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# Fondul Proprietatea SA

## Semi-Annual Report

for the six-month period ended  
30 June 2021

*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 2021, 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 2021, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)
- Annex 3 Statement of the persons responsible

## List of Abbreviations

<b>AIF</b>	Alternative Investment Fund
<b>AIF Law</b>	Romanian Law no. 243/2019 on the regulation of alternative investment funds and amending and supplementing certain normative acts
<b>AIF Regulation</b>	Regulation no. 7/2020 on the authorisation and function of alternative investment funds, issued by the Financial Supervisory Authority
<b>AIFM</b>	Alternative Investment Fund Manager
<b>AIFM Directive</b>	Directive 2011/61/EU on Alternative Investment Fund Managers
<b>ANAR</b>	National Administration of Romanian Waters
<b>ANRE</b>	Romanian Energy Regulatory Authority
<b>ATS</b>	Alternative Trading System
<b>BVB</b>	Bucharest Stock Exchange
<b>CIVM</b>	Certification of registration of securities
<b>CNVM</b>	National Securities Commission (currently FSA)
<b>Companies' Law</b>	Law 31/1990 regarding companies, with subsequent amendments
<b>Depozitarul Central SA</b>	Romanian Central Depository
<b>ESEF</b>	European single electronic format
<b>ESG</b>	Environmental, Social and Governance
<b>EU</b>	European Union
<b>Fondul Proprietatea/ the Fund/ FP</b>	Fondul Proprietatea SA
<b>FSA</b>	Romanian Financial Supervisory Authority
<b>FTIS/ Alternative Investment Fund Manager/ Sole Director</b>	Franklin Templeton International Services S.à r.l.
<b>GDP</b>	Gross Domestic Product
<b>GDR</b>	Global Depositary Receipt
<b>GEO</b>	Government Emergency Ordinance
<b>GEO 114/2018</b>	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
<b>GEO 1/2020</b>	GEO 1/ 9 January 2020 regarding some fiscal-budgetary measures and the amendment and completion of some normative acts
<b>GEO 70/2020</b>	GEO 70/ 14 May 2020 on the regulation of certain measures, starting with 15 May 2020, in the context of the epidemiological situation caused by the spread of SARS-CoV-2 coronavirus
<b>GEO 84/2021</b>	GEO 84/ 5 August 2021 which brought modifications to GEO 70/2020
<b>GSM</b>	General Shareholders Meeting
<b>IFRS</b>	International Financial Reporting Standards as endorsed by the European Union
<b>IPS</b>	Investment Policy Statement
<b>LSE</b>	London Stock Exchange
<b>NAV</b>	Net Asset Value
<b>PRIIPs</b>	Packaged retail and insurance-based investment products
<b>OGSM</b>	Ordinary General Meeting of Shareholders
<b>REGS</b>	Main market (Regular) of Bucharest Stock Exchange
<b>RRR</b>	Regulatory Rate of Return

# 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 the Management Agreement in force between 1 April 2020 – 31 March 2022. The portfolio management and the administrative activities are performed by FTIS via its Bucharest Branch.

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 Depository, 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-4522-6/14.10.2020

Source: Fondul Proprietatea

## Shareholder Information

### Shareholder Structure as at 30 June 2021<sup>1</sup>

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights <sup>2</sup>
Romanian institutional shareholders	32.58	34.31	39.68
Romanian private individuals	17.45	18.37	21.25
The Bank of New York Mellon (GDRs) <sup>3</sup>	15.99	16.84	19.45
Foreign institutional shareholders	13.12	13.82	15.98
Foreign private individuals	2.89	3.05	3.53
Romanian State represented by Ministry of Finance	5.14	0.10	0.11
Treasury shares <sup>4</sup>	12.83	13.51	-

Source: Depozitarul Central SA

As at 30 June 2021 the Fund had 8,928 shareholders and the total number of voting rights was 5,919,449,900.

<sup>1</sup> Information provided based on settlement date of transactions

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

<sup>3</sup> Fondul Proprietatea held 36,988 GDRs as at 30 June 2021

<sup>4</sup> 925,046,604 treasury shares out of which 797,961,287 treasury shares acquired in the eleventh buyback program and 127,085,317 treasury shares acquired in the twelfth buyback program (based on Depozitarul Central SA)

## Largest Shareholders

Shareholder	Latest ownership disclosure	% of voting rights
NN Group	6 March 2020	10.01%
Silver Point Capital Funds	4 May 2021	5.07%
Allianz-Tiriatic private pension funds	1 July 2019	5.05%

Source: ownership disclosures submitted by shareholders

## Disclosure of holdings during the period

According to the disclosure received by the Fund:

- AIO V (Ireland) Finance Designated Activity Company and AIO VI (Ireland) Finance Designated Activity Company held together, as of 27 April 2021, a number of 241,913,750 voting rights, representing 4.050% of the total number of voting rights in Fondul Proprietatea;
- Silver Point Luxembourg Platform S.a.r.l., Silver Point Distressed Opportunities Fund, L.P., Silver Point Distressed Opportunities Offshore Master Fund, L.P., Silver Point Distressed Opportunity Institutional Partners, L.P. and Silver Point Distressed Opportunity Institutional Partners (Offshore), L.P. held together, as of 26 April 2021, a number of 302,600,000 voting rights, representing 5.07% of the total number of voting rights in Fondul Proprietatea.

## Share Capital Information

Share capital information	30 June 2021	30 June 2020	31 December 2020
Issued share capital (RON)	3,749,282,292.08	3,959,264,762.44	3,749,282,292.08
Paid in share capital (RON)	3,560,099,870.08	3,770,082,340.44	3,560,099,870.08
Number of shares in issue	7,210,158,254	7,613,970,697	7,210,158,254
Number of paid shares	6,846,345,904	7,250,158,347	6,846,345,904
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 2021	H1 2020	YE 2020
Total shareholders' equity at the end of the period (RON million)		11,428.7	10,141.4	10,266.9
Total shareholders' equity change in period (%)		+11.3%	-14.6%	-13.5%
Total NAV at the end of the period (RON million)	a	11,428.7	10,141.4	10,266.9
Total NAV change in period (%)		+11.3%	-14.6%	-13.5%
NAV per share at the end of the period (RON)	a	1.9309	1.5622	1.6974
NAV per share at the end of the period (USD)	a	0.4661	0.3613	0.4280
NAV per share change in the period (%)		+13.8%	-9.9%	-2.1%
NAV per share total return in the period (%)	g	+18.4%	-5.9%	+2.2%
Share price as at the end of the period (RON)	b	1.8500	1.2600	1.4500
Share price low in the period (RON)	b	1.4400	0.9980	0.9980
Share price high in the period (RON)	b	1.8600	1.3800	1.4500
Share price change in the period (%)		+27.6%	+4.1%	+19.8%
Share price total return in the period (%)	h	+32.9%	+9.9%	+26.4%
Share price discount to NAV as at the end of the period (%)	d	-4.2%	-19.3%	-14.6%
Average share price (discount) / premium in the period (%)	d	-4.2%	-23.6%	-21.1%
Average daily share turnover in the period (RON million)	c	4.3	8.7	7.4
GDR price as at the end of the period (USD)	e	22.6000	14.4000	17.1000
GDR price low in the period (USD)	e	17.4000	11.2000	11.2000
GDR price high in the period (USD)	e	22.6000	15.7000	17.3000
GDR price change in the period (%)		+32.2%	+5.1%	+24.8%
GDR price total return in the period (%)	i	+37.1%	+10.4%	+31.1%

NAV* and share price developments**	Notes	H1 2021	H1 2020	YE 2020
GDR price discount to NAV as at the end of the period (%)	d	-3.0%	-20.3%	-20.1%
Average GDR price (discount) / premium in the period (%)	d	-5.9%	-24.8%	-21.7%
Average daily GDR turnover in the period (USD million)	f	1.2	0.8	0.8

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 2021/ H1 2020/ year end 2020, respectively

#### Notes:

- Prepared based on local rules issued by the capital market regulator (NAV in USD using the BNR FX rate at the reporting date)
- Source: BVB - REGS market - Closing prices
- Source: BVB
- Share Price/ GDR Price (discount)/ premium to NAV as at the end of the period (%) is calculated as the discount 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/ premium is calculated according to IPS, using the latest published NAV per share at the date of calculation (NAV in USD using the BNR FX rate at the reporting date) and include both the days with premium and discount
- Source: LSE - Closing prices
- Source: LSE and Bloomberg
- 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
- 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
- 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

The table below presents the unaudited results of the Fund in accordance with IFRS for the six months ended 30 June 2021:

RON million	30 June 2021	30 June 2020
(Loss)/ Profit for the six months ended	1,801.1	(848.6)
Total shareholders' equity as at	11,428.7	10,141.4

The main contributor to the profit in the first six months of 2021 was the net unrealised gain from equity investments at fair value through profit or loss amounting to RON 1,189.6 million, generated by OMV Petrom SA as a result of the positive evolution of this company's share price during the first semester of 2021 (increase of RON 243.8 million, share price increase of 16.9%) and by the increase in the value of unlisted holdings in the portfolio following the valuation update process (mainly due to Hidroelectrica SA, that registered an increase in valuation of RON 909.7 million).

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

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<sup>1</sup> Please see section *Subsequent events* for updates regarding the Fund's address

# Analysis of the Fund's Activity

## Regulated Stock Market Trading

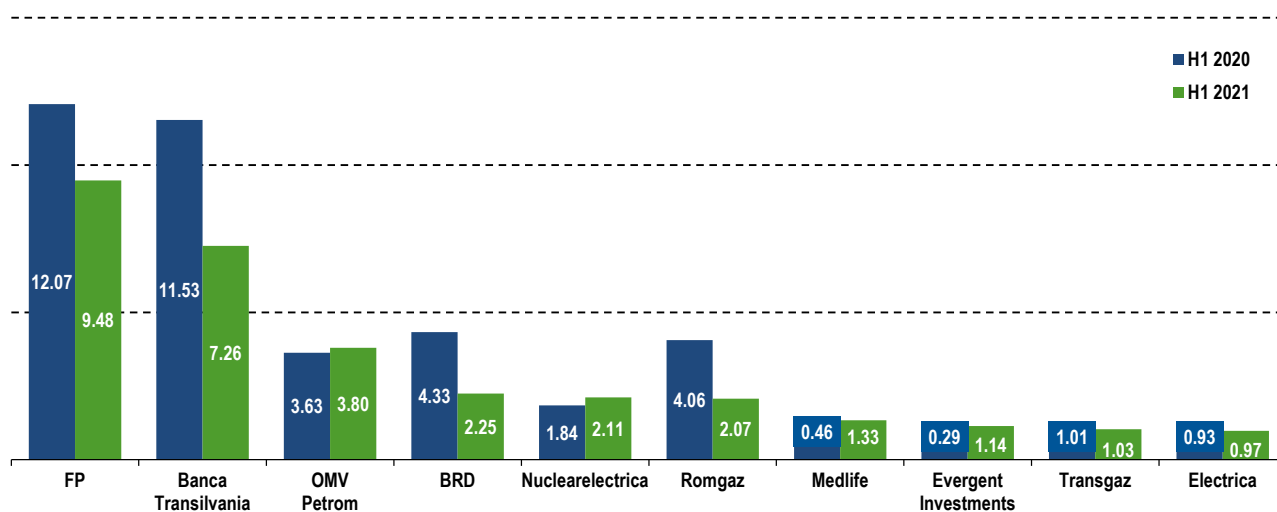
### Local Stock Market Evolution

During the first six months of 2021, BVB recorded the second highest increase compared to the largest markets in Central Europe, in both local and EUR currency terms, as shown in the table below:

% change in H1 2021	in local currency	in EUR
ATX (Austria)	22.36%	22.36%
<b>BET-XT (Romania)</b>	<b>20.68%</b>	<b>19.24%</b>
BUX (Hungary)	6.75%	16.69%
PX (Czech Republic)	12.24%	15.41%
WIG20 (Poland)	11.82%	13.19%

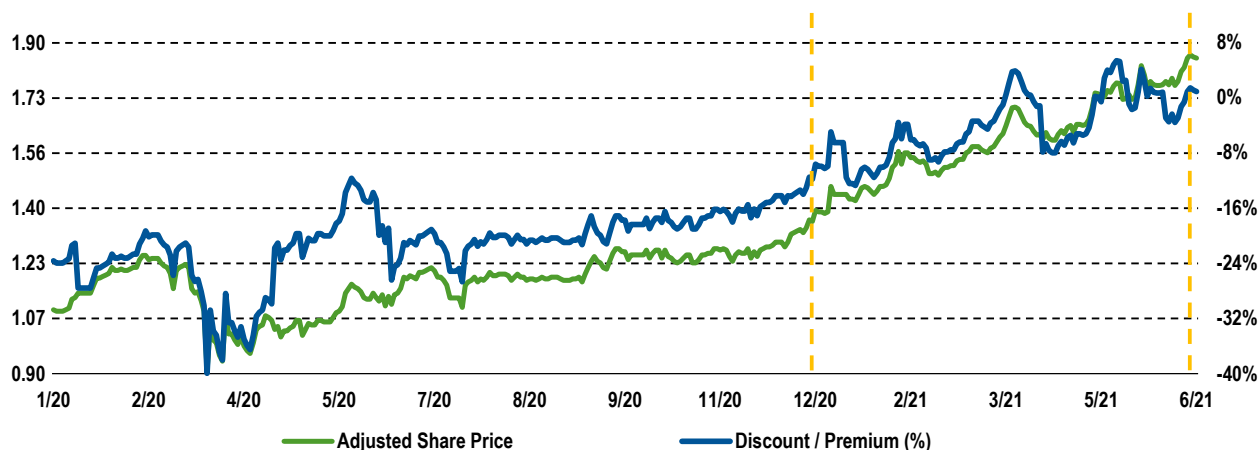
Source: Bloomberg

### Average Daily Turnover (RON million)



Source: BVB, Bloomberg

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



Source: Bloomberg for Adjusted Share Price, Fondul Proprietatea for Discount / Premium(%)

Note: The discount/ (premium) is calculated in accordance with the IPS i.e. the discount/ (premium) between the FP shares closing price on the BVB - REGS for each trading day and the latest published NAV per share at the date of calculation

The share price had an impressive performance in the first half of the year, reaching another milestone in the Fund's history: trading at a premium.

As at the end of the first six months of the year, on 30 June 2021, the share price was RON 1.8500, implying a trading premium of 0.77%, based on the NAV available at the date of the calculation.

## Management and Governance of the Fund

### Changes in FTIS Bucharest Branch's management

On 9 February 2021, the AIFM informed investors of the following changes in FTIS Bucharest Branch's management:

- Mr Calin Metes was promoted to Deputy CEO for investment activities of the AIFM for Romanian business and Deputy Portfolio Manager of the Fund;
- Mr Marius Dan was promoted to Deputy CEO for corporate strategy activities of the AIFM for Romanian business and the Fund;
- Mr Daniel Naftali was promoted to Deputy Portfolio Manager of the Fund.

Mr Calin Metes, Mr Marius Dan and Mr Daniel Naftali will continue to report to Mr Johan Meyer, CEO of the AIFM for Romanian business and Portfolio Manager of the Fund.

### AIF Law implementation

In June and July 2021, the FSA sent several comments for the documents filed in the Fund's application for registering as an AIF, related to the draft of prospectus and its annexes, the rules of the Fund and the PRIIPS Key Information Document. The AIFM updated the documentation and sent the new set of documents to FSA gradually, last set of documents being registered on 20 August 2021.

