 9 starting 1 January 2018, the Fund changed its accounting policies classifying all its equity investments at fair value through profit or loss.

Substantially all 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);

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

- 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 six-month periods ended 30 June 2020 and 30 June 2019 is presented below:

	6 months ended 30 June 2020	6 months ended 30 June 2019
Opening balance	11,413,083,382	9,337,440,399
Net (loss)/gain from equity investments at fair value through profit or loss (see Note 5)	(1,960,906,570)	1,041,564,670
Disposals	(3,184,619)	(200,898,504)
Closing balance	9,448,992,193	10,178,106,565

Disposals

During the first six months of 2020, the Fund sold part of its holding in Nuclearelectrica SA.

During the first six months of 2019, the Fund sold its entire holding in BRD Groupe Societe Generale SA.

Portfolio

As at 30 June 2020 and 31 December 2019 the Fund's portfolio comprised the following holdings:

	30 June 2020	31 December 2019
Hidroelectrica SA	4,707,500,000	4,886,500,000
OMV Petrom SA	1,834,989,577	2,531,605,991
CN Aeroporturi Bucuresti SA	735,800,000	1,022,900,000
Engie Romania SA	426,300,000	512,400,000
Nuclearelectrica SA	330,884,095	303,286,742
E-Distributie Banat SA	252,600,000	519,300,000
Administratia Porturilor Maritime SA	233,400,000	248,700,000
Societatea Nationala a Sarii SA	222,100,000	275,400,000
E-Distributie Muntenia SA	212,700,000	428,500,000
E-Distributie Dobrogea SA	164,700,000	321,500,000
Alro SA	139,938,651	170,550,231
Enel Energie Muntenia SA	41,200,000	41,700,000
Romaero SA	34,103,966	30,431,231
Zirom SA	31,705,400	31,705,400
Enel Energie SA	25,800,000	26,300,000
CN Administratia Canalelor Navigabile SA	14,899,840	14,899,840
Other	40,370,664	47,403,947
Total equity investments	9,448,992,193	11,413,083,382

None of the equity investments are pledged as collateral for liabilities.

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;

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

- 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).

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:

30 June 2020	Level 1	Level 2	Level 3	Total
Equity investments	2,305,812,324	-	7,143,179,869	9,448,992,193
Government bonds	152,042,631	-	-	152,042,631
	2,457,854,955	-	7,143,179,869	9,601,034,824

31 December 2019	Level 1	Level 2	Level 3	Total
Equity investments	3,005,442,964	-	8,407,640,418	11,413,083,382
Government bonds	137,303,498	-	-	137,303,498
	3,142,746,462	-	8,407,640,418	11,550,386,880

The table below presents the movement in Level 3 equity investments during the six-month periods ended 30 June 2020 and 30 June 2019:

	6 months ended 30 June 2020	6 months ended 30 June 2019
Opening balance	8,407,640,418	7,055,038,913
Net unrealised (loss)/gain recognised in profit or loss	(1,264,460,549)	493,185,286
Disposals	-	-
Transfers in/(out) of Level 3	-	-
Closing balance	7,143,179,869	7,548,224,199

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.

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.

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.

The valuation for the Level 3 equity investments as at 30 June 2020 was prepared as follows:

- 97.4% of the fair value of Level 3 equity investments was determined based on the valuation reports updated with the assistance of the independent valuer as at 31 May 2020 incorporating the impact of any significant corporate action that took place until 30 June 2020;

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

- 1.2% of the fair value of Level 3 equity investments was determined using (i) the multiples values as at 31 May 2020 of publicly traded peers companies (provided by an independent valuer) and (ii) the same methodology and computation algorithm as in the latest available valuation report (respectively as at 30 September 2019) prepared with the assistance of an independent valuer; all other variables were kept at the same level as in the latest valuation report;
- 0.8% of the fair value of Level 3 equity investments was determined based on the valuation reports prepared with the assistance of an independent valuer as at 30 September 2019;
- 0.5% of the fair value of Level 3 equity investments was determined based on the valuation reports prepared with the assistance of an independent valuer as at 31 December 2019;
- 0.1% 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.

The valuation for the Level 3 equity investments as at 30 June 2019 was prepared as follows:

- 94.2% of the fair value of Level 3 equity investments was determined based on the valuation reports prepared with the assistance of an independent valuer as at 31 March 2019;
- 5.3% of the fair value of Level 3 equity investments was determined based on the valuation reports prepared with the assistance of an independent valuer as at 30 September 2018;
- 0.5% 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.

The Fund's management has analysed the period between the date of the latest valuations and the date when these condensed interim financial statements were authorised for issue in order to determine if an update of the fair values is needed. The Fund's Sole Director believes that the fair values of the equity investments presented in these condensed interim financial statements represent the best estimates under the current conditions, based on available information.

Considering the economic uncertainties, the increased economic risk and the strong volatility existing in the capital markets due to the negative impact of the COVID-19 pandemic, 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 peers companies and will adjust the value of unlisted holdings accordingly, if the case.