### Board of Nominees changes

As mentioned in the 2020 Annual Report of the Fund, two members of the Board of Nominees (Mr Julian Healy and Mr Piotr Rymaszewski) reached nine years as members of the Board in 2021 and as a result, a succession plan was implemented. On 24 March 2021, the shareholders of the Fund voted the proposed candidates and decided to appoint Mr Nicholas Paris for replacing Mr Julian Healy and Mr Ömer Tetik for replacing Mr Piotr Rymaszewski. Both newly appointed members of the Board of Nominees started their three (3) years mandates on 6 April 2021

Starting with 6 April 2021 the composition of the Board of Nominees changed, considering the start of the new members' mandates for Ömer Tetik and Nicholas Paris, and the current composition is:

- Ilinca von Derenthall – Chairperson of the Board of Nominees;
- Ciprian Lăduncă – Member of the Board of Nominees and Chairperson of Audit and Valuation Committee;
- Nicholas Paris – Member of the Board of Nominees and Chairperson of Nomination and Remuneration Committee;
- Mark Gitenstein – Member of the Board of Nominees;
- Ömer Tetik – Member of the Board of Nominees.

For more details regarding the members of Board of Nominees please check the Fund's website [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro).



## 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 NAV<sup>1</sup> 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 – Second reporting period (interim monitoring)*

The Adjusted NAV per share as at 30 June 2021 was 18.1% higher than the 31 December 2020 NAV per share of RON 1.6974.

NAV Objective	Amount RON	Details
<b>Total NAV as 30 June 2021</b>	<b>11,428,655,133</b>	
Dividend gross distribution	427,147,747	Special dividend gross distribution of RON 0.072 per share, with Ex-date 27 May 2021, Registration date 28 May 2021 and Payment date 22 June 2021
Distribution fees for cash distributions (return of capital/dividend) after 31 December 2020	4,271,477	Distribution fee for the 2021 special dividend distribution
Distribution fees for buy-backs performed after 31 December 2020	2,096,557	Distribution fees for buy-backs, after 31 December 2020
Costs related to buy-backs after 31 December 2020	642,308	Fees related to twelfth buy-back programme after 31 December 2020, excluding the distribution fees for buy-backs, plus fees related to the eleventh buy-back programme which were paid after 31 December 2020
Costs related to the returns of capital and dividends after 31 December 2020	1,286	Fees charged by the Central Depository and Paying Agent for the payments performed for returns of capital and dividends
<b>Total Adjusted NAV as at 30 June 2021</b>	<b>11,862,814,509</b>	
Number of Fund's paid shares, less treasury shares and GDRs held as at 30 June 2021	5,918,548,522	
<b>Adjusted NAV per share as at 30 June 2021</b>	<b>2.0044</b>	
<b>NAV per share as at 31 December 2020</b>	<b>1.6974</b>	
<b>Difference</b>	<b>0.3070</b>	
<b>%</b>	<b>18.09%</b>	

Source: Fondul Proprietatea

The total NAV as at 30 June 2021 was 11.3% higher compared to the end of 2020, while the NAV per share increased by 13.8% over the same period. OMV Petrom SA, the largest listed holding in the portfolio, recorded a share price increase of 16.9% with a total NAV impact of RON 243.8 million. Additionally, the value of Hidroelectrica SA increased by RON 909.7 million (share price increase of 17.7%) following the valuation updates conducted in March and June 2021.

The Sole Director is committed to its continued efforts to protect shareholders' value and to implement the necessary measures in accordance with the IPS in order to address this volatile environment. Since the beginning of 2021, the Sole Director proposed, and shareholders already approved, the following cash distributions:

- during the 28 April 2021 shareholders' meeting a gross cash special dividend distribution of RON 0.072 per share with payment date on 22 June 2021;
- during the 16 July 2021 shareholders' meeting a gross cash special dividend distribution of RON 0.07 per share with payment date on 27 August 2021.

<sup>1</sup> 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/ depository interests executed through daily acquisitions or public tenders after the end of the previous Reporting Period. The adjusted NAV per share is equal to the adjusted NAV divided by the total number of the Fund's paid shares, less FP ordinary shares bought back and less equivalent in FP ordinary shares of FP GDRs acquired and not yet converted into FP ordinary shares, on the last day of the Reporting Period. For more details, please refer to the IPS available on the Fund's webpage.

**Discount Objective – Second reporting period (interim monitoring)**

In the period between 1 January 2021 and 30 June 2021, the discount to NAV was below 15%, for both shares and GDRs in all trading days.

**Discount / Premium (%) Evolution<sup>1</sup>**

Premium as at 30 June 2021	Maximum premium during the interim monitoring period	Maximum discount during the interim monitoring period	Average discount / premium during the interim monitoring period
0.77%	5.2%	(12.8%)	(4.2%)

Source: Fondul Proprietatea

The AIFM will continue its efforts to reduce and maintain a low discount to NAV as we firmly believe that the Fund's shares should be trading at a low level of discount to NAV 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 48,067,721 GDRs as at 30 June 2021, each GDR representing 50 shares. As at 30 June 2021, 1,153,121,800 of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depository bank, accounting for 23,062,436 GDRs, representing 47.97% of the GDR facility.

**2021 Special Dividend Distribution**

On 28 April 2021, the shareholders approved the distribution of a gross special dividend of RON 0.072 per share, with Ex-date on 27 May 2021 and Registration date on 28 May 2021. The Fund started the payment of dividends on 22 June 2021. The payments of the distributions to shareholders are performed through the Romanian Central Depository, according to the legislation in force, as follows:

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

**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 22 June 2024.**

For more details regarding subsequent distributions, please see section *Subsequent events*.

**Investor Relations**

In the first six months of the year, we continued our efforts to increase the visibility and the profile of the Fund, and to keep investors and shareholders up to date with the effects of the pandemic and of the entire economic environment on the Fund and its portfolio companies.

As travel restrictions imposed by the pandemic continue worldwide, the investor meetings and conferences continue to be held in the online environment. During this period, we participated in 4 online investors conferences organised by international brokers, where we discussed with representatives of 44 international asset managers. Furthermore, during the same period, we had 51 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.

On 23 February, we organised a conference call to present and discuss the Fund's 2020 annual results, and on

<sup>1</sup> 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.

17 May we held the Q1 2021 results conference. 28 analysts and investors participated in the conference calls and received information regarding the financial results, and latest updates regarding the Fund and its portfolio holdings.

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

## Buy-back Programmes

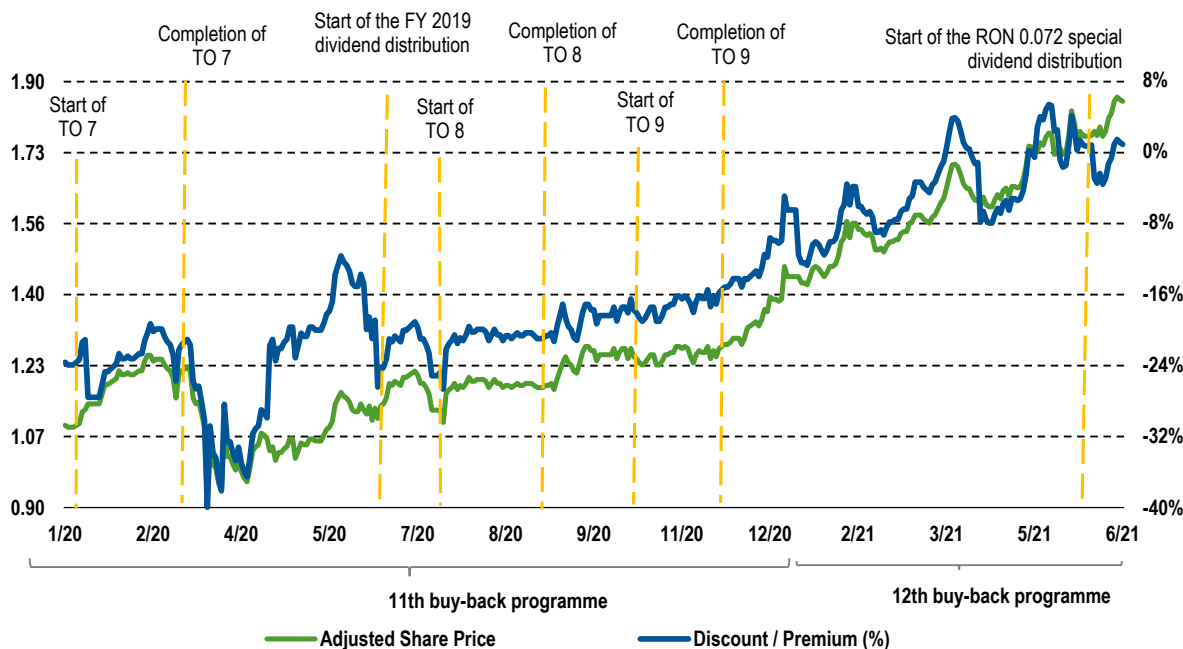
### Overview of share buy-back programmes since listing

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
Eighth	May – Nov 2017	141.9	N/A	Completed
Ninth	Nov 2017 – Dec 2018	1,488.0	Jan – Feb 2018	Completed
Tenth	Jan – Dec 2019	403.8	Jul – Aug 2019	Completed.
Eleventh	Jan – Dec 2020	798.0	Jan – Mar 2020/ Jul – Sep 2020/ Oct – Dec 2020	Finalised on 31 December 2020. During April 2021 GSM, the shareholders approved the cancelation of shares and the process is ongoing.
Twelfth	Jan - June 2021	129.8	N/A	Approved during 13 November 2020 GSM and started on 1 January 2021 (at transaction date).
<b>TOTAL</b>		<b>7,495.8</b>		

Source: Fondul Proprietatea

### Discount / Premium evolution and buy-back programmes

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



Source: Bloomberg for Adjusted Share Price, Fondul Proprietatea for Discount/ Premium(%)

Note: The discount/ (premium) is calculated in accordance with the IPS i.e. the discount/ (premium) between the FP shares closing price on the BVB - REGS for each trading day and the latest published NAV per share at the date of calculation

During the six months ended 30 June 2021, the Fund bought back a total number of 129,836,095 own shares within the twelve buy-back programme (out of which 92,357,045 ordinary shares and 37,479,050 ordinary shares corresponding to GDRs), representing 1.8% of the total issued shares as at 30 June 2021, for a total acquisition value of RON 211,262,977, excluding transaction costs. The total number of own shares (including shares corresponding to GDRs) held by the Fund as at 30 June 2021 is 927,797,382 own shares, having a total nominal value of RON 482,454,638.6 (RON 0.52 per share). During 2021 the Fund converted 712,593 GDRs into 35,629,650 ordinary shares. As at 30 June 2021, the Fund held 36,988 GDRs.

The table below shows a summary of the buy-back programmes during the first six months of 2021:

Programme	Description	No of shares*	Equivalent shares of GDRs*	Total no of shares	% of issued share capital***
11th	Opening balance as at 1 January 2021	797,961,287	-	797,961,287	
	Acquisitions	-	-	-	
	Conversions	-	-	-	
	Cancellations	-	-	-	
	<b>Closing balance as at 30 June 2021</b>	<b>797,961,287</b>	<b>-</b>	<b>797,961,287</b>	<b>11.1%</b>
	<b>Weighted average price (RON per share; USD per GDR)**</b>	<b>1.3247</b>	<b>16.3185</b>	<b>1.3347</b>	
12th	Opening balance as at 1 January 2021	-	-	-	
	Acquisitions	92,357,045	37,479,050	129,836,095	
	Conversions	35,629,650	(35,629,650)	-	
	<b>Closing balance as at 30 June 2021</b>	<b>127,986,695</b>	<b>1,849,400</b>	<b>129,836,095</b>	<b>1.8%</b>
	<b>Weighted average price (RON per share; USD per GDR)**</b>	<b>1.6357</b>	<b>19.8599</b>	<b>1.6272</b>	
<b>All</b>	<b>Total balance of treasury shares as at 30 June 2021</b>	<b>925,947,982</b>	<b>1,849,400</b>	<b>927,797,382</b>	<b>12.9%</b>

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

The eleventh buy-back programme has been finalized on 31 December 2020. During the 28 April 2021 Extraordinary General Shareholders' Meeting, the Fund's Sole Director proposed, and the shareholders approved the cancellation of the 797,961,287 treasury shares repurchased through the eleventh buy-back programme. The Fund will undertake all the required legal and regulatory steps for the cancellation of the shares.

### The twelfth buy-back programme

During the 13 November 2020 GSM the shareholders approved the twelfth buy-back programme for a maximum number of 800,000,000 shares and/ or equivalent GDRs corresponding to shares, starting with 1 January 2021 until 31 December 2021, 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.

### 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 2021, 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 reserves of RON 236,026,121, recorded by the Fund as at 31 December 2020 were related to the cancellation of the shares acquired within the tenth buy-back programme.

During the 28 April 2020 Annual GSM, shareholders approved the allocation of RON 236,026,121 from 2019 audited profit to other reserves in order to be available for covering the related negative reserves. During the 2021 annual shareholders' meeting from 28 April 2021, shareholders approved the coverage of the negative reserve using the amount of RON 236,026,121 allocated to other reserves specially for this purpose, according to the resolution of 28 April 2020 General Shareholders' Meeting.

During the 28 April 2021 Annual GSM, shareholders approved the cancellation of the 797,961,287 treasury shares repurchased within the eleventh buy-back programme, and also the allocation to other reserves of RON 671,941,938 from the balance of distributions for which the statute of limitation occurred and from the 2017-2019 FY, , in order to be available for covering the related negative reserve. The negative reserve will be booked and recorded upon the finalisation of the legal required steps, while the actual coverage of this negative reserve using the amount of RON 671,941,938 transferred to other reserves will be submitted for shareholders' approval during the annual shareholders' meeting subsequent to the completion of all cancellation steps.

The table below shows the movement of the negative reserves during the first six months of 2021:

	<i>All amounts in RON</i>
<b>Opening balance of the negative reserve as at 1 January 2021 (audited)</b>	<b>236,026,121</b>
Coverage of negative reserves according with GSM Resolution no. 2/ 28 April 2021 (tenth buy-back programme)	(236,026,121)
<b>Closing balance of the negative equity reserve at 30 June 2021 (unaudited)</b>	<b>-</b>

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 2021:

<b>Negative reserve that would arise on cancellation of the treasury shares in balance as at 30 June 2021</b>		<b>Buy-back programme 11</b>	<b>Buy-back programme 12</b>
Number of shares to be cancelled	(1)	797,961,287	129,836,095
Total costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled in the future (RON)	(2)	1,086,881,807	213,563,385
Correspondent nominal value (NV = RON 0.52 per share) (RON)	(3)=(1)*NV	414,939,869	67,514,769
<b>Estimated negative reserve to be booked on cancellation (RON)</b>	<b>(4)=(3)-(2)</b>	<b>(671,941,938)</b>	<b>(146,048,616)</b>

Source: Fondul Proprietatea

### Cancellation of shares acquired within the eleventh buy-back programme

During the Annual GSM held on 28 April 2021 the shareholders approved the decrease of the subscribed share capital of the Fund from RON 3,749,282,292.08 to RON 3,334,342,422.84, following the cancellation of the 797,961,287 shares acquired within the eleventh 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 2021 and the two-month term expired on 18 July 2021;
- (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.

At the date of this report the condition (ii) and (iii) are ongoing.

### General Shareholders Meeting Resolutions in the first six months of 2021

During H1 2021 there were three shareholders meetings:

- During the **14 January 2021 Extraordinary General Meeting** of the Fund the shareholders approved several amendments to the Constitutive Act;
- During the **24 March 2021 OGM** of the Fund the shareholders approved the appointment of Mr Nicholas Paris for replacing Mr Julian Healy, and the appointment of Mr Ömer Tetik for replacing Mr Piotr Rymaszewski. Both newly appointed members of the Board of Nominees started their three (3) years mandates on 6 April 2021;
- During the **28 April 2021 Annual GSM** of the Fund the shareholders approved:
  - One change to Constitutive Act as recommended by FSA;
  - The decrease of the subscribed share capital of the Fund from RON 3,749,282,292.08 to RON 3,334,342,422.84 following the cancellation of the 797,961,287 shares acquired within the eleventh buy-back programme;
  - The continuation of the AIFM's mandate;
  - The Annual Activity Report of the Sole Director for the period ended on 31 December 2020, and the financial statements;
  - The coverage of the negative reserves incurred in 2020 from the cancellation of treasury shares;
  - The coverage of the accounting loss of RON 102,978,968 incurred in the 2020 financial year;
  - The distribution of a gross special dividend of RON 0.072 per share, following the approval of the coverage of the negative reserves, and coverage of the accounting loss mentioned above (payment date 22 June 2021);
  - The allocation to other reserves of an amount of RON 671,941,938 to be used for covering the negative reserves estimated to arise from the cancellation of treasury shares acquired during 2020 through the 11th buy-back programme;
  - The approval of the Remuneration Policy;
  - The appointment of Ernst & Young Assurance Services SRL as financial auditor of the Fund for 2022 - 2024.

### 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.

Starting with 15 May 2020, there is a state of alert that was periodically extended and the next Government Decision in this regard is expected to be announced in September 2021. The authorities might impose additional local 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 for a limited period of time, as well as other measures.

#### Economic impact

It is more than one year since Covid-19 was declared a global pandemic and the current projections are more optimistic compared to the previous year reflecting the additional fiscal support received in a few of the large economies and the anticipated vaccine-powered recovery in the second half of the year. After an estimated

contraction of –3.3% in 2020, the last global economy projections show an unchanged forecast for 2021 since April, with a projected growth of 6%, and 4.9% in 2022<sup>1</sup>.

Regarding the monetary changes during the period, major central banks are assumed to leave policy rates unchanged throughout the forecast horizon (end of 2022). Some emerging market central banks have begun reducing support, and more are expected to follow suit later in 2021.

It is expected that the **Romanian economy** will experience a growth during 2021, depending on the evolution of the pandemic. According with National Commission for Strategy and Prognosis<sup>2</sup> (*April prognosis*) the Romania's GDP contracted by 3.9% in 2020. A growth of 5.0% is forecasted for 2021.

During the first half of 2021, the **Romanian capital market**<sup>3</sup> registered significant increases for the investors trading on the BVB. In a context dominated by the coronavirus pandemic, the last 6 months brought an increase of BET index, and its equivalent including dividends, BET-TR, new all-time highs were recorded in June by BET and BET-TR indices. After the first 6 months of the year, BET increased by 21% and BET-TR by 24.9%. In the trading session of June 28th, the BET index reached an all-time high of 11,967 points, while the BET-TR index displayed a new record of 20,784 points.

### Portfolio impact

Given the current economic context as a result of COVID-19 pandemic, which caused significant economic changes around the world, the Fund has performed an assessment of the related impact on the valuation of unlisted holdings in the portfolio. KPMG Advisory Romania has assisted with the preparation of new valuation reports for 8 unlisted companies. The valuation date for the updated reports is 31 May 2021 (date for the market multiples) and is based on the financial data of the companies as at 31 March 2021. The reports considered all relevant subsequent events until 30 June 2021 (such as dividends declared). The total impact was an increase in value of the unlisted holding with 8.99% / RON 922.8 million on 30 June 2021 NAV compared to 31 December 2020 NAV.

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

### 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 minimise 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 2020. The Fund's business operations continue to be fully functional. The Sole Director has also temporarily suspended all business travel. 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.

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.

## Regulatory Updates

### SFDR implementation

The European Union has set in motion a legislative programme to make environmental, social and governance concerns a central plank of regulation in the financial services industry. As part of this package, the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector (SFDR) was published in December 2019 and needed to be implemented until March 2021. The AIFM has implemented a policy for integrating sustainability risks and

<sup>1</sup> [International Monetary Fund World Economic Outlook July 2021](#)

<sup>2</sup> [https://cnp.ro/user/repository/prognoze/EN\\_Spring\\_Forecast\\_2021.pdf](https://cnp.ro/user/repository/prognoze/EN_Spring_Forecast_2021.pdf)

<sup>3</sup> [https://bvb.ro/press/2021/BVB\\_Monthly%20report%20June%202021.pdf](https://bvb.ro/press/2021/BVB_Monthly%20report%20June%202021.pdf)

opportunities into their research, analysis and investment decision-making processes. Sustainability risk means an environmental, social, or governance event or condition, that, if it occurs, could potentially or actually cause a material negative impact on the value of the Fund's investments. Sustainability risks can either represent a risk on their own or have an impact on other risks such as market risks, operational risks, liquidity risks or counterparty risks. Sustainability risks are important elements to consider in order to enhance long-term risk adjusted returns for investors and determine specific Fund's strategy risks and opportunities. Integration of sustainability risk may vary depending on the Fund's strategy, assets and/ or portfolio composition. The AIFM makes use of specific methodologies and databases into which environmental, social, and governance data from external research companies, as well as own research results, are incorporated. Assessment of sustainability risks is complex and may be based on ESG data, which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed. To the extent that a sustainability risk occurs, or occurs in a manner that is not anticipated by the AIFM's models, there may be a sudden, material negative impact on the value of an investment, and hence on the NAV. Such negative impact may have an equivalent negative impact on the market price for shares traded on BVB or on GDRs traded on LSE.

The AIFM published at the beginning of March 2021 an updated Investor Disclosure paper presenting the sustainability risk, as requested under SFDR.

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

In August 2020, the Romanian Parliament enacted 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. On 5 October 2020, GEO no. 166/2020 entered into force, setting exceptions from Law 173/2020. On 3 February 2021, the Government proposed for Parliament's approval a new draft of law that repeals the requirements in Law 173/2020 regarding the state prohibition to sell shares in Romanian companies, which was adopted by the Senate on 22 March 2021. The draft is still in Parliament for other legislative procedure. There is no time estimation as to when this law will enter into force, but the Romanian Parliament is in official holiday in July – August and we do not expect any change until this report is published.

### ***Changes in Romanian Water Law***

During 2020, the Parliament approved several changes to the Water Law which entered into force on 13 July 2020 while the Romanian Government changed the Water Law starting with 31 December 2020 via a GEO. According to these changes, all owners of water installations that collect underground or surface waters are required to install water metering devices within 6 months calculated from 13 July 2020. Failure to comply with this requirement, even for well justified technical reasons, could lead to the obligation to pay the water contribution to ANAR at the level of the maximum authorised flow.

For the purpose of calculating the water volume used by its hydropower plants to produce electricity Hidroelectrica SA has been using an indirect calculation method based on the electricity volume produced by each hydro-unit. Hidroelectrica SA management considers it technically unfeasible to install standard water meters as required by the law, given the size and the variety of technical specifications of its power plants.

Following the latest changes approved in December 2020, further amendments to Romanian Water Law are currently debated in Parliament, with a potential impact on the activity of Hidroelectrica SA. On 8 February 2021, the Senate, as first chamber discussing the amendments, approved a change that would allow Hidroelectrica SA to continue to use indirect methods for determining the water volumes as before July 2020 (i.e. cancelling the effects of the changes in legislation adopted after July 2020). The law then moved to the Chamber of Deputies which was the decisional body. Here it suffered unexpected changes brought by the Agricultural Commission which included a flat-water contribution for hydropower producer of RON 33/ MWh. This would push Hidroelectrica SA production costs in an average hydrological year to around RON 528 million from around RON 350 million based on the system until 2020, leading to a more than 10% increase in Hidroelectrica's over-all average production cost. The law is currently re-assessed by the same Agricultural Committee in the Chamber of Deputies.



The entire legislative process involves several mandatory steps, and the final wording of the law cannot be predicted.

The changes in legislation are estimated to be effective after the date of publication of this report. The Fund is monitoring the legislative process in Parliament, as well as Hidroelectrica SA ongoing discussions with ANAR in order to be able to assess any potential impact on the company. The Romanian Parliament is in official holiday in July – August and we don't expect any change until this report is published.

### **European Single Electronic Format Reporting**

In March 2021, FSA issued regulation 7/2021 regarding the obligations of the issuers, whose securities are admitted to trading on a regulated market, to issue the annual financial statements in the single electronic reporting format, which was published in the Official Gazette of Romania and entered into force on 24 March 2021.

By means of this law, FSA delayed by one year the application of the ESEF requirements for listed companies' annual financial reports, starting with the reporting for financial years beginning on or after 1 January 2021.

Also, FSA allowed that listed companies who wish to publish their ESEF 2020 annual financial reports will still be able to proceed. For the year end 2020, the Fund voluntary decided to publish the Annual Report in the single electronic reporting format, which can be found on Fondul Proprietatea's [website](#).

### **FSA Regulation no. 6/2021**

In March 2021, FSA published the Regulation no. 6/2021 amending and supplementing the Regulation no 7/2020 on the authorisation and functioning of alternative investment funds, which modifies the NAV monthly report. The changes would be applicable to the Fund starting the date when the Fund's registration process as an alternative investment fund with the FSA is finalized – as at today we cannot estimate when this process will be completed due to the high number of subjects in discussion between the Fund and the FSA.

# 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](http://www.fondulproprietatea.ro), together with the share price and discount / premium 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 permanent suspension of operation, are valued at zero until the procedure is finalised.

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

### Changes to NAV reporting

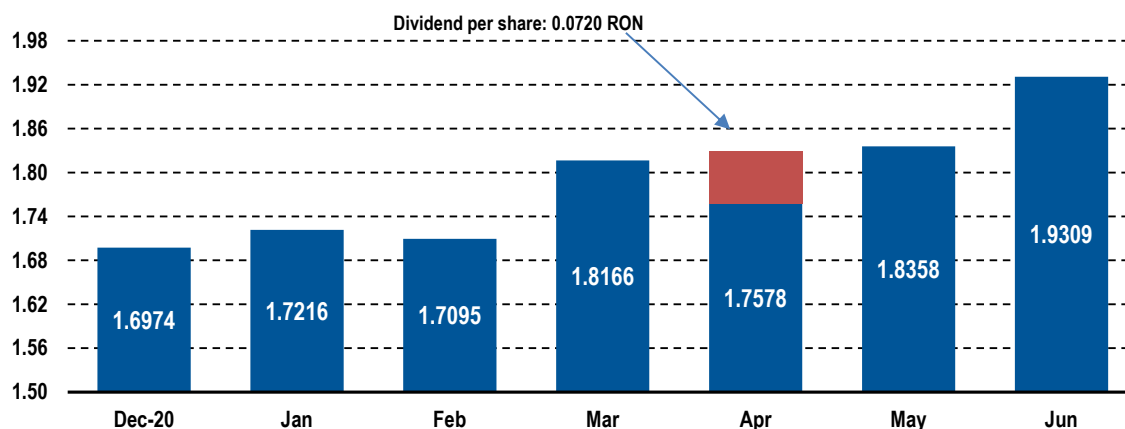
Romanian AIF Law and AIF Regulation became effective in 2020, requiring the Fund to apply for FSA authorisation as an AIF and bringing various changes to the internal procedures of the Fund, including the NAV reporting process. The current NAV calculation methodology did not require any significant change, as the valuation rules for the portfolio instruments are mainly the same. Most of the amendments in the new AIF legislation refer to:

- changes in the reporting templates provided by the regulator;
- new reporting requirements regarding leverage as part of the NAV reporting;
- certain changes in NAV reporting publication deadlines – both NAV calculation and the Annex containing the detailed statement of investments, are to be published after FSA review.

However, the changes would be applicable to the Fund starting the date when the Fund's registration process as an alternative investment fund with the FSA is finalised.

### NAV per share (RON per share)

The following chart shows information on the monthly published NAVs per share for the period 31 December 2020 to 30 June 2021:



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 2021**, the NAV per share had an increase of 7.0% compared to the end of the previous year, mainly due to the positive share price evolution of the Fund's listed holdings, principally OMV Petrom SA (impact on the Fund's NAV of RON 263.6 million or RON 0.0436 per share) and due to the increase in valuation of the unlisted holding Hidroelectrica SA (impact on the Fund's NAV of RON 417.9 million or RON 0.0691 per share).

During the **second quarter of 2021** the NAV per share had an overall increase of 6.3% compared to the end of the first quarter, mainly due to the dividends recorded from portfolio companies (impact on the Fund's NAV of RON 649.0 million), to the valuation update of the unlisted holdings in the portfolio (impact on the Fund's NAV of RON 504.5 million compared with 31 March 2021), as well as to the twelfth buyback programme carried out by the Fund during this period.

In June 2021, the Fund performed valuation updates for 8 unlisted holdings representing 97.9% from the Fund's total unlisted portfolio at 31 March 2021. The valuation was performed with the assistance of KPMG Advisory, in accordance with International Valuation Standards. The valuation date for the updated reports is 31 May 2021 (date for the market multiples) and is based on the financial data of the companies as at 31 March 2021. The reports also consider all relevant subsequent events until 30 June 2021 (e.g. dividends declared, changes in legislation, etc.).

The total impact of the valuation update was an increase of RON 922.8 million compared to the 31 December 2020 NAV, and an increase of RON 504.5 million compared with the 31 March 2021 NAV.

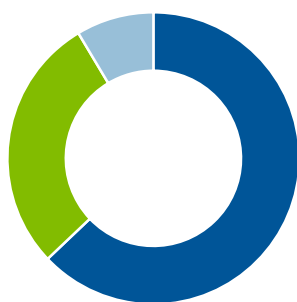
The table below presents information regarding the changes in the value of the unlisted holdings in the Fund's portfolio during the six months ended 30 June 2021:

Portfolio company name	Value in 30 Jun 2021 NAV	Value in 31 Mar 2021 NAV	Value in 31 Dec 2020 NAV	30 Jun 2021 NAV vs.	% of 31 Dec 2020 NAV
				31 Dec 2020 NAV	Dec 2020 NAV
	RON million	RON million	RON million	RON million	%
Hidroelectrica SA	6,039.0	5,547.2	5,128.9	910.1	8.86%
CN Aeroporturi Bucuresti SA	591.9	624.1	624.1	-32.2	-0.31%
Engie Romania SA	603.9	538.8	538.8	65.1	0.63%
E-Distributie Banat SA	251.3	272.7	272.7	-21.4	-0.21%
CN Administratia Porturilor Maritime SA	264.1	235.8	235.8	28.3	0.28%
Societatea Nationala a Sarii SA	182.8	201.2	201.2	-18.4	-0.18%
E-Distributie Muntenia SA	207.8	227.8	227.8	-20.0	-0.19%
E-Distributie Dobrogea SA	188.5	177.2	177.2	11.3	0.11%
	<b>8,329.3</b>	<b>7,824.8</b>	<b>7,406.5</b>	<b>922.8</b>	<b>8.99%</b>

## 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 91.4% of the Fund's NAV as at 30 June 2021. As at that date, the portfolio was composed of holdings in 32 companies (6 listed and 26 unlisted), a combination of privately held and state-controlled entities.