These 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.

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.

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 following tables set out information about the significant unobservable inputs used at 30 June 2020 and 31 December 2019 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

Financial assets	Fair value as at 30 June 2020	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	7,143,179,869			
Unlisted equity instruments	6,832,222,140	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.49 - 9.89 (8.94) Discount for lack of marketability: 14.7% or 20% (14.72%)	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	263,687,672	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 12.09% - 14.30% (14.11%) Discount for lack of marketability ranging from 12.00% - 16.2% (14.62%) Discount for lack of control: 0% or 19.1% or 24.9% (16.25%) Long-term revenue growth rate: 2% or 2.5% (2.02%)	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	10,700,000	Market approach - comparable companies (based on Price/Earnings multiple)	Price/Earnings value: 7.96 (7.96) Discount for lack of marketability: 24.2% (24.2%)	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	1,393,800	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.29 (0.29) Discount for lack of marketability: 14.7% (14.7%)	The higher Price/Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	0	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.49 (0.49)	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	35,176,257	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 FSA.	

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

Financial assets	Fair value as at 31 December 2019	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	8,407,640,418			
Unlisted equity instruments	8,042,522,140	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.84 - 10.64 (9.29) Discount for lack of marketability: 14.7% or 20% (14.71%)	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	308,780,200	Income approach - discounted cash flow method	Weighted average cost of capital: 12.09% or 12.90% or 13.40% (12.95%) Discount for lack of marketability: 12% or 14.6% or 16.2% (14.75%) Discount for lack of control: 0% or 19.1% or 24.9% (17.17%) Long-term revenue growth rate: 2% (2%)	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	11,500,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 8.79 (8.79) Discount for lack of marketability: 24.2% (24.2%)	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	1,393,800	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.29 (0.29) Discount for lack of marketability: 14.7% (14.7%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	0	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.49 (0.49)	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	43,444,278	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 FSA.	

As at 30 June 2020 and 31 December 2019, the Fund's investments in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity are valued at nil.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

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.

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).

15. Liabilities

(a) Payable to shareholders

	30 June 2020	31 Dec 2019
Dividends payable to shareholders, <i>out of which:</i>	438,859,379	26,264,210
- <i>Net dividends payable to shareholders</i>	424,157,202	26,264,210
- <i>Dividend withholding tax payable to State</i>		
<i>Budget</i>	14,702,177	-
Returns of capital due to shareholders	3,012,642	5,724,737
Payable to shareholders	441,872,021	31,988,947

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

15. Liabilities (continued)

(a) Payable to shareholders (continued)

The movement during the period is presented in the table below:

	6 months ended 30 June 2020	6 months ended 30 June 2019
Opening balance	31,988,947	19,657,190
Gross distributions approved during the period, <i>out of which</i> :	417,965,383	642,318,809
- Net distributions payable to shareholders	403,263,206	616,703,703
- Dividend withholding tax due to State Budget	14,702,177	25,615,106
Payments of net distributions performed from the dedicated bank accounts	(8,082,309)	(5,076,014)
Closing balance	441,872,021	656,899,985

(b) Other liabilities and provisions

	30 June 2020	31 December 2019
Administration fees	17,758,796	12,907,820
Payables related to treasury shares under settlement	3,118,807	-
Provision for litigations	856,247	856,247
Intermediaries and other transactions fees related to disposal of portfolio holdings	804,209	1,035,658
Financial Supervisory Authority fees	798,133	840,591
Tax on dividends due to State Budget	6,107	762,056
Other liabilities	1,771,314	1,141,120
	25,113,613	17,543,492

16. Shareholders' equity

(a) Share capital

There was no change in the share capital of the Fund recorded either during the first six months of 2020 or during the first six months of 2019.

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

	30 June 2020	31 December 2019
Number of shares in issue	7,613,970,697	7,613,970,697
Number of paid shares	7,250,158,347	7,250,158,347
Number of unpaid shares	363,812,350	363,812,350
Nominal value per share (RON)	0.52	0.52

The shareholder structure as at 30 June 2020 was as follows:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

16. Shareholders' equity (continued)
(a) Share capital (continued)

Shareholder categories	% of subscribed share capital	% of paid share capital
Romanian institutional investors	29.00%	30.46%
The Bank of New York Mellon (depository bank for the Fund's GDRs)	23.57%	24.75%
Romanian private individuals	17.45%	18.33%
Foreign institutional investors	12.38%	13.00%
Foreign private individuals	2.82%	2.97%
Romanian State	0.09%	0.09%
Treasury shares	9.91%	10.40%
Unpaid shares (see Note 16(b))	4.78%	-
Total	100.00%	100.00%

Source: Depozitarul Central SA

(b) Reserves related to the unpaid share capital

Unpaid share capital represents the nominal value of certain contributions due to the Fund by the Romanian State, represented by the Ministry of Public Finance as shareholder, which were initially recorded as paid share capital (based on Law 247/2005) and in 2011 were considered unpaid following the final results of several litigations that took place in the past. Holders of unpaid shares are not entitled to vote or to receive dividends or other cash distributions, until the matters are legally clarified.