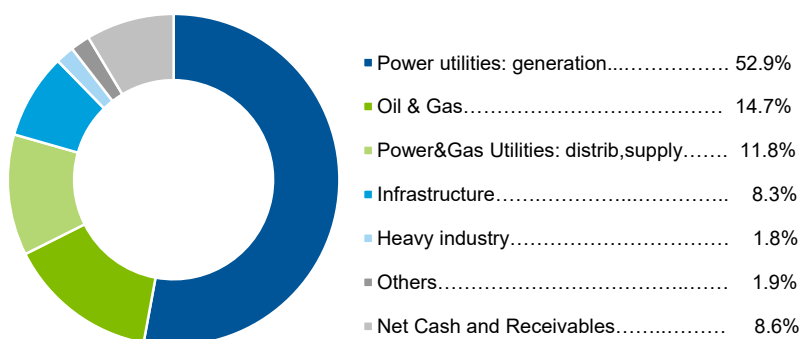
### Portfolio Structure – by Controlling Ownership



Source: Fondul Proprietatea, data as at 30 June 2021, % in total NAV

- 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 the returns of capital and dividend distribution) and provisions.

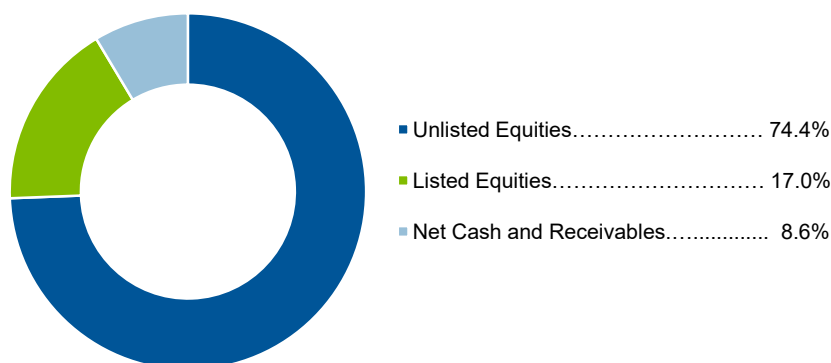
**Portfolio Structure – by Sector**



- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 79.4% of the NAV), through several listed and unlisted Romanian companies

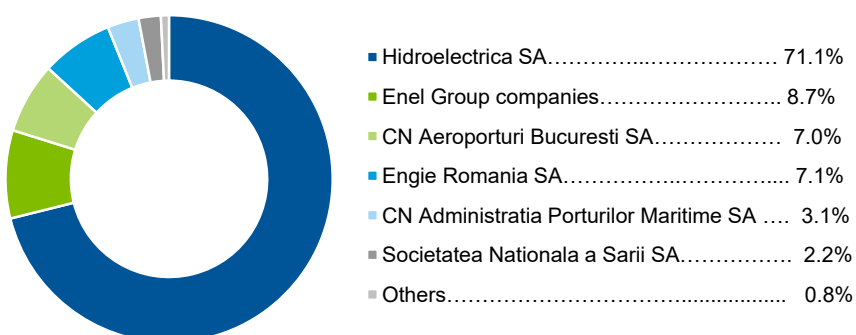
Source: Fondul Proprietatea, data as at 30 June 2021, % in total NAV

**Portfolio Structure – by Asset Type**



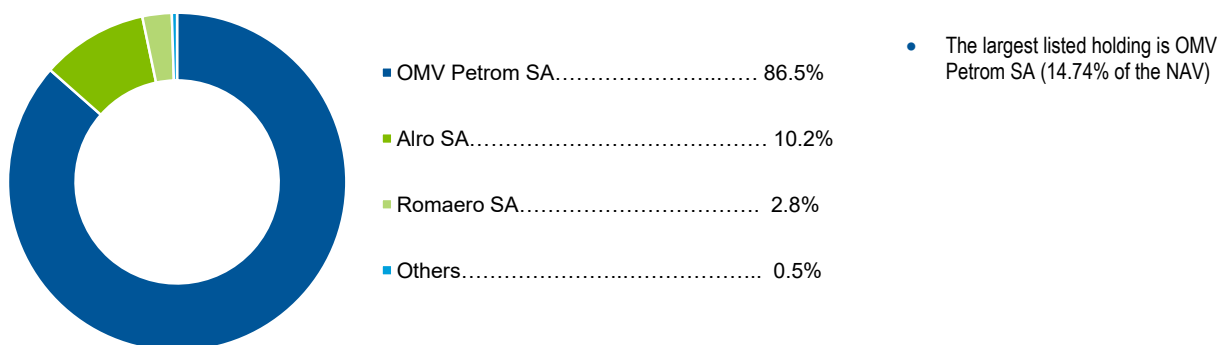
Source: Fondul Proprietatea, data as at 30 June 2021, % in total NAV

**Portfolio Structure – Unlisted holdings**



- The largest unlisted holding is Hidroelectrica SA (52.8% of the NAV)

Source: Fondul Proprietatea, data as at 30 June 2021; 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 2021; the chart reflects the company NAV value as a % in total NAV value of listed holdings

**Key portfolio developments****Dividends and Special Dividends received from Portfolio Companies**

During the first half of 2021, 13 companies in the Fund's portfolio declared dividends for the 2020 financial year. The total amount of gross dividend income recorded by the Fund in the six-month period ended 30 June 2021 is RON 648.9 million, and the most significant amounts relate to Hidroelectrica SA, E-Distributie companies and OMV Petrom SA.

Out of the companies that declared dividends, 4 portfolio companies controlled by the Romanian state also approved the distribution of special dividends. The following gross amounts were approved as special dividends for the Fund in accordance with its shareholding in each company:

Portfolio company	Gross amounts (RON million)	Date of recording in accounting	Collection date
OMV Petrom SA	29.3	13-May-21	07-Jun-21 <sup>1</sup>
E-Distributie Banat SA	15.0	12-May-21	31-Jul-21 <sup>2</sup>
E-Distributie Muntenia SA	8.6	12-May-21	31-Jul-21 <sup>2</sup>
Hidroelectrica SA	199.4	13-May-21	30-Sep-21 <sup>2</sup>
<b>Total</b>	<b>252.3</b>		

Note:

1. Dividends already collected

2. Collection date according with companies' GSM decision

For more details regarding dividend income, please refer to section *Financial Statements Analysis*.

**Participation in share capital increases**

On 12 November 2020, the Fund subscribed to the share capital increase of Hidroelectrica SA with a cash contribution of RON 415,110, which was effective on 15 January 2021, at the registration date with the Romanian Trade Register.

On 18 February 2021, the Fund subscribed to the share capital increase of Societatea Nationala a Sarii SA with a cash contribution of RON 55,720, which will be effective at the date of registration with the Romanian Trade Register.

In June 2021, the Fund subscribed to the share capital increase of Zirom SA with a cash contribution of RON 10 million which was effective on 30 June 2021, 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. As a result, starting with 2021, the electricity market has been fully liberalised and the obligation previously imposed on certain producers to deliver electricity on regulated contracts to the suppliers of last resort to cover household electricity consumption has been fully eliminated.

The Ministry of Energy has launched in public consultation a draft law for the amendment of the Romanian electricity and natural gas law (Law 123/2012), as result of the obligation to transpose the European Directive 944/2019 on common rules for the internal market for electricity into the Romanian law. According to the draft law, the following types of transactions can be concluded on the wholesale competitive market: a) directly negotiated bilateral transactions; b) transactions concluded following the conduct of auctions on organized markets, including the electricity balancing market; c) electricity import and export transactions. As such, Romanian electricity producers would be allowed to enter into directly negotiated bilateral contracts, a significant change from the current situation where for existing production capacities, producers are obliged to sell the electricity on centralised markets.

Starting with 1 January 2021 there is no more regulated market as regards to the electricity producers. Please see the 2020 Annual report for the last regulated quantities and prices for the companies in the Fund's portfolio, according with ANRE decisions.

Government repealed provision of GEO no. 70/2020 article 72, paragraph (1), which required electricity and natural gas distributors to provide uninterruptible power and gas supply during the state of alert through GEO no. 84/2021 published in the Official Gazette on 6 August. The previous provision was contingent upon incidents causing grid disconnection, forcing power and natural gas suppliers to delay the above-mentioned operations until the state of alert ends.

New provision allows a transitory period for end users to pay the invoices within 90 days once the new ordinance comes into effect (6 August). According to the memorandum, the amount power and gas suppliers should recover stands at RON 249 million as of 31 May.

The draft law to approve GEO no. 84/2021 is currently under debate in the Senate.

The gas distribution tariffs for one company in Fondul Proprietatea's portfolio holdings (one subsidiary of Engie operating in gas distribution sector) were approved by ANRE on June 2021, as follows:

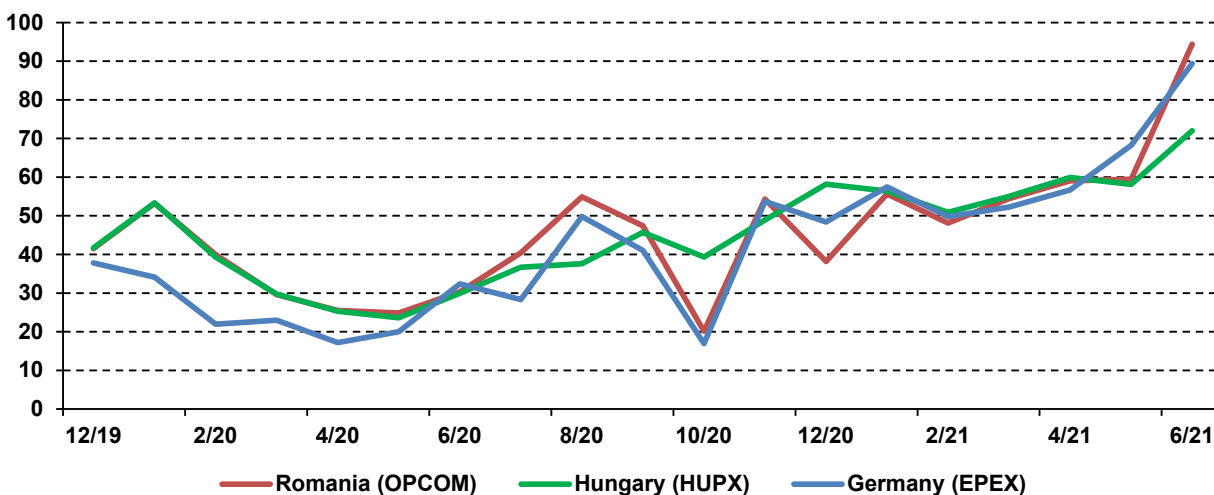
Company	Annual consumption (MWh)	Tariffs applicable starting 1 July, 2020 (RON/MWh)	Tariffs applicable starting 1 July, 2021 (RON/MWh)	change (%)
		-1	-2	(2)/(1)-1
	between 0-280	30.24	30.13	-0.36%
	between 280-2,800	28.49	28.38	-0.39%
	between 2,800-28,000	27.16	27.05	-0.41%
Distrigaz Sud Retelele	between 28,000-280,000	20.94	20.87	-0.33%
	higher than 280,000	14.18	10.53	-25.74%
	clients benefitting from proximity distribution tariff	4	5	25.00%

Source: ANRE Orders no. 125/24.06.2020, and 44/15.06.2021

### Other regulations

According to ANRE's Order no. 1/ 20 January 2021 and Order no. 3/ 20 January 2021 respectively, effective starting with 1 February 2021, the regulator allows for electricity and gas distribution companies the following:

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

*Electricity prices (EUR/ MWh)*

Source: Bloomberg

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

	January – June 2021			January – June 2020			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	1,766.3	1,537.1	229.2	1,447.0	1,230.9	216.1	22.1%	24.9%	6.1%
Crude oil	5,461.9	1,561.7	3,900.2	4,745.0	1,647.9	3,097.1	15.1%	-5.2%	25.9%
Usable natural gas	4,991.0	3,706.0	1,285.0	4,695.1	3,693.6	1,001.5	6.3%	0.3%	28.3%
Hidro. nuclear. and import energy	2,869.3	2,575.0	294.3	2,824.6	2,508.0	316.6	1.6%	2.7%	-7.0%
Import oil products	1,314.7		1,314.7	1,354.5		1,354.5	-2.9%		-2.9%
Others	247.2	247.2		191.1	191.1	191.1	29.4%		29.4%
<b>Total resources</b>	<b>16,650.4</b>	<b>9,379.8</b>	<b>7,270.6</b>	<b>15,257.3</b>	<b>9,080.4</b>	<b>6,176.9</b>	<b>9.1%</b>	<b>3.3%</b>	<b>17.7%</b>

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 2021 <sup>1</sup> (RON million)	% of NAV as at 30 June 2021 <sup>1</sup>
1	Hidroelectrica SA	19.94%	6,039.0	52.8%
2	OMV Petrom SA	7.00%	1,684.5	14.7%
3	Engie Romania SA	12.00%	603.9	5.3%
4	CN Aeroporturi Bucuresti SA	20.00%	591.9	5.2%
5	CN Administratia Porturilor Maritime SA	20.00%	264.1	2.3%
6	E-Distributie Banat SA	24.13%	251.3	2.2%
7	E-Distributie Muntenia SA	12.00%	207.8	1.8%
8	Alro SA	10.21%	198.2	1.7%
9	E-Distributie Dobrogea SA	24.09%	188.5	1.7%
10	Societatea Nationala a Sariei SA	49.00%	182.8	1.6%
<b>Top 10 equity holdings</b>			<b>10,212.0</b>	<b>89.3%</b>
<b>Total equity holdings</b>			<b>10,446.8</b>	<b>91.4%</b>
<b>Net cash and receivables</b>			<b>981.9</b>	<b>8.6%</b>
<b>Total NAV</b>			<b>11,428.7</b>	<b>100.0%</b>

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

<sup>1</sup> Rounded to one decimal

## Hidroelectrica SA

RON million	2019	2020	H1 2020	H1 2021
Revenues	4,177.2	3,850.4	1,801.9	3,206.0
Operating profit	1,975.3	1,673.4	962.3	2,108.7
Net profit	1,386.5	1,451.6	805.5	1,687.4
Dividends*	1,253.3	1,286.4	-	-

Source: Individual IFRS financial statements

\*Do not include the special dividends declared by the company

May: According to audited individual IFRS financial statements for the financial year ended 31 December 2020, Hidroelectrica SA reported revenues of RON 3,850.4 million, down 7.8% y.o.y., an EBITDA of 2,711.0 million, down by 7.6 % y.o.y, an operating profit of RON 1,673,4 million, down 15.2% y.o.y., a profit before tax of RON 1,782.4 million, down 14.4% y.o.y and a net profit of RON 1,451.6 million, up 4.6% y.o.y. Electricity delivered by the company out of its own production reached 14.58 TWh, down 2.3% y.o.y, while total electricity sold reached 15.96 TWh, up 0.6% y.o.y. Over the period, the average realised selling price was down 6.6% y.o.y. to RON 214.3 per MWh. On the competitive segment of the electricity market, the average realised price was RON 240.1 per MWh, down 1.1% y.o.y. During 2020, the company delivered on the regulated market a total volume of electricity of 3.15 TWh compared to 1.64 TWh in 2019, at an average price of RON 109.5 per MWh, down 2.9% y.o.y. At the end of December 2020, the company's cash position stood at RON 2.08 billion.

May: According to management, over the first three months of 2021, the company reported a turnover of RON 1,418.1 million, up 67.2% y.o.y, an EBITDA of RON 1,072.6 million, up 80.6% y.o.y, an operating profit of RON 888.5 million, up 90.3% y.o.y, a profit before tax of RON 895.7 million, up 83.0% y.o.y and a net profit of RON 759.5 million, up 76.5% y.o.y. Over the period, total electricity sold reached 4.74 TWh, up 32.0% y.o.y, out of which the electricity sold out of own production reached 4.50 TWh, up 38.0% y.o.y. The average realized electricity selling price was RON 279.6 / MWh up 36.5% y.o.y. As a result of the changes to the Romanian Water Law implemented during 2020, over the first three months of the year Hidroelectrica SA registered total costs with the water used to produce electricity of RON 149.0 million, up from RON 69.6 million during the similar period of the previous year. At the end of March 2021, the company's cash position stood at RON 2.90 billion.