Due to the fact that there are no clear provisions regarding the unpaid share capital in the special legislation related to the Fund and that according to the general framework provided by the Companies' Law the deadline for the payment by the Romanian State represented by Ministry of Public Finance of the unpaid share capital expired, the Fund recorded a presentation adjustment as at 31 December 2017 for the entire balance of unpaid share capital against other reserves.

This adjustment was recorded in the financial statements only for presentation purpose, while the actual cancellation of the unpaid share capital in the accounting will follow the legal requirements and will be booked only after the successful completion of the necessary legal steps.

The receivable related to the unpaid amounts from the Romanian State is fully impaired.

(c) Other reserves

	30 June 2020	31 December 2019
Legal reserve	533,826,946	533,826,946
Other reserves	236,026,121	640,744,712
Distributions for which the statute of limitation occurred	2,718,279	2,718,279
Losses from cancellation of treasury shares (negative equity reserves)	-	(640,744,712)
	772,571,346	536,545,225

The legal reserve cannot be used for distributions to shareholders.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

16. Shareholders' equity (continued)

(c) Other reserves (continued)

The Fund's Sole Director proposed to shareholders and the shareholders approved at the 4 April 2019 General Shareholders' Meeting the allocation of a total amount of RON 640,744,712 to other reserves as follows:

- RON 233,482,390 from 2018 profit,
- RON 407,262,322 from 2017 profit remained under unallocated retained earnings.

In April 2020, the amounts allocated to other reserves mentioned above were used to cover the negative reserves recorded from cancellation of shares acquired during the ninth buy-back programme, according to the resolution of the Fund's General Shareholders' Meeting ("GSM") held on 28 April 2020. In the same time, the Fund's shareholders' approved during 28 April 2020 General Shareholders' Meeting, the allocation of an amount of RON 236,026,121 from 2019 profit to other reserves in order to be available for covering the negative reserves estimated to arise from cancellation of shares acquired during the tenth buy-back programme.

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. This amount may be covered from retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting.

The Fund's share nominal value was constantly lower than its market price starting January 2017, situation which did not change up to the date of these condensed interim financial statements. All buy-backs performed after this date were made at an acquisition price higher than the nominal value and consequently all cancellations of treasury shares acquired through the buy-back programmes generated negative reserves.

There was no negative reserve recorded during the six-month periods ended 30 June 2020 and 30 June 2019.

(d) Treasury shares

The table below summarises the details regarding the eleventh buy-back programme, respectively the buy-back programme carried during 2020:

	GSM date approving the buy-back programme	Starting date	Completion date	Acquisition price range as approved by GSM
Eleventh buy-back programme	15-Nov-2019	1-Jan-2020	31-Dec-2020	RON 0.2 - 2 per share

The eleventh buy-back programme refers to the acquisition by the Fund of a maximum number of 800,000,000 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 first six months of 2020 and the first six months of 2019 is presented in the table below:

	Opening balance 1 January 2020	Acquisitions during the period	Cancellations during the period	Closing balance 30 June 2020
Tenth buy-back	403,812,443	-	-	403,812,443
Eleventh buy-back	-	354,699,875	-	354,699,875
	403,812,443	354,699,875	-	758,512,318

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

16. Shareholders' equity (continued)
(d) Treasury shares (continued)

	Opening balance 1 January 2019	Acquisitions during the period	Cancellations during the period	Closing balance 30 June 2019
Ninth buy-back	1,487,992,569	-	-	1,487,992,569
Tenth buy-back	-	146,880,638	-	146,880,638
	1,487,992,569	146,880,638	-	1,634,873,207

The movement of the buy-back programmes carrying amounts during the first six months of 2020 and the first six months of 2019 is presented in the table below:

	Opening balance 1 January 2020	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 30 June 2020
Tenth buy-back	446,008,591	-	-	446,008,591
Eleventh buy-back	-	463,496,660	-	463,496,660
	446,008,591	463,496,660	-	909,505,251

	Opening balance 1 January 2019	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 30 June 2019
Ninth buy-back	1,414,500,848	-	-	1,414,500,848
Tenth buy-back	-	134,926,000	-	134,926,000
	1,414,500,848	134,926,000	-	1,549,426,848

(e) Dividend distribution

During the 28 April 2020 GSM, the Fund's shareholders approved the distribution of a gross dividend of RON 0.0642 per share, in relation to 2019 statutory profit.

The shareholders registered in the shareholders' registry with the Central Depository on 10 June 2020 have the right to receive a gross dividend of RON 0.0642 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 1 July 2020 and by the authorisation date of these condensed interim financial statements, shareholders had collected over 95% of the total distribution.

17. Contingencies
Litigations

At 30 June 2020, the Fund was involved in certain litigations, either as defendant or claimant. According to 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.

Other contingencies

Other contingencies of the Fund included the receivables from World Trade Center Bucuresti SA, as detailed below.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

17. Contingencies (continued)

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.

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.

The amounts recovered from the enforcement procedure were originally 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. Consequently, these amounts are to be recovered by the Fund from the Romanian State (being accounted for as a receivable over this shareholder of the Fund, for which an impairment adjustment was recorded), while the legal interest was recorded as an expense with provisions for litigations.

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. The first hearing in appeal was set for 11 September 2020.

18. Related parties

(a) Key management

(i) Board of Nominees ("BON")

	6 months ended 30 June 2020	6 months ended 30 June 2019
Total Fund's cost with BON remuneration, <i>out of which</i> :	723,690	723,690
- Net remuneration paid to BON members	514,548	506,949
- Related taxes and contributions payable to State Budget	209,142	216,741

There were no loans to or other transactions between the Fund and the members of the Board of Nominees neither in the first six months of 2020 nor in the first six months of 2019.

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 and Investment Manager

FTIS is the Sole Director and Alternative Investment Fund Manager of the Fund starting with 1 April 2016. The initial mandate was for a two-year period and this was renewed for another two years starting with 1 April 2018. During the 28 June 2019 General Shareholders Meeting, the Fund's shareholders approved a new mandate of FTIS as AIFM and Sole Director of the Fund for the period 1 April 2020 – 31 March 2022. The role of Investment Manager and certain administrative functions have been delegated by FTIS to FTIML.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

18. Related parties (continued)
(a) Key management (continued)
(ii) Sole Director and Investment Manager (continued)

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

Transactions	6 months ended 30 June 2020	6 months ended 30 June 2019
Administration fees	33,620,335	27,537,846

The transactions carried out between the Fund and FTIML were the following:

Transactions	6 months ended 30 June 2020	6 months ended 30 June 2019
Rent expense charged to the Fund	40,801	39,532
Operating cost charged to the Fund	13,371	13,961
	54,172	53,493

During the first six months of 2020, the Fund also recorded RON 346,264 representing expenses incurred by FTIML on its behalf (first six months of 2019: RON 362,768). These expenses were primarily related to promotional activities for the Fund (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:

Amounts due to:	30 June 2020	31 December 2019
FTIS	17,758,796	12,907,820
FTIML	9,511	144,334
	17,768,307	13,052,155

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

(b) Subsidiaries

The Fund had the following subsidiaries, all of which are incorporated in Romania:

	30 June 2020	31 December 2019
Ownership interest		
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	70%	70%

On 8 January 2020, the registration with Romanian Trade Register of the share capital increase of Zirom SA performed in December 2019 was completed.

In June 2020, the Fund recorded and collected from Alcom SA a dividend of RON 275,360.

During the first six months of 2019, the Fund recorded and collected from Alcom SA dividends in total amount of RON 1,602,858.

As at the reporting date of these condensed interim financial statements, Comsig SA is in administrative liquidation process.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(all amounts are in RON unless otherwise stated)

18. Related parties (continued)

(b) Subsidiaries (continued)

The fair value of investments in subsidiaries is presented in the table below:

	30 June 2020	31 December 2019
Zirom SA	31,705,400	31,705,400
Alcom SA	8,207,472	11,493,897
Comsig SA	-	-
	39,912,872	43,199,297

As at 30 June 2020, the Fund has no commitment to provide financial or other support to its subsidiaries, including commitments to assist the subsidiaries in obtaining financial support.

(c) Associates

As at 30 June 2020 and 31 December 2019 the Fund had two associates, both incorporated in Romania:

	30 June 2020	31 December 2019
Ownership interest		
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

During the first six months of 2020, the Fund recorded and collected from Plafar SA a dividend of RON 100,097.

The Fund did not carry out any transaction with its associates during the first six months of 2019.

As at 30 June 2020, the balance due by Societatea Nationala a Sarii SA to the Fund amounted RON 7,000 (31 December 2019: RON 6,804) and comprised the outstanding dividend receivable of RON 6,378 (31 December 2019: RON 6,378) and the penalties for delay payment of dividends of RON 622 (31 December 2019: RON 426). The outstanding balance due by Societatea Nationala a Sarii SA to the Fund is fully impaired.

19. Subsequent events

a) Tender Offer within the eleventh buy-back programme

On 17 July 2020, the Fund submitted an application for endorsement of a tender offer to accelerate the eleventh buy-back programme to the FSA for approval. Under this tender offer, the Fund intends to repurchase up to 220,000,000 shares from its shareholders, both in the form of shares and GDRs.

As such, the daily execution of the eleventh buy-back programme, with respect to the shares on the Bucharest Stock Exchange and GDRs on the London Stock Exchange was suspended starting with 6 July 2020.