May: Shareholders approved the distribution of RON 1.29 billion as dividend out of the 2020 net profit and RON 1.00 billion as special dividends out of retain earnings. The deadline for the payment by Hidroelectrica SA to shareholders of the annual dividend is 12 July 2021, while the deadline for the payment of the special dividend is 30 September 2021.

August: According to management, during the first six months of 2021, the company reported a turnover of RON 3,206.0 million, up 77.9% y.o.y, an EBITDA of RON 2,442.3 million, up 95.6% y.o.y, an operating profit of RON 2,108.7 million, up 119.1% y.o.y, a profit before tax of RON 2,139.8 million, up 112.1% y.o.y and a net profit of RON 1,687.4 million, up 109.5% y.o.y. Over the period, total electricity sold reached 10.48 TWh, up 33.2% y.o.y, out of which the electricity sold out of own production reached 10.11 TWh, up 45.9% y.o.y. The average realized electricity selling price was RON 283.4 / MWh up 41.1% y.o.y. As a result of the changes to the Romanian Water Law implemented during 2020, as well as higher electricity production volumes, over the first six months of the year Hidroelectrica SA registered total costs with the water used to produce electricity of RON 324.2 million, up from RON 147.8 million during the similar period of the previous year. At the end of June 2021, the company's cash position stood at RON 3.87 billion.

#### 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	2019	2020	H1 2020	H1 2021	Budget 2020	Budget 2021
Sales	25,485.5	19,717.0	10,366.2	10,213.1	18,088.0	15,875.0
Operating profit	4,245.1	1,467.1	972.1	1,237.5	3,453.0	2,133.0
Net profit	3,634.7	1,291.0	867.0	979.6	2,815.0	1,824.0
Dividends*	1,756.0	1,756.0	-	-	-	-

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

\*Based on separate IFRS financial statements (for 2020 including special dividend)

February: The company reported 2020 preliminary results. Consolidated sales decreased in Q4 2020 by 37% y.o.y., negatively impacted by lower sales volumes and prices for petroleum products and natural gas, as well as lower sales volumes for electricity, partially offset by higher prices for electricity. The Clean CCS (current cost of supply) Operating Result of RON 467 million in Q4 2020 was lower by 58% y.o.y., mainly due to the negative evolution in Upstream, triggered by lower crude oil and gas prices, and lower refining margins in Downstream Oil, partially mitigated by better market conditions in the power sector for the Downstream Gas segment.

Full year 2020 net income attributable to shareholders was RON 1,291 million (2019: RON 3,635 million). The Executive Board proposed a 2020 dividend per share of RON 0.031, the same as last year. This implies a dividend pay-out ratio of 136%.

April: Shareholders approved the distribution of RON 1.76 billion as dividends and the Fund will receive approx. RON 122.9 million. Q1 2021 results were broadly in line with market expectations, as the clean CCS operating profit came in just 2% below consensus at RON 653 million. Higher oil prices significantly increased E&P's (exploration and production) earnings generation capacity, as expected.

July: Q2 2021 net profit doubled y.o.y. to RON 406 million, but came in below consensus, as it was hit by negative one-offs of RON 403 million from the sale of upstream assets in Kazakhstan and temporary losses from electricity forward contracts. The management revised its upstream production guidance to a decline of 6% y.o.y. vs 5% previously. Gas sales volumes were down by 12% y.o.y. to 11.2 TWh, as equity gas production decreased and the regulatory-required large sales volumes in Q2 2020 created a high base effect. On the centralized markets, OMV Petrom sold at an average price in line with the market price i.e. ca. RON 120/MWh vs RON 81/MWh in Q1 2020.

#### COVID-19 considerations

The 2021 budget of the company was prepared based on the following main assumptions:

- Average Brent oil price of USD 50/bbl;
- Refining margins to be above USD 4/bbl;
- Gas price expected to be below the level of 2020.

Management presented the impact of movements in oil price market environment on company's operation for 2021, thus:

- An increase of 1 USD/bbl in Brent price is impacting the company by EUR 20 million;
- An increase 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 35 million;
- An increase of 1 EUR/MWh in gas price is impacting the company by EUR 20 million.

The guidance for crude prices this year was lifted to USD 65-70/bbl from USD 60-65/bbl previously. Refining margins are expected to be around USD 4/bbl, slightly less optimistic than in previous statements.

#### Engie Romania SA

RON million	2019	2020	Budget 2020	Budget 2021
Turnover	6,689.1**	6,228.9	7,611.2	6,116.8
Operating profit	433.7	557.4	271.4	351.8
Net profit	385.2	492.8	241.8	315.9
Dividends*	100.7	149.5	-	-

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

\*\* Restated

May: According to the audited financial statements, in 2020 the company reported turnover of RON 6,228.9 million, down 7% y.o.y and a net profit of RON 492.8 million, up 28% y.o.y.

May: The mandates for five of the current Board members, respectively, Eric Joseph Stab, Etienne Jaques Andre Jacolin, Christine Paule Kuhn ep Climeau, Marc Rene Charles Pannier and Lucian Jugrin, were extended by additional 4 years, respectively until 31.05.2025.

July: Ministry of Energy replaced 2 Board members with Mrs Nicolescu Daniela and Mrs Postica Diana for a period of 4 years, respectively until 31 May 2025.

### CN Aeroporturi Bucuresti SA

RON million	2019	2020	H1 2020	H1 2021	Budget 2020*	Budget 2021
Operating revenue	1,066.6	405.6	220.9	181.5	466.1	538.6
Operating profit	399.0	(175.3)	(30.8)	(52.4)	(137.4)	1.7
Net profit / (loss)	359.6	(146.4)	(27.4)	(53.6)	(129.5)	0.2
Dividends**	183.5	-	-	-	-	-

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

\*Restated

\*\*Do not include the special dividends declared by the company

January: The majority shareholder replaced five interim Board members with Mr. Cosmin Mircea, Mr. Eduard Zevedei, Mr. Florin Tancu, Mr. Mugur Popescu and Mr. Adrian Preda. Mr. Cosmin Catalin Pestesan replaced Mr. Florin Dimitrescu as General Manager, while retaining his interim Board mandate. Traffic was down by 70% in 2020 to 4.5 million passengers, and the number of aircraft movements also halved compared to 2019.

April: Shareholders approved the 2021 budget. It is based on a traffic of 6.85 mn passengers for this year, down by more than 50% vs pre-Covid levels. The management sees this as the breakeven point for profitability. However, traffic continued to be down by more than 70% vs pre-Covid levels in Q1 2021.

August: Operating activity remained loss making in H1 2021, as traffic was down by 72% vs pre-Covid levels. However, the summer season marked a strong recovery in operating activity, with traffic numbers reaching 950 thousand passengers in July, only 35% lower vs 2019.

#### COVID-19 considerations

The company has been heavily impacted by another pandemic wave: the number of passengers and flights have seen a significant decline in H1 2021. The latest traffic report from ACI Europe, the airport industry trade body, reveals that traffic in EU airports from April 2021 decreased by 88.4% year-on-year.

### CN Administratia Porturilor Maritime SA

RON million	2019	2020	H1 2020	H1 2021	Budget 2020	Budget 2021
Operating revenue	369.0	398.8	208.5	216.1	380.0	411.8
Operating profit	117.0	145.9	97.4	108.4	96.3	77.7
Net profit	108.2	130.3	90.5	100.9	95.7	78.3
Dividends	27.5	33.5	-	-	25.1	21.2

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

February: Traffic declined by 9.3% y.o.y. to 60.4 million tonnes, the reduction in traffic being driven mainly by crude oil and petroleum products, which registered a decline of 18.5% y.o.y to 11.7 million tonnes.

April: The 2021 budget was approved in the annual GSM. Excluding the new internalized activity of pilotage, operating revenues are projected to stay almost flat this year. However, the management sees inflating goods and services costs and higher personnel expenses, after hiring pilots for the internalized activity. Thus, the net profit is seen almost halving this year.

Majority shareholder voted to replace four Board members: Ms Elena Petrascu, Ms Daniela Serban, Mr Ghiorghe Batrinca and Mr Mircea Burlacu. They were replaced by interim Board members: Mr Mihai Mihail, Mr Adrian Crizbasianu, Mr Cristian Paris, and Mr Bogdan Enache.

August: H1 2021 net result was up by more than 10% y.o.y. boosted by a reversal of provisions of RON 29 million. However, business trends were also encouraging, with a 17% jump in sales mainly from services rendered to ships. Traffic in the port was also up by 8% y.o.y. in H1 2021, with oil products and iron ore as the main growth drivers.

*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.

**E-Distributie Banat SA**

RON million	2019	2020	Budget 2020	Budget 2021
Operating revenue	550.8	556.8	565.1	546.5
Operating profit before depreciation and amortization (EBITDA)	102.5	144.7	150.7	163.4
Net profit	167.7	38.6	(5.9)	36.0
Dividends	886.2*	77.3**	-	-

Source: Financial statements in accordance with applicable Romanian accounting regulations/ Budgeted figures based on company's budgets as approved by shareholders  
EBITDA computed as operating profit plus depreciation/amortization and adjusted for revenues/expenses from revaluation of tangible assets, impairment of tangible assets and subsidies

\*Special dividends approved by shareholders and paid in 2020

\*\*as of GSM resolution from 12 May 2021, of which RON 62 million represents special dividends

December 2020: ANRE published the regulated tariffs applicable starting with 1 January 2021. On average, the tariffs were increased by 1.63%. For specific electricity distribution tariffs, there are no changes in the first half of 2021. Please check 2020 Annual report for last approved tariffs by ANRE (currently in force).

February: Monica Hodor was appointed as the new general manager of the distribution companies for Dobrogea, Banat and Muntenia regions. She has 28 years of experience and she is working for Enel since 2011.

April: E-Distributie Banat SA reported almost flat operating revenues (+1.1% y.o.y.) and EBITDA of RON 144.7 million in 2020, 41.2% y.o.y. higher compared to 2019. Management proposes a 40% dividend pay-out ratio (RON 15.3 million) and on top, a special dividend from retained earnings in the amount of RON 62 million.

July: Enel S.p.A. published H1 2021 financial results<sup>1</sup> for the global group on 29 July. For Romania it reported an EBITDA of EUR 53 million for the infrastructure and networks' segment (distribution), 3.6% lower compared to the same period of 2020. For the retail segment (supply), EBITDA increased from EUR 39 million in H1 2020 to EUR 43 million in the first half of 2021. During H1 2021, the quantity of electricity distributed by Enel's subsidiaries grew by 5.4% yoy at 7.8 TWh, reaching 3 million end users in Romania, slightly higher compared to H1 2020 (+3.4% y.o.y.)<sup>2</sup>.

**E-Distributie Muntenia SA**

RON million	2019	2020	Budget 2020	Budget 2021
Operating revenue	993.8	968.2	989.3	939.4
Operating profit before depreciation and amortization (EBITDA)	181.3 <sup>3</sup>	242.3 <sup>3</sup>	305.7	328.7
Net profit	96.7	111.8	106.9	115.9
Dividends	1,566.3*	167.7**	-	-

Source: Financial statements in accordance with applicable Romanian accounting regulations/ Budgeted figures based on company's budgets as approved by shareholders  
EBITDA computed as operating profit plus depreciation/amortization and adjusted for revenues/expenses from revaluation of tangible assets, impairment of tangible assets and subsidies

\*special dividends approved by shareholders and paid in 2020

\*\* as of GSM resolution from 12 May 2021, of which RON 71.7 million represents special dividends.

December 2020: ANRE published the regulated tariffs applicable starting with 1 January 2021. On average, the tariffs were increased by 1%. For specific electricity distribution tariffs, there are no changes in the first half of 2021. Please check 2020 Annual report for last approved tariffs by ANRE (currently in force).

February: Monica Hodor was appointed as the new general manager of the distribution companies for Dobrogea, Banat and Muntenia regions. She has 28 years of experience and she is working for Enel since 2011.

April: Despite slightly lower operating revenues (-2.6% y.o.y.), E-Distributie Muntenia SA reported 33.7% y.o.y. higher EBITDA in 2020 at RON 242.3 million. Shareholders approved an 86% dividend pay-out ratio (RON 95.9 million) and on top, a special dividend from retained earnings in the amount of RON 71.7 million.

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

<sup>2</sup> <https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/trimestrali/1h-2021-risultati.pdf>

<sup>3</sup> the figures are modified versus the figures presented in the Fond Q1 2021 report, due to a presentation error

July: Enel S.p.A. published H1 2021 financial results<sup>1</sup> for the global group on 29 July. For Romania it reported an EBITDA of EUR 53 million for the infrastructure and networks' segment (distribution), 3.6% lower compared to the same period of 2020. For the retail segment (supply), EBITDA increased from EUR 39 million in H1 2020 to EUR 43 million in the first half of 2021. During H1 2021, the quantity of electricity distributed by Enel's subsidiaries grew by 5.4% y.o.y. at 7.8 TWh, reaching 3 million end users in Romania, slightly higher compared to H1 2020 (+3.4% y.o.y.)<sup>2</sup>.

### Alro SA

RON million	2019	2020	H1 2020	H1 2021	Budget 2020*	Budget 2021**
Operating revenue	2,777.8	2,514.7	1,360.9	1,537.9	2,432.5	2,790.9
Operating profit	99.2	399.5	343.4	63.4	139.2	360.9
Net profit/ (loss)	(67.2)	334.8	253.7	(47.6)	60.2	289.6
Dividends	-	-	-	-	-	-

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

\*Computed using the NBR USD/RON FX rate as at 31 December 2020

\*\* GSM resolution from 29 April, 2021, values computed using the NBR USD/RON FX rate as at 31 March 2021

February: Alro reported 2020 consolidated financial results on 29 April, as follows: operating revenues at RON 2,514.7 million, lower by 9.5% y.o.y., due to the slowdown in demand experienced during this period, which was further reflected in the overall output levels. Aluminum prices on London Metal Exchange ("LME") recovered ground in the 4th quarter 2020, increasing by 11.3% y.o.y. and registered an average price of USD 1,731.8 per tonne in 2020 (down by 4.8% yoy). EBIT reached RON 399.5 million in 2020 versus RON 99.2 million in 2019, while Alro Group reported a net profit of RON 334.8 million in 2020 versus a net loss of RON 67.2 million in 2019, both due the one-off recognised as state aid scheme.

May: Alro reported Q1 2021 financial results on 14 May, as follows: operating revenues amounting to RON 743.9 million (+4.4% y.o.y.), especially due to 24.0% y.o.y. surge in LME aluminum average price at USD 2,096.0 per tonne. EBIT stood at RON -8.5 million in Q1 2021 versus RON -74.6 million Q1 2020, while Alro Group reported a net loss of RON -61.9 million, mainly due to negative financial result of RON -54.4 million, which increased by 13.9% in Q1 2021 compared to the same period of 2020. In Q1 2021, Alro Group did not recognize revenues from subsidies related to the indirect emissions.