Swiss Capital SA has been engaged as intermediary in relation to the purchase of shares. Auerbach Grayson and Swiss Capital SA have been engaged as dealer managers and The Bank of New York Mellon has been appointed as tender agent in relation to the purchase of the GDRs.

On 29 July 2020, the FSA approved the Fund's application for the tender offer within the eleventh buy-back programme. The subscription period is from 4 August 2020 until 9 September 2020, and the purchase price is RON 1.39 per share and the USD equivalent of RON 69.50 per GDR.

b) Update regarding the Board of Nominees

On 27 July 2020 Mrs. Vivian Nicoli has resigned from her positions held within the Fund's Board of Nominees and Consultative Committees due to Mrs. Nicoli's intention to take on other commitments. The effective date of the resignation is 1 September 2020.

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 June 2020, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	31 December 2019				30 June 2020				Differences RON
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
I. Total assets	100.4202%	100.0000%		11,921,320,295.07	104.6081%	100.0000%		10,608,701,091.71	(1,312,619,203.36)
1 Securities and money market instruments, out of which:*	26.8392%	26.7270%		3,186,190,739.37	24.6637%	23.5773%		2,501,238,683.43	(684,952,055.94)
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	26.8392%	26.7270%	-	3,186,190,739.37	24.6637%	23.5773%	-	2,501,238,683.43	(684,952,055.94)
1.1.1 listed shares traded in the last 30 trading days	25.5857%	25.4788%	-	3,037,393,345.00	23.0771%	22.0605%	-	2,340,327,986.37	(697,065,358.63)
1.1.2 listed shares not traded in the last 30 trading days	0.0968%	0.0964%	-	11,493,896.77	0.0874%	0.0836%	-	8,868,065.91	(2,625,830.86)
1.1.3 Government bonds	1.1567%	1.1518%	-	137,303,497.60	1.4992%	1.4332%	-	152,042,631.15	14,739,133.55
1.1.4 allotment rights not admitted at trading on a regulated market	-	-	-	-	-	-	-	-	-
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-	-	-	-	-	-	-	-
1.2.1 listed shares traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.2.2 listed shares not traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.3. 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")	-	-	-	-	-	-	-	-	-
2 New issued securities	-	-	-	-	-	-	-	-	-
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	70.4565%	70.1617%	-	8,364,189,591.93	70.0081%	66.9244%	-	7,099,792,078.97	(1,264,397,512.96)
- shares not admitted at trading on a regulated market	70.4565%	70.1617%	-	8,364,189,591.93	70.0081%	66.9244%	-	7,099,792,078.97	(1,264,397,512.96)
4 Bank deposits, out of which:	2.8502%	2.8383%		338,381,995.05	1.3751%	1.3145%		139,450,285.41	(198,931,709.64)
4.1. bank deposits made with credit institutions from Romania	2.8502%	2.8383%	-	338,381,995.05	1.3751%	1.3145%	-	139,450,285.41	(198,931,709.64)
- in RON	2.8502%	2.8383%	-	338,381,995.05	1.3751%	1.3145%	-	139,450,285.41	(198,931,709.64)
- in euro	-	-	-	-	-	-	-	-	-
4.2. bank deposits made with credit institutions from an EU state	-	-	-	-	-	-	-	-	-
4.3. bank deposits made with credit institutions from an non-EU state	-	-	-	-	-	-	-	-	-
5 Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	-	-	-
6 Current accounts and petty cash out of which:	0.2686%	0.2674%		31,883,167.06	4.2526%	4.0653%		431,271,340.43	399,388,173.37
- in RON	0.2686%	0.2674%	-	31,872,899.07	4.2109%	4.0254%	-	427,040,464.79	395,167,565.72
- in euro	0.0000%	0.0000%	EUR	3,904.93	0.0000%	0.0000%	EUR 658.82	3,190.20	(714.73)
- in USD	0.0000%	0.0000%	USD	2,804.33	0.0417%	0.0398%	USD 977,481.74	4,225,946.81	4,223,142.48
- in GBP	0.0000%	0.0000%	GBP	3,558.73	0.0000%	0.0000%	GBP 327.92	1,738.63	(1,820.10)
7 Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	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 OCIU and/or UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.0057%	0.0056%	-	674,801.66	4.3086%	4.1185%	-	436,948,703.47	436,273,901.81
- net dividend receivable from Romanian companies	0.0000%	0.0000%	-	-	4.2997%	4.1103%	-	436,050,989.01	436,050,989.01
- receivables related to the cash contributions to the share capital increases performed by portfolio companies	0.0003%	0.0003%	-	30,030.00	0.0003%	0.0002%	-	30,030.00	-
- tax on dividends to be recovered from the State Budget	0.0029%	0.0029%	-	348,524.00	0.0034%	0.0033%	-	348,524.00	-
- intangible assets	0.0014%	0.0014%	-	161,372.47	0.0007%	0.0006%	-	73,351.12	(88,021.35)
- other receivables out of which:	0.0003%	0.0002%	-	45,163.46	0.0006%	0.0005%	-	61,969.32	16,805.86
- in RON	0.0003%	0.0002%	-	45,163.46	0.0006%	0.0005%	-	61,969.32	16,805.86
- prepaid expenses	0.0008%	0.0008%	-	89,711.73	0.0038%	0.0036%	-	383,840.02	294,128.29
II. Total liabilities	0.4202%	0.4184%		49,874,855.48	4.6082%	4.4052%		467,329,446.25	417,454,590.77
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1087%	0.1083%	-	12,907,820.28	0.1751%	0.1674%	-	17,758,795.75	4,850,975.47