August: Alro reported H1 2021 financial results on 11 August, as follows: operating revenues amounting to RON 1,537.9 million (+13.0% y.o.y.), especially due to 40.8% yoy surge in LME aluminum average price at USD 2,246.0 per tonne. EBIT stood at RON 63.4 million (-81.5% y.o.y.), as Alro Group did not recognize revenues from subsidies related to the indirect emissions during the first half of 2021. The company reported a net loss of RON -47.6 million in H1 2021, mainly due to losses from derivative financial instruments of RON -31.7 million

### COVID-19 considerations

Alro SA succeeded in maintaining production units fully operational and in order to prevent COVID-19 spreading the company implemented protocols and operational, administrative and health procedures in its locations designed to protect the health of its employees and ensure a chain of continuous supply for its customers.

### E-Distributie Dobrogea SA

RON million	2019	2020	Budget 2020	Budget 2021
Operating revenue	506.4	530.1	528.6	525.8
Operating profit before depreciation and amortization (EBITDA)	94.3	163.3	164.1	183.1
Net profit	87.6	53.7	4.0	58.4
Dividends	502.7*	-	-	-

Source: Financial statements in accordance with applicable Romanian accounting regulations/ Budgeted figures based on company's budgets as approved by shareholders  
EBITDA computed as operating profit plus depreciation/amortization and adjusted for revenues/expenses from revaluation of tangible assets, impairment of tangible assets and subsidies

\*special dividends approved by shareholders and paid in 2020

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

<sup>2</sup> <https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/trimestrali/1h-2021-risultati.pdf>

December 2020: ANRE published the regulated tariffs applicable starting with 1 January 2021. On average, the tariffs were increased by 2.93%. For specific electricity distribution tariffs, there are no changes in the first half of 2021. Please check 2020 Annual report for last approved tariffs by ANRE (currently in force).

February: Monica Hodor was appointed as the new general manager of the distribution companies for Dobrogea, Banat and Muntenia regions. She has 28 years of management experience and is working for Enel since 2011.

April: E-Distributie Dobrogea SA reported 4.7% y.o.y. increase in operating revenues at RON 530.1 million and EBITDA of RON 163.3 million (+73.1% y.o.y.) in 2020. Management proposes no dividends to be paid to shareholders in 2021.

July: Enel S.p.A. published H1 2021 financial results<sup>1</sup> for the global group on July 29. For Romania it reported an EBITDA of EUR 53 million for the infrastructure and networks' segment (distribution), 3.6% lower compared to the same period of 2020. For the retail segment (supply), EBITDA increased from EUR 39 million in H1 2020 to EUR 43 million in the first half of 2021. During H1 2021, the quantity of electricity distributed by Enel's subsidiaries grew by 5.4% yoy at 7.8 TWh, reaching 3 million end users in Romania, slightly higher compared to H1 2020 (+3.4% y.o.y.)<sup>2</sup>.

### Societatea Nationala a Sarii SA (Salrom)

RON million	2019	2020	H1 2020	H1 2021	Budget	Budget	Revised
					2019	2020	Budget
Operating revenue	469.2	300.2	127.7	161.2	411.9	396.2	322.8
Operating profit	84.6	15.8	3.1	26.0	63.7	69.3	25.9
Net profit	77.0	11.5	4.1	22.2	62.2	59.8	23.7
Dividends	40.4	11.5	-	-	62.2	59.8	23.7

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

February: Ms Simona Fatu stepped down from her position as board member following her appointment as State Secretary in the Ministry of Economy.

March: Fondul Proprietatea proposed and appointed through cumulative voting Ms Simona Ochian and Mr Valeriu Ionita as board members. The majority shareholder proposed and voted for Mr Medves Ervin, Mr Dragos Oancea and Ms Alina Prahoveanu and as temporary board members. The mandates entered in force on 29 March 2021, for a period of 4 months.

May: According to the audited financial statements, in 2020 the company reported operating revenues of RON 300.2 million, down 36% y.o.y and a net profit of RON 11.5 million, down 85% y.o.y. Main events that impacted the company's operational performance are the decrease in sales of de-icing salt as a result of mild winter, loss of the Ciech Soda contract, the main client for brine and chalk (contract terminated late 2019 when Ciech Soda halted operations) and the overall impact of Covid-19 pandemic (mainly reflected in a decrease of revenues from tourism in salt mines).

June: Ms Alina Prahoveanu replaced Mrs Mantu Gabriela as interim General Manager, while retaining her interim Board mandate.

July: The shareholders approved in principle the listing of Salrom through a public offer made by Fondul Proprietatea as selling shareholder. The interim mandates of the board members were extended by additional 2 months.

August: The company published H1 2021 financial results. During the first six months of 2021, the company reported total operating revenues of RON 161.2 million, up 26% y.o.y and a net profit of RON 22.2 million, up 444% y.o.y..

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

<sup>2</sup> <https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/trimestrali/1h-2021-risultati.pdf>

## Key Financial Highlights

### Evolution of liquid assets

RON million	30 Jun 2021	31 Mar 2021	31 Dec 2020
Current accounts*	65.6	32.7	34.4
Bank deposits	415.3	652.5	660.0
Treasury bills and government bonds	77.6	254.4	380.3
Dividend receivables	525.3	-	-
Total liabilities	(106.0)	(53.7)	(54.6)
<b>Liquid assets less liabilities</b>	<b>977.8</b>	<b>885.9</b>	<b>1,020.1</b>
<b>Net Assets Value</b>	<b>11,428.7</b>	<b>10,850.8</b>	<b>10,266.9</b>
<b>% Liquid assets less liabilities in NAV</b>	<b>8.6%</b>	<b>8.2%</b>	<b>9.9%</b>

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

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

The total liabilities position as at 30 June 2021 is higher as a result of the annual dividend distribution approved by shareholders during the 28 April 2021 GSM, net off by the payments to shareholders (payment date for dividend distribution was 22 June 2021). For more details regarding the liquid asset evolution during the first half of 2021 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.

The Fund elected to use this alternative performance measure due to the fact that applying an industry standard approach to the calculation of ongoing charges creates consistent and comparable data across the sector. 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 2021 was 0.85% and including transaction related expenses this was 0.90% (30 June 2020: 0.82% and including transaction related expenses this was 0.83%).

#### *Total Expense Ratio*

The Total Expense Ratio for the first six months of 2021 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 2021 was 0.87% and including transaction related expenses this was 0.87% (30 June 2020: 0.71% and including transaction related expenses this was 0.71%).

### 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 discount<sup>1</sup> 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 discount<sup>1</sup> 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 2021	H1 2020
Total Performance fee during the period	4,934,648	664,005
Total NAV at the end of the period	11,428,655,133	10,141,371,645
% Total Performance fee in NAV	0.0432%	0.0065%

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 resolutions on dividend distributions, as well as by money market performance.

As at 30 June 2021 the Fund's exposure to Romanian equities accounted for 91.41% of the NAV, the difference of 8.59% 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), increased by 20.7% during the first six months of 2021 compared to the end of 2020.

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 increased by 24.1% during the first six months of 2021 compared to the end of 2020.

### BET-XT index evolution



Source: Bloomberg

<sup>1</sup> 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-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:

Description of risk	Mitigating action
<p><b><i>Risks related to COVID-19 pandemic</i></b></p> <p>The widespread nature of the COVID-19 outbreak and the measures taken to contain the spread have a significant impact on global economic and local Romanian activity and are likely to reverberate for several quarters.</p> <p>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.</p> <p>Since most holdings of the Fund are not listed and do not have observable market prices, the risk of estimation uncertainty regarding valuation also increased.</p> <p>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.</p>	<p>The risks associated with the pandemic affect all areas of the Fund’s investments as well as operations.</p> <p>Fund Management and Board of Nominees are reviewing and discussing the situation regularly, including a review of the portfolio, risk management and business continuity. The AIFM regularly reports on the status of operations.</p> <p>The Fund ensures ongoing communication with investors including current reports, investor calls, and updates on the website.</p> <p>Company valuations are thoroughly tested with respect to relevance and impact from the pandemic.</p> <p>Mitigation strategies apply as detailed within the specific areas of risk.</p>
<p><b><i>Market risk</i></b></p> <p>Changes in market prices and rates, such as security prices, changes in interest rates or foreign exchange rates will affect the Fund’s income or the value of its holdings.</p>	<p>The Fund implements market risk management techniques to manage and control market risk exposures, keeping them within acceptable levels, while optimising return. The AIFM has an ongoing risk management framework in compliance with requirements of the AIFM Directive.</p>
<p><b><i>Security price risk and valuation risk</i></b></p> <p>Fluctuations in the value of a security instrument as a result of changes in market prices, whether caused by factors specific to the issuer or factors affecting all instruments traded in the market, can negatively affect the Fund’s income or value of its holdings.</p> <p>Securities without a readily available market price, such as the Fund’s unlisted holdings, are exposed to uncertainties coming from the valuation of the securities prices, from factors such as the choice of valuation model, parameter uncertainty and timeliness of parameter estimates.</p>	<p>Diversification across securities and industries is the primary technique for mitigating equity price risk. All potential investments undergo a thorough due diligence process. Portfolio management reviews the risk/ return profiles of portfolio assets on a regular basis. A detailed pricing policy ensures adequate valuation of the unlisted holdings. Independent valuations are reviewed by Franklin Templeton’s Fair Valuation Committee.</p>
<p><b><i>Sector concentration risk</i></b></p> <p>Large portfolio exposure to a specific industry sector or group of companies exposes the Fund to concentration risk and can cause overall Fund</p>	<p>Diversification and concentration limits are set and monitored periodically. The companies in which the Fund holds equity instruments operate in different industries, however the Fund has concentrated exposures to the Energy sector (“Oil and gas” and</p>

Description of risk	Mitigating action
performance to be negatively affected by the performance of a specific sector.	“Power utilities”). Regular review is performed assessing sector by sector risk and return contribution.
<p><b>Corporate governance risk</b></p> <p>Poorly managed companies in the Fund’s portfolio can negatively affect the Fund’s performance due to missing professional skills and missing experience in the industry the company operates in.</p>	The portfolio management team is actively involved with portfolio companies, promoting and enhancing high standards of good corporate governance.
<p><b>Share price discount to NAV risk</b></p> <p>Shares of the Fund are traded on the Bucharest and London stock exchanges. Market participants expectations may cause the shares of the Fund to trade at a premium or discount to the NAV per share of the Fund. Investor returns may be positively or negatively affected by such market factors.</p>	The Fund has implemented several measures to reduce the discount to NAV, including an attractive dividend yield, ongoing buy-back programs as well as transparency, disclosure, and proactive investor relation efforts. A discount objective and related DCM are part of the IPS.
<p><b>Credit and Counterparty risk</b></p> <p>There is a risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations; it arises principally from cash and deposits with banks, treasury bills, government bonds and other receivables.</p>	Cash and short-term money market instruments are diversified across counterparties. An internal Credit Counterparty Committee oversees the selection and approval of authorised counterparties. The committee meets periodically and reviews current exposure, credit limits and ratings for counterparties. The committee has the power to assign a counterparty to a “watch list” or “restricted list” thereby limiting or preventing further trades with it.
<p><b>Liquidity risk</b></p> <p>The Fund might not be able to meet its financial obligations as they fall due.</p> <p>The Fund’s equity investments include unlisted instruments issued by companies domiciled in Romania, which are not traded on a regulated market and generally may be considered illiquid. As a result, the Fund may not be able to sell certain investments within the time constraints imposed by its own liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of a particular issuer.</p>	As a closed end investment fund, liquidity risk of the Fund is less significant than for an open-end fund, as shareholders do not have the option to redeem their holdings. The Fund’s approach to managing liquidity is to ensure that it has sufficient liquid assets to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund’s reputation. The Fund’s assets are periodically monitored for their liquidity levels under both normal and stressed market conditions.
<p><b>Operational and Cyber risk</b></p> <p>The Fund might incur direct or indirect loss arising from a wide variety of causes associated with the Fund’s processes, service providers, technology and infrastructure, and from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Failure or breach of information technology systems and security may entail risk of financial loss, disruption to operations or damage to the reputation of the Fund. Operational risks arise from all the Fund’s operations.</p>	The Fund’s objective in managing operational risk is to maintain a proper balance between limitation of financial losses and damage to the Fund’s reputation with the overall cost effectiveness, avoiding control procedures that restrict initiative and creativity. The Fund has in place an operational monitoring system, documented through policies and procedures, which ensures escalation and remediation of potential operational issues. The information technology framework is designed to mitigate the risk of a cyber security breach. A dedicated Cyber Security Program aims to monitor, identify and respond to cyber-attacks and external threats. The operational monitoring

Description of risk	Mitigating action
	system covers all teams involved with the operations of the Fund.
<p><b><i>Legal and Regulatory risk</i></b></p> <p>The existence, operation and the initial set-up of the Fund are regulated by local and European regulations. Such regulations may be subject to change or subject of some local interpretations and may directly affect the Fund and its shareholders.</p> <p>This risk is sustained by the legislative history of the past years that reveals a series of laws which have also changed the Fund's portfolio composition.</p>	<p>Representatives of the Fund consult with external agencies and law firms with the aim to anticipate potential regulatory changes and interpretations and assess their impact on the Fund. In doing so the Fund strives to optimise its operational efficiency under current and upcoming regulations.</p> <p>Franklin Templeton has internal policies promoting compliance with best practices and regulations.</p>

Source: Fondul Proprietatea

## Financial Statements Analysis

The unaudited IFRS financial statements for the six months ended 30 June 2021, 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 2021.

### Statement of Financial Position

RON million	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Jun 2020	30 Jun 2021 vs. 31 Dec 2020 (%)
	Unaudited	Unaudited	Audited	Unaudited	
Cash and current accounts	65.6	32.7	34.4	431.3	
Deposits with banks	415.3	652.5	660.0	139.5	
Government bonds	77.6	254.4	380.3	152.0	
Dividend receivables	525.3	-	-	436.1	
Equity investments	10,446.8	9,964.8	9,246.7	9,449.0	
Other assets	4.1	0.9	0.6	0.5	
<b>Total assets</b>	<b>11,534.7</b>	<b>10,905.3</b>	<b>10,322.0</b>	<b>10,608.4</b>	<b>11.7%</b>
Payables	36.6	21.0	19.8	21.1	
Other liabilities	69.2	33.5	35.3	445.9	
<b>Total liabilities</b>	<b>106.0</b>	<b>54.5</b>	<b>55.1</b>	<b>467.0</b>	<b>92.4%</b>
Total equity	<b>11,428.7</b>	<b>10,850.8</b>	<b>10,266.9</b>	<b>10,141.4</b>	<b>11.3%</b>
<b>Total liabilities and equity</b>	<b>11,534.7</b>	<b>10,905.3</b>	<b>10,322.0</b>	<b>10,608.4</b>	<b>11.7%</b>

Source: IFRS financial statements

### Overview

The **cash and cash equivalents** (liquid assets) of the Fund during the first six months of 2021 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 decrease in liquid assets by 48% during the six-month period ended 30 June 2021 was mainly due to cash outflows related to dividend payments (RON 380.4 million) and to the acquisition of treasury shares performed during the twelfth buy-back programme (RON 209.8 million), which were offset mainly by the proceeds registered from the sale of bonds – net increase of RON 297.4 million.

**Payables** have increased by 86% compared to 31 December 2020 mainly due to the registration of the liability related to the tax on dividends due to State Budget (RON 11.8 million).

**Other liabilities** have increased by 96% compared to 31 December 2020 as the payment date for the annual dividend was 22 June 2021 and not all correspondent amounts have been transferred to shareholders yet.

The net increase in **equity investments** of RON 1,200.1 million during the first six months of 2021 was principally generated by the increase in the fair value of the unlisted portfolio holding Hidroelectrica SA (RON 909.7 million increase), and also as a result of the positive evolution of OMV Petrom SA share price (+16.9%) which generated an increase in value of RON 243.8 million).