Item	31 December 2019				30 June 2020				Differences RON
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
2 Liabilities related to the fees payable to the depositary bank	0.0005%	0.0005%	-	60,266.97	0.0005%	0.0005%	-	49,946.50	(10,320.47)
3 Liabilities related to the fees payable to intermediaries	0.0087%	0.0087%	-	1,035,658.41	0.0163%	0.0156%	-	1,650,896.59	615,238.18
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
5 Interest payable	-	-	-	-	-	-	-	-	-
6 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-
7 Liabilities in relation with the fees/commissions to FSA	0.0071%	0.0071%	-	840,591.36	0.0079%	0.0075%	-	798,132.92	(42,458.44)
8 Liabilities related to audit fees	0.0000%	0.0000%	-	767.12	0.0012%	0.0012%	-	125,315.69	124,548.57
9 Other Liabilities, out of which:	0.2952%	0.2938%	-	35,029,751.34	4.4072%	4.2130%	-	446,946,358.80	411,916,607.46
- liabilities to the Fund's shareholders related to the dividend distribution	0.2212%	0.2203%	-	26,264,210.09	4.3274%	4.1368%	-	438,859,378.70	412,595,168.61
- liabilities related to the return of capital	0.0482%	0.0480%	-	5,724,736.70	0.0298%	0.0284%	-	3,012,642.10	(2,712,094.60)
- provisions	0.0072%	0.0072%	-	856,247.22	0.0084%	0.0081%	-	856,247.22	-
- liabilities related to buybacks under settlement	0.0000%	0.0000%	-	-	0.0308%	0.0294%	-	3,118,807.25	3,118,807.25
- remunerations and related contributions	0.0003%	0.0003%	-	34,857.00	0.0003%	0.0003%	-	34,857.00	-
- VAT payable to State Budget	0.0005%	0.0005%	-	60,896.06	0.0001%	0.0001%	-	13,578.41	(47,317.65)
- tax on dividends payable to State Budget	0.0094%	0.0093%	-	1,110,580.00	0.0035%	0.0033%	-	354,631.00	(755,949.00)
- other liabilities out of which:	0.0084%	0.0082%	-	978,224.27	0.0069%	0.0066%	-	696,217.12	(282,007.15)
- in RON	0.0084%	0.0082%	-	978,224.27	0.0063%	0.0060%	-	639,117.23	(339,107.04)
- in GBP	-	-	-	-	0.0006%	0.0006%	GBP 10,769.50	57,099.89	57,099.89
III. Net Asset Value (I - II)	100.0000%	99.5816%		11,871,445,439.59	100.0000%	95.5948%		10,141,371,645.46	(1,730,073,794.13)

* = Includes also the value of holdings in companies admitted to trading on AeRo market (alternative regulated market)

Unitary Net Asset Value

Item	30 June 2020	31 December 2019	Differences
Net Asset Value	10,141,371,645.46	11,871,445,439.59	(1,730,073,794.13)
Number of outstanding shares	6,491,646,029	6,846,345,904	(354,699,875)
Unitary net asset value	1.5622	1.7339	(0.1717)

DETAILED STATEMENT OF INVESTMENTS AS AT 30 JUNE 2020

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

1.1 listed shares traded in the last 30 trading 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 asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alro Slatina SA	ALR	30/Jun/2020	72,884,714	0.5	1.9200	139,938,650.88	10.21%	1.3191%	1.3799%	Closing price
IOR SA	IORB	22/May/2020	2,622,273	0.1	0.1570	411,696.86	0.86%	0.0039%	0.0041%	Reference price - Average price
OMV Petrom SA	SNP	30/Jun/2020	5,663,548,078	0.1	0.3240	1,834,989,577.27	9.99%	17.2970%	18.0941%	Closing price
Romaero SA	RORX	30/Jun/2020	1,311,691	2.5	26.0000	34,103,966.00	18.87%	0.3215%	0.3363%	Reference price - Average price
Nuclearelectrica SA	SNN	30/Jun/2020	21,102,302	10	15.6800	330,884,095.36	6.99%	3.1190%	3.2627%	Closing price
Total						2,340,327,986.37		22.0605%	23.0771%	