### 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 2021, 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 licenses, 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 2021 the Fund did not incur any capital expenditure costs.

### Statement of Comprehensive Income

RON million	Q1 2021 Unaudited	Q2 2021 Unaudited	H1 2021 Unaudited	H1 2020 Unaudited
Unrealised loss from equity investments at fair value through profit or loss	(5.3)	(98.2)	(103.5)	(1,995.3)
Unrealised gain from equity investments at fair value through profit or loss	723.0	570.1	1,293.1	33.6
Realised gain from equity investments at fair value through profit or loss	-	-	-	0.8
Gross dividend income	-	655.1	655.1	1,151.2
Interest income	6.0	4.0	10.0	6.4
Other income/ (expenses), net*	(1.1)	2.3	1.2	4.4
<b>Net operating (loss)/ income</b>	<b>722.6</b>	<b>1,133.3</b>	<b>1,855.9</b>	<b>(798.9)</b>
Administration fees recognised in profit and loss	(16.3)	(22.5)	(38.8)	(29.1)
Other operating expenses	(4.9)	(5.0)	(9.9)	(10.1)
<b>Operating expenses</b>	<b>(21.2)</b>	<b>(27.5)</b>	<b>(48.7)</b>	<b>(39.2)</b>
Finance costs	-	-	-	-
<b>(Loss)/ Profit before income tax</b>	<b>701.4</b>	<b>1,105.8</b>	<b>1,807.2</b>	<b>(838.1)</b>
Income tax	-	(6.1)	(6.1)	(10.5)
<b>(Loss)/ Profit for the period</b>	<b>701.4</b>	<b>1,099.7</b>	<b>1,801.1</b>	<b>(848.6)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>701.4</b>	<b>1,099.7</b>	<b>1,801.1</b>	<b>(848.6)</b>

Source: IFRS financial statements

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

The **net increase from equity investments at fair value through profit or loss** for the first six months of 2021 of RON 1,189.6 million was mainly generated by the increase in the value of unlisted holdings in the portfolio following the valuation update process (mainly due to Hidroelectrica SA, that registered an increase in valuation of RON 909.7 million), and by OMV Petrom SA as a result of the positive evolution of this company's share price during the first semester of 2021 (increase of RON 243.8 million, share price increase of 16.9%).

**Gross dividend income** for the six-month period ended 30 June 2021 included the dividend income earned from the Fund's portfolio companies, mainly from Hidroelectrica SA (RON 456.0 million) and OMV Petrom SA (RON 122.8 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 2021 are presented in the table below:

RON million	Q1 2021 Unaudited	Q2 2021 Unaudited	H1 2021 Unaudited	H1 2020 Unaudited
<b>Recognised in profit or loss</b>	<b>16.3</b>	<b>22.5</b>	<b>38.8</b>	<b>29.1</b>
Base fee	14.0	15.6	29.6	24.2
Distribution fee for dividend distribution	-	4.3	4.3	4.2
Performance fee	2.3	2.6	4.9	0.7
<b>Recognised in other comprehensive income</b>	<b>1.1</b>	<b>1.0</b>	<b>2.1</b>	<b>4.5</b>
Distribution fee for buy-back programmes	1.1	1.0	2.1	4.5
<b>Total administration fees</b>	<b>17.4</b>	<b>23.5</b>	<b>40.9</b>	<b>33.6</b>

Source: IFRS financial statements

The increase in the administration fees in S1 2021 compared with S1 2020 was mainly due to:

- Increase in base fee mainly as a result of the increase in the Fund's share price on BVB;
- the performance fees recorded in the first six months of 2021 are as a result of the Fund's share price discount to NAV lowering below 15%/20% throughout the period.

The decrease in distribution fees is due to the lower number of bought back shares (92.4 million decreasing by 64.4% compared to June 2020) and GDRs (37.5 million decreasing by 60.6% compared to June 2020) during the period.

### Other operating expenses

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

RON million	Q1 2021 Unaudited	Q2 2021 Unaudited	H1 2021 Unaudited	H1 2020 Unaudited
FSA monthly fees	2.4	2.6	5	4.7
Depository fees	0	0.3	0.3	0.3
Transactions costs	0.1	(0.1)	0	0.1
Other expenses	2.4	2.2	4.6	4.9
<b>Total other operating expenses</b>	<b>4.9</b>	<b>5.0</b>	<b>9.9</b>	<b>10.0</b>

Source: IFRS financial statements

In H2 2021, **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 2021 Unaudited	H1 2020 Unaudited
<b>Cash flows from operating activities</b>		
Dividends received (net of withholding tax)	123.7	704.6
Proceeds from transactions with treasury bills and bonds	419.7	101.2
Interest received	11.2	6.8
Amounts collected from the depository Bank of the Fund's GDRs	-	4.2
Proceeds from disposal of equity investments	-	3.2
Acquisition of treasury bills and bonds	(122.3)	(151.5)
Suppliers and other taxes and fees paid	(45.9)	(43.3)
Subscriptions to share capital increase of portfolio companies	(10.1)	-
Other payments, net	0.3	(0.7)
<b>Net cash flows from operating activities</b>	<b>376.6</b>	<b>624.5</b>
<b>Cash flows from financing activities</b>		
Acquisition cost of treasury shares	(209.8)	(451.5)
Dividends paid (net of withholding tax)	(380.4)	(5.4)
Payments to shareholders related to the return of capital	-	(2.7)

RON million	H1 2021 Unaudited	H1 2020 Unaudited
Payment of fees related to the short-term bank loans	-	-
Guarantee paid for the buy-back tender offer	-	-
<b>Net cash flows used in financing activities</b>	<b>(590.2)</b>	<b>(459.6)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(213.6)</b>	<b>164.9</b>
Cash and cash equivalents at the beginning of the period	694.3	405.8
<b>Cash and cash equivalents at the end of the period</b>	<b>480.7</b>	<b>570.7</b>
<b>Cash and cash equivalents</b>		
Cash and current accounts	0.1	4.3
Distributions bank accounts	65.4	427.0
Bank deposits with original maturities of less than three months	415.2	139.4
<b>Cash and cash equivalents at the end of the period</b>	<b>480.7</b>	<b>570.7</b>

Source: IFRS financial statements

**Proceeds from transactions with treasury bills and bonds** have significantly increased and **Acquisition cost of treasury shares** have significantly decreased as the Fund sold a significant part of its government bonds position (RON 77.6 million at June 2021 compared to RON 380.3 million at December 2020).

**Dividends paid** show a significant increase due to the fact that by 30 June 2021 the annual dividend amounts had already been disbursed (payment date 22 June 2021) whereas by the end of H1 2020 the dividend payments had not yet been made (payment date 1 July 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 2021. For more details, please see *Annex 1 "Condensed Interim Financial Statements"*.

## Subsequent Events

### The resolutions adopted by shareholders during 16 July 2021 OGSM

During 16 July 2021 OGSM of the Fund the shareholders approved the distribution of a gross special dividend of RON 0.07 per share (payment date 27 August 2021).

### Extraordinary and Ordinary General Meetings of Shareholders of Fondul Proprietatea S.A. to be held on 29 September 2021

On 17 August a convening note was sent to the Fund's shareholders regarding the Extraordinary and Ordinary General Meetings of Shareholders to be held on 29 September 2021. The agenda included in the note contained the following points:

- The approval of the amendment of the authorization to buy-back shares of Fondul Proprietatea for the current ongoing buy-back programme. The proposed amendment implies a change of maximum buy-back price from RON 2 per share to RON 2.5 per share;
- The approval of the renewal of the mandate of Franklin Templeton International Services S.à r.l. for a duration of two (2) years starting with 1 April 2022, and its key commercial terms;
- The approval of the appointment of a new sole director of Fondul Proprietatea that will act as alternative investment fund manager for a mandate of two (2) years starting with 1 April 2022, in case that the renewal of the new mandate for FTIS is not approved.

The process for the renewal of the mandate of FTIS is involving two steps, as in 2017. If key commercial terms are approved as proposed there will be a new shareholders meeting to be called shortly after 29 September 2021 shareholders meeting. During the second shareholder meeting that we expect to take place in during November or December 2021 the shareholders will be asked to vote on:

- The updated IPS;
- The new AIFM Management agreement;
- The updated remuneration policy of the Fund (updating the existing policy as approved during 28 April 2021 shareholders meeting).

### *Change of the Annual Cash Distribution Policy*

On 11 August 2021 FTIS presented the updated Annual Cash Distribution Policy to be implemented in the interest of the shareholders of the Fund. Thus, FTIS decided to include in its periodical reports (annual report, quarterly reports and semi-annual report) as well in the announcement ('current report') for completing a certain material transaction the use of proceeds from such transaction and the calendar of such operations.

### *Important details regarding the new mandate discussions*

On 27 August 2021, FTIS was asked by the Board to consider certain additional terms to be negotiated for the new mandate, including:

- 1) Distribution Fee sharing with FTIS local team;
- 2) Key person retention policy;
- 3) Use of proceeds transparency policy (already mentioned above); and
- 4) No new investment policy.

FTIS has agreed to consider the first three terms proposed by the Board, subject to regulatory restrictions and guidelines. As to the fourth proposed term, FTIS noted the proposal of the Board and would like to indicate that based on its careful review and analysis it has no current intention to make new investments.



### **FSA endorsement on the modification of the Fund's Constitutive Act**

On 24 August the Fund received from the FSA an official notice by which they approve the modification of the Fund's registered office address from number 78-80 Buzesti Street, 7<sup>th</sup> floor, District 1, Bucharest to number 76-80 Buzesti Street, 7<sup>th</sup> floor, District 1, Bucharest. At the time of the report, the regulatory steps required (registration of the approved change with the Trade Registry) had not been finalized.

### **Representation changes at the level of Fondul Proprietatea S.A. starting with 23 August 2021**

Starting with 23 August and following the correspondence with the Financial Supervisory Authority regarding the provisions of art. 153<sup>13</sup> of the Companies Law no. 31/1990, the legal representation of the sole director of the Fund will be made by a single permanent representative, Mr. Johan Meyer.

### **Signatures:**

30 August 2021

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

# Annex 1

## FONDUL PROPRIETATEA SA

### CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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 2021**

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
Net gain/(loss) from equity investments at fair value through profit or loss	5	1,189,630,743	(1,960,906,570)
Gross dividend income	6	655,136,481	1,151,212,033
Interest income		9,966,818	6,443,272
Other income, net		5,256,951	4,301,574
Net (loss)/gain from other financial instruments at fair value through profit or loss		(3,907,235)	423,026
Net foreign exchange loss		(164,388)	(422,309)
<b>Net operating income/(loss)</b>		<b>1,855,919,370</b>	<b>(798,948,974)</b>
<b>Operating expenses</b>	7	<b>(48,676,184)</b>	<b>(39,112,093)</b>
<b>Finance costs</b>	8	<b>(45,250)</b>	<b>(30,500)</b>
<b>Profit/(Loss) before income tax</b>		<b>1,807,197,936</b>	<b>(838,091,567)</b>
Withholding tax on the dividend income	9	(6,143,500)	(10,522,671)
<b>Profit/(Loss) for the period</b>		<b>1,801,054,436</b>	<b>(848,614,238)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>1,801,054,436</b>	<b>(848,614,238)</b>
<b>Basic and diluted earnings/(loss) per share</b>	<i>10</i>	<b>0.3015</b>	<b>(0.1271)</b>

These condensed interim financial statements were authorised for issue on 30 August 2021 by:

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

Johan Meyer

Permanent Representative

Prepared by:

Catalin Cadaru

Financial Reporting Manager

The notes on pages 8 to 31 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	<b>30 June 2021</b>	<b>31 December 2020</b>
<b>Assets</b>			
Cash and current accounts	<i>11</i>	144,125	174,667
Distributions bank accounts	<i>11</i>	65,417,412	34,255,963
Deposits with banks	<i>11</i>	415,277,143	659,982,573
Government bonds		77,636,287	380,268,285
Dividends receivable	<i>12</i>	525,281,650	-
Equity investments	<i>14</i>	10,446,755,122	9,246,709,268
Other assets		4,134,521	613,444
<b>Total assets</b>		<b>11,534,646,260</b>	<b>10,322,004,200</b>
<b>Liabilities</b>			
Payable to shareholders	<i>15 (a)</i>	67,493,584	34,380,437
Other liabilities and provisions	<i>15 (b)</i>	38,485,553	20,704,337
<b>Total liabilities</b>		<b>105,979,137</b>	<b>55,084,774</b>
<b>Equity</b>			
Paid share capital	<i>16 (a)</i>	3,560,099,870	3,560,099,870
Reserves related to the unpaid share capital	<i>16 (b)</i>	189,182,422	189,182,422
Other reserves	<i>16 (c)</i>	1,205,768,885	539,400,224
Treasury shares	<i>16 (d)</i>	(1,300,445,193)	(1,086,443,209)
Retained earnings		7,774,061,139	7,064,680,119
<b>Total equity</b>		<b>11,428,667,123</b>	<b>10,266,919,426</b>
<b>Total liabilities and equity</b>		<b>11,534,646,260</b>	<b>10,322,004,200</b>

The notes on pages 8 to 31 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 2021**

(all amounts are in RON unless otherwise stated)

	Share capital	Reserves related to the unpaid share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
<b>Balance as at 1 January 2021</b>	<b>3,560,099,870</b>	<b>189,182,422</b>	<b>539,400,224</b>	<b>(1,086,443,209)</b>	<b>7,064,680,119</b>	<b>10,266,919,426</b>
Profit for the period	-	-	-	-	1,801,054,436	1,801,054,436
Profit appropriation to other reserves	-	-	666,368,661	-	(666,368,661)	-
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>666,368,661</b>	<b>-</b>	<b>1,134,685,775</b>	<b>1,801,054,436</b>
<b>Transactions with owners, recorded directly in equity</b>						
Dividends declared	-	-	-	-	(427,147,747)	(427,147,747)
Acquisition of treasury shares	-	-	-	(214,001,984)	-	(214,001,984)
Distributions for which the statute of limitation occurred	-	-	-	-	1,842,992	1,842,992
<b>Total transactions with owners recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(214,001,984)</b>	<b>(425,304,755)</b>	<b>(639,306,739)</b>
<b>Balance as at 30 June 2021</b>	<b>3,560,099,870</b>	<b>189,182,422</b>	<b>1,205,768,885</b>	<b>(1,300,445,193)</b>	<b>7,774,061,139</b>	<b>11,428,667,123</b>

The notes on pages 8 to 31 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 2021**

(all amounts are in RON unless otherwise stated)

	Share capital	Reserves related to the unpaid share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
<b>Balance as at 1 January 2020</b>	<b>3,770,082,341</b>	<b>189,182,422</b>	<b>536,545,225</b>	<b>(446,008,591)</b>	<b>7,821,650,592</b>	<b>11,871,451,989</b>
Loss for the period	-	-	-	-	(848,614,238)	(848,614,238)
Profit appropriation to other reserves	-	-	236,026,121	-	(236,026,121)	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>236,026,121</b>	<b>-</b>	<b>(1,084,640,359)</b>	<b>(848,614,238)</b>
<b>Transactions with owners, recorded directly in equity</b>						
Dividends declared	-	-	-	-	(417,965,383)	(417,965,383)
Acquisition of treasury shares	-	-	-	(463,496,660)	-	(463,496,660)
<b>Total transactions with owners recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(463,496,660)</b>	<b>-</b>	<b>(463,496,660)</b>
<b>Balance as at 30 June 2020</b>	<b>3,770,082,341</b>	<b>189,182,422</b>	<b>772,571,346</b>	<b>(909,505,251)</b>	<b>6,737,010,233</b>	<b>10,559,341,091</b>

The notes on pages 8 to 31 are an integral part of these condensed interim financial statements.

**CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED  
30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
<b>Cash flows from operating activities</b>		
Proceeds from transactions with treasury bills and bonds	419,739,079	101,199,715
Interest received	11,181,105	6,838,428
Other amounts received /(payments performed), net	290,877	(685,782)
Dividends received (net of withholding tax)	123,712,126	704,598,887
Acquisition of treasury bills and bonds	(122,297,124)	(151,490,418)
Suppliers and other taxes and fees paid	(45,939,561)	(43,316,787)
Subscriptions to share capital increase of portfolio companies	(10,055,720)	-
Amounts collected from the depository Bank of the Fund's GDRs	-	4,215,191
Proceeds from disposal of equity investments	-	3,184,619
<b>Net cash flows from operating activities</b>	<b>376,630,782</b>	<b>624,543,853</b>
<b>Cash flows from financing activities</b>		
Acquisition cost of treasury shares	(209,778,981)	(451,493,023)
Dividends paid (net of withholding tax)	(380,387,190)	(5,370,214)
Payments to shareholders related to the return of capital	-	(2,712,095)
Payment of fees related to the short term bank loans	(45,500)	(36,200)
<b>Net cash flows used in financing activities</b>	<b>(590,211,671)</b>	<b>(459,611,532)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(213,580,889)</b>	<b>164,932,321</b>
Cash and cash equivalents at the beginning of the period	694,344,555	405,776,121
<b>Cash and cash equivalents at the end of the period as per the Statement of Cash Flows</b>	<b>480,763,666</b>	<b>570,708,442</b>
<i>Reconciliation of Statement of Cash Flows with the equivalent items reported in the Statement of Financial Position</i>		
	<b>30 June 2021</b>	<b>30 June 2020</b>
Cash and current accounts (see Note 11)	144,125	4,302,723
Distributions bank accounts (see Note 11)	65,417,412	426,968,617
Bank deposits with original maturities of less than three months (see Note 11)	415,202,129	139,437,102
	<b>480,763,666</b>	<b>570,708,442</b>
Interest accrued on bank deposits (see Note 11)	75,014	13,183
Government bonds with original maturities of more than three months and less than one year	77,636,287	152,042,631
<b>Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position</b>	<b>558,474,967</b>	<b>722,764,256</b>

The notes on pages 8 to 31 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 2021**

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

Starting with 1 April 2016 the Fund is managed by Franklin Templeton International Services S.à r.l. (“FTIS”) as its Sole Director and Alternative Investment Fund Manager (“AIFM”) under the Directive 2011/61/EU on Alternative Investment Fund Managers and local implementation regulations. The FTIS’ mandate is for a period of two years and current mandate was approved in June 2019 for the period 1 April 2020 – 31 March 2022. The next mandate for the period 1 April 2022 – 31 March 2024 will be discussed and proposed for shareholders’ approval during 2021.

Until 30 November 2020, FTIS had delegated the role of Investment Manager, as well as certain administrative functions to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML”). Starting 1 December 2020, the activity carried out by FTIML through the delegation agreement ceased by mutual consent of the parties. Therefore, starting this date, the portfolio management and the administrative activities previously delegated to FTIML are performed by FTIS through its Bucharest Branch.

Since 25 January 2011, Fondul Proprietatea has been a listed company on the spot regulated market managed by the Bucharest Stock Exchange in Tier I shares of the Equity Sector of the market (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 2021 are not audited.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(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 2021 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 2020, prepared in accordance with IFRS. These condensed interim financial statements are available starting with 31 August 2021, on the Fund's official webpage, [www.fondulproprietatea.ro](http://www.fondulproprietatea.ro), and at the Fund's registered office.

The Fund is an investment entity and does not consolidate its subsidiaries as it applies IFRS 10, IFRS 12 and IAS 27 (Investment Entities). In consequence, the Fund does not prepare consolidated financial statements, the separate financial statements being the Fund's only financial statements. The Fund has reassessed the criteria for being an investment entity for the six month period ended 30 June 2021 and continues to meet them.

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

**(b) 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(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**

Due to the negative impact of the COVID-19 pandemic on the global economic activity and global financial markets, Fund's Sole Director estimates that the financial position and performance of the Fund was and may also be affected in the future as well, 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 2021 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).

However, an accurate quantification of the further impact is difficult to estimate due to limited availability of the information, 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.

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

**3. Significant accounting policies**

The significant accounting policies applied in these condensed interim financial statements are the same as those applied in the Fund's financial statements for the year ended 31 December 2020 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:

	<b>Other financial assets at amortised cost</b>	<b>Fair value through profit or loss</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
<b>30 June 2021</b>					
Cash and current accounts	144,125	-	-	144,125	144,125
Distributions bank accounts	65,417,412	-	-	65,417,412	65,417,412
Deposits with banks	415,277,143	-	-	415,277,143	415,277,143
Government bonds	-	77,636,287	-	77,636,287	77,636,287
Dividends receivable	525,281,650	-	-	525,281,650	525,281,650
Equity investments	-	10,446,755,122	-	10,446,755,122	10,446,755,122
Other financial assets	3,054,689	-	-	3,054,689	3,054,689
Other financial liabilities	-	-	(105,041,384)	(105,041,384)	(105,041,384)
	<b>1,009,175,019</b>	<b>10,524,391,409</b>	<b>(105,041,384)</b>	<b>11,428,525,044</b>	<b>11,428,525,044</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

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

	<b>Other financial assets at amortised cost</b>	<b>Fair value through profit or loss</b>	<b>Other financial liabilities at amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
<b>31 December 2020</b>					
Cash and current accounts	174,667	-	-	174,667	174,667
Distributions bank accounts	34,255,963	-	-	34,255,963	34,255,963
Deposits with banks	659,982,573	-	-	659,982,573	659,982,573
Government bonds	-	380,268,285	-	380,268,285	380,268,285
Equity investments	-	9,246,709,268	-	9,246,709,268	9,246,709,268
Other financial assets	445,140	-	-	445,140	445,140
Other financial liabilities	-	-	(52,648,441)	(52,648,441)	(52,648,441)
	<b>694,858,343</b>	<b>9,626,977,553</b>	<b>(52,648,441)</b>	<b>10,269,187,455</b>	<b>10,269,187,455</b>

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

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
Unrealised gain from equity investments at fair value through profit or loss	1,293,127,760	33,638,003
Unrealised loss from equity investments at fair value through profit or loss	(103,497,017)	(1,995,361,277)
Realised gain from equity investments at fair value through profit or loss	-	816,704
<b>Total</b>	<b>1,189,630,743</b>	<b>(1,960,906,570)</b>

The unrealised gain from equity investments at fair value through profit or loss for the six month period ended 30 June 2021 was mainly generated by the change in fair value for the holding in Hidroelectrica SA (unrealised gain of RON 909,684,890) and OMV Petrom SA (unrealised gain of RON 243,758,207), as a result of the strong performance of these companies. The unrealised gain from equity investments at fair value through profit or loss for the six month period ended 30 June 2020 was mainly generated by the change in fair value for the holding in Nuclearelectrica SA (unrealised gain of RON 29,965,269).

The unrealised loss from equity investments at fair value through profit or loss the six month period ended 30 June 2021 was mainly generated by the decrease in fair value for the holding in CN Aeroporturi Bucuresti SA (unrealised loss of RON 32,200,000), E-Distributie Banat SA (unrealised loss of RON 21,400,000) and E-Distributie Muntenia SA (unrealised loss of RON 20,000,000). The unrealised 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 a 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 (unrealised loss of RON 696,616,414), E-Distributie companies (total unrealised loss of RON 639,300,000), CN Aeroporturi Bucuresti SA (unrealised loss of RON 287,100,000) and Hidroelectrica SA (unrealised loss of RON 179,000,000).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

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

The realised 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.

**6. Gross dividend income**

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
Hydroelectrica SA	455,991,603	399,532,431
OMV Petrom SA	122,869,990	175,569,990
E-Distributie Muntenia SA	20,119,813	187,961,077
E-Distributie Banat SA	18,652,284	213,812,923
Engie Romania SA	17,941,285	12,084,099
CN Administratia Porturilor Maritime SA	6,691,538	5,492,149
Societatea Nationala a Sarii SA	5,626,066	-
ENEL Energie Muntenia SA	4,800,019	-
ENEL Energie SA	1,800,000	-
Alcom SA	233,725	275,360
E-Distributie Dobrogea SA	-	121,130,893
Nuclearelectrica SA	-	34,883,435
Others	410,157	469,676
	<u>655,136,481</u>	<u>1,151,212,033</u>

The dividend income was subject to 5% Romanian withholding tax during the six month periods ended 30 June 2021 and 30 June 2020. In cases where the relevant shareholding of the Fund was above 10% of total share capital of the paying company, for at least one year prior to the dividend distribution date, a withholding tax exemption is applied.

According to the Annual Cash Distribution Policy of the Fund, the special cash distributions received from portfolio companies are not subject to Fund's dividend distribution to shareholders. The Fund Manager may propose the distribution to shareholders of such amounts after considering the on-going measures imposed by the Discount Control Mechanism and the available cash. For the purpose of the Annual Cash Distribution Policy of the Fund, the special cash distributions are the amounts distributed by the portfolio companies from other sources than the annual net profit included in the latest annual financial statements. From the total gross dividend income for the six month period ended 30 June 2021 a total amount of RON 252,329,768 represented special cash distributions (six month period ended 30 June 2020: RON 672,484,145).

**7. Operating expenses**

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
FTIS administration fees (i)	38,814,681	29,085,060
FSA monthly fees (ii)	4,989,784	4,697,723
Third party services (iii)	3,300,527	3,695,901
BON remunerations and related taxes (iv)	721,392	723,690
Depositary bank fee	279,718	301,453
Intermediaries and other fees related to disposal of portfolio holdings	9,702	136,698
Other operating expenses	560,380	471,568
	<u>48,676,184</u>	<u>39,112,093</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

**7. Operating expenses (continued)***(i) FTIS administration fees*

The administration fees include the base fee and the distribution fee. The distribution fee related to dividend distributions to shareholders is recognised through profit or loss while the distribution fee related to the buy-backs is recognised directly in equity as buy-backs acquisition cost. 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 2021 and the first six months of 2020 are presented in the table below:

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
Base fee	29,608,555	24,241,401
Distribution fee related to dividend distributions to shareholders	4,271,477	4,179,654
Performance fee	4,934,648	664,005
<b>Administration fees recognised in profit or loss</b>	<b>38,814,680</b>	<b>29,085,060</b>
Distribution fees related to buy-backs recognised in equity	2,096,558	4,535,275
<b>Total administration fees</b>	<b>40,911,238</b>	<b>33,620,335</b>

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

*(ii) FSA monthly fees*

During the six month periods ended 30 June 2021 and 30 June 2020, 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.

*(iii) Third party services*

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

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
Legal consultancy and litigation assistance	1,161,166	1,215,592
Portfolio valuation services	572,852	572,405
Financial auditor's fees	389,542	463,921
Board of Nominees accommodation, transport and insurance costs	231,135	249,056
Tax compliance and advisory services	219,057	184,125
Public relations services	158,038	196,287
Investors' relations expenses	29,733	309,211
Other services	539,004	505,304
	<b>3,300,527</b>	<b>3,695,901</b>

*(iv) BON remunerations and related taxes*

Remunerations and related taxes included the remunerations paid to the members of the Board of Nominees as well as the related taxes and contributions payable to the Romanian State budget (see Note 18 (a) for further details).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

**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 Fund did not use the credit facility until the date of these condensed interim financial statements. The finance costs for the six month period ended 30 June 2021 of RON 45,250 (six month period ended 30 June 2020: RON 30,500) comprise the commitment fee on undrawn amounts from the credit facility.

There are no outstanding amounts from the credit facility as at 30 June 2021 and 31 December 2020.

**9. Income tax**

No current tax and no deferred tax were recorded during the six month periods ended 30 June 2021 and 30 June 2020.

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
<b>Reconciliation of effective tax rate</b>		
Net gain/ (loss) profit for the period	1,801,054,436	(848,614,238)
Withholding tax on the dividend income	(6,143,500)	(10,522,671)
<b>Profit/(Loss) excluding income tax</b>	<b>1,807,197,936</b>	<b>(838,091,567)</b>
<b>Income tax benefit/(expense) using the standard tax rate (16%)</b>	<b>(289,151,670)</b>	<b>134,094,651</b>
<i>Impact on the income tax of:</i>		
Taxation applied on dividend income	98,678,337	173,671,253
Non-taxable income (other than dividend income)	199,012,389	140,016,659
Non-deductible expenses	(52,349,247)	(350,285,176)
Elements similar to revenues (taxable equity items)	(294,879)	-
Fiscal result impact in the current period	37,961,570	(108,020,058)
<b>Tax on income</b> (i.e. withholding tax on the dividend income)	<b>(6,143,500)</b>	<b>(10,522,671)</b>

The fiscal result impact as at 30 June 2021 of RON 37,961,570 included in the table above represents the current tax on profit for the first six months of 2021 which was offset by the Fund's tax losses carried forward. 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.

As at 30 June 2021 and 31 December 2020 there is no income tax 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 earnings/(loss) per share**

Basic earnings/(loss) per share is calculated by dividing the profit or loss for the period by the weighted average number of ordinary paid shares in issue during the period, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares (based on their settlement date). As at 30 June 2021 and 30 June 2020, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted earnings/(loss) per share are the same.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

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

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
Profit/(Loss) for the period	1,801,054,436	(848,614,238)
Weighted average number of ordinary shares	5,974,299,981	6,674,119,240
<b>Basic and diluted earnings/(loss) per share</b>	<b>0.3015</b>	<b>(0.1271)</b>

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
Petty cash	84	114
Current accounts with banks	144,041	174,553
Distributions bank accounts	65,417,412	34,255,963
<b>Cash and current accounts</b>	<b>65,561,537</b>	<b>34,430,630</b>

	<b>30 June 2021</b>	<b>31 December 2020</b>
Bank deposits with original maturities of less than three months	415,202,129	659,913,925
Interest accrued on bank deposits	75,014	68,648
<b>Deposits with banks</b>	<b>415,277,143</b>	<b>659,982,573</b>

The cash held in the distributions bank accounts can only be used for payments to shareholders. Such payments are subject to a general statute of limitation, respectively the shareholders may request the payments only within a three-year term starting with the distribution payment date, except for specific instances that are individually assessed.

**12. Dividends receivable**

	<b>30 June 2021</b>	<b>31 December 2020</b>
<b>Dividends receivable</b>		
Hidroelectrica SA	455,991,602	-
E-Distributie Muntenia SA	20,119,813	-
E-Distributie Banat SA	18,652,284	-
Engie Romania SA	17,941,285	-
Societatea Nationala a Sarii SA	5,626,066	-
ENEL Energie Muntenia SA	4,800,019	-
ENEL Energie SA	1,800,000	-
Other dividends receivable	648,666	298,882
	<b>525,579,735</b>	<b>298,882</b>
<b>Impairment loss allowance</b>	<b>(298,085)</b>	<b>(298,882)</b>
	<b>525,281,650</b>	<b>-</b>



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(all amounts are in RON unless otherwise stated)

**13. Deferred tax**

As at 30 June 2021 and 31 December 2020 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 2021 and 31 December 2020, 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 2021 the unused fiscal loss carried forward amounts to RON 3,183,320,565 (31 December 2020: RON 3,420,608,901) out