1.2 listed shares but not traded in the last 30 trading 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 asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	10/Feb/2017	89,249	2.5	91.9615	8,207,471.91	71.89%	0.0774%	0.0809%	Fair value / share (Value based on valuation report as at 31 December 2019)
Mecon SA	MECP	12/Mar/2020	60,054	11.6	11.0000	660,594.00	12.51%	0.0062%	0.0065%	Fair value/share (Last trading price)
Total						8,868,065.91		0.0836%	0.0874%	

Instruments mentioned at art. 187 letter a) of the Regulation no. 15/2004, out of which:

Unlisted shares

Issuer	No. of shares held	Date of acquisition *	Acquisition price (total price of acquisition of shares)**	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19/Jul/2005	1,490,898	60.1839	1,393,798.94	20.00%	0.0131%	0.0137%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	356.0719	11,399,997.95	20.00%	0.1075%	0.1124%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 29 May 2020 derived from the analysis of publicly traded peers companies)
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	73.3404	14,899,835.66	20.00%	0.1404%	0.1469%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	60.8884	1,677,718.97	20.00%	0.0158%	0.0165%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
CN Administratia Porturilor Dunarii Maritime SA	21,237	19/Jul/2005	1,351,671	199.8672	4,244,579.73	20.00%	0.0400%	0.0419%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	52,691,564	87.8061	233,399,852.98	19.99%	2.2001%	2.3015%	Unlisted companies, in function	Fair value (Value based on valuation report as at 31 May 2020)
CN Aeroporturi Bucuresti SA ***	2,875,443	5/Feb/2010	131,168,263	255.8910	735,799,984.71	20.00%	6.9358%	7.2554%	Unlisted companies, in function	Fair value (Value based on valuation report as at 31 May 2020)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	0.0000	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Comsig SA	75,655	19/Jul/2005	132,633	0.0000	0.00	69.94%	0.0000%	0.0000%	Administrative liquidation	Priced at zero
E-Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	27.3950	252,599,542.38	24.12%	2.3811%	2.4908%	Unlisted companies, in function	Fair value (Value based on valuation report as at 31 May 2020)
E-Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	24.3887	164,699,988.46	24.09%	1.5525%	1.6240%	Unlisted companies, in function	Fair value (Value based on valuation report as at 31 May 2020)
E-Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	65.3176	212,699,971.37	12.00%	2.0050%	2.0973%	Unlisted companies, in function	Fair value (Value based on valuation report as at 31 May 2020)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	92.7815	41,199,996.20	12.00%	0.3884%	0.4063%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 29 May 2020 derived from the analysis of publicly traded peers companies)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	15.3571	25,799,928.00	12.00%	0.2432%	0.2544%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 29 May 2020 derived from the analysis of publicly traded peers companies)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	178.3161	426,299,943.64	11.99%	4.0184%	4.2036%	Unlisted companies, in function	Fair value (Value based on valuation report as at 31 May 2020)
Gerovital Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,396,405	19/Jul/2005	3,019,591,996	52.6587	4,707,498,471.97	19.94%	44.3739%	46.4188%	Unlisted companies, in function	Fair value (Value based on valuation report as at 31 May 2020)
Plafar SA	132,784	28/Jun/2007	3,160,329	12.6129	1,674,791.31	48.99%	0.0158%	0.0165%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	0.7194	10,698,878.67	6.48%	0.1009%	0.1055%	Unlisted companies, in function	Fair value (Value based on valuation report as at 30 Sep 2019 updated using the multiples values as at 29 May 2020 derived from the analysis of publicly traded peers companies)
Romplumb SA	1,595,520	28/Jun/2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Salubriserv SA	43,263	19/Jul/2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	110.7242	222,099,901.19	48.99%	2.0936%	2.1900%	Unlisted companies, in function	Fair value (Value based on valuation report as at 31 May 2020)
World Trade Center Bucuresti SA	198,860	19/Jul/2005	42,459	0.0000	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero

Issuer	No. of shares held	Date of acquisition *	Acquisition price (total price of acquisition of shares)**	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
World Trade Hotel SA	17,912	19/Jul/2005	17,912	0.0000	0.00	19.90%	0.0000%	0.0000%	Unlisted companies, in function	Priced at zero (lack of annual financial statements for the last 6 financial years including the financial statements for the year-ended 31 December 2018; last available financial statements are those for the year-ended 31 December 2012)
Zirom SA	6,542,083	28/Jun/2007	65,208,072	4.8463	31,704,896.84	100.00%	0.2989%	0.3126%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Total	173,337,716		4,602,787,659		7,099,792,078.97		66.9244%	70.0081%		

Legend:

* = where the date of acquisition is shown as earlier than the Fund's date of incorporation (28 December 2005), the date of acquisition refers to the date of publishing in the Official Gazette of Law no. 247 / 19 July 2005, which determined that these investments would be transferred to the Fund on its future incorporation.

** = The acquisition price includes the initial value of the Fund's final portfolio of shares contributed by the Romanian State in December 2005 and June 2007 determined based on the valuation performed in October 2007 by an independent valuer (Finevex SRL Constanta) and the subsequent subscriptions to share capital increase of portfolio companies, if the case, (respectively the contribution in cash) less the disposals (if the case). The Fund did not perform any acquisition of unlisted shares from its incorporation date until now. The acquisition price does not include the bonus shares received by the Fund (following the share capital increase of portfolio companies) proportionally to its holding as these do not qualify as cost in accordance with the IFRS basis of accounting.

*** = company resulting from the merger of CN "Aeroportul International Henri Coanda - Bucuresti" S.A. and S.N. "Aeroportul International Bucuresti Baneasa - Aurel Vlaicu" S.A.

**** = company resulting from the merger of Complexul Energetic Turceni S.A., Complexul Energetic Craiova S.A., Complexul Energetic Rovinari S.A., Societatea Nationala a Lignitului Oltenia S.A.

Bonds or other debt instruments issued or guaranteed by the state or central public administration authorities

Government bonds

Issuer	ISIN code	No. of instruments	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Cumulated discount/premium	Market price / Reference composite price	Current value	Stake in FP total assets	Stake in FP net asset	Valuation method
Ministry of Finance	RO1720DBN072	20,000	22/Apr/2020	26/Oct/2020	26/Oct/2020	100,000,000.00	6,284.15	1,564,754.10	-	99.7970%	101,361,754.10	0.9555%	0.9995%	Fair value (reference composite price published by Reuters, including the cumulated interest)
Ministry of Finance	RO1720DBN072	10,000	15/Jun/2020	26/Oct/2020	26/Oct/2020	50,000,000.00	3,142.08	782,377.05	-	99.7970%	50,680,877.05	0.4777%	0.4997%	
Total								2,347,131.15			152,042,631.15	1.4332%	1.4992%	

Bank deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
CITI Bank	26/Jun/2020	3/Jul/2020	33,300,000.00	1,665.00	8,325.00	33,308,325.00	0.3140%	0.3284%	Bank deposit value cumulated with the daily related interest for the period from starting date
BRD Groupe Societe Generale	30/Jun/2020	1/Jul/2020	32,000,000.00	1,422.22	1,422.22	32,001,422.22	0.3017%	0.3156%	
Unicredit Tiriac Bank	30/Jun/2020	1/Jul/2020	33,005,500.17	1,421.07	1,421.07	33,006,921.24	0.3111%	0.3255%	
BRD Groupe Societe Generale	30/Jun/2020	1/Jul/2020	10,131,601.74	422.15	422.15	10,132,023.89	0.0955%	0.0999%	
Banca Comerciala Romana	30/Jun/2020	1/Jul/2020	31,000,000.00	1,593.06	1,593.06	31,001,593.06	0.2922%	0.3057%	
Total			139,437,101.91		13,183.50	139,450,285.41	1.3145%	1.3751%	

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

	31 December 2018	31 December 2019	30 June 2020
Net Asset	10,219,444,079.68	11,871,445,439.59	10,141,371,645.46
NAV/share	1.4095	1.7339	1.5622

Franklin Templeton International Services S.à r.l acting in the capacity of Sole Director of Fondul Proprietatea SA

Johan Meyer
Permanent representative

BRD Groupe Societe Generale

Victor Strâmbei
Manager Depositary Department

Annex 3

Statement of persons responsible

In accordance with the provisions of
FSA Regulation no. 5/2018, Art.223, par. B (1), letter c

Entity: Fondul Proprietatea SA

Address: Bucharest, District 1, 78–80, Buzești Street, 7th Floor

Trade Registry Number: J40/21901/28.12.2005

Form of property: 22 (joint ownership with public capital under 50%, domestic and foreign public and private capital companies)

CAEN code and name: 6430 “Mutual funds and similar financial entities”

Sole Registration Code: 18253260

The undersigned, Johan Meyer, Permanent Representative with Franklin Templeton International Services S.à r.l as Sole Director of Fondul Proprietatea SA, and Cadaru Catalin, Financial reporting manager, Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, acting as Investment Manager on behalf of Fondul Proprietatea SA undertake the responsibility for the preparation of the semi-annual financial reporting as at 30 June 2020 and confirm that:

- a) The accounting policies used for the preparation of the semi-annual financial statements are in compliance with the applicable accounting regulations;
- b) The semi-annual financial statements give a true and fair view of the assets, liabilities, financial position, profit and loss of the issuer;
- c) The company is conducting its business on the going concern basis;
- d) The Semi-annual Report for the first half of 2020 presents the information on the issuer in a correct and complete manner.

Franklin Templeton International Services S.à r.l. acting in the capacity of Sole Director of Fondul Proprietatea SA

Johan Meyer

Permanent Representative

Franklin Templeton Investment Management Limited United Kingdom Bucharest Branch, acting as Investment Manager on behalf of Fondul Proprietatea SA

Catalin Cadaru

Financial Reporting Manager



FRANKLIN
TEMPLETON

FONDUL
PROPRIETATEA

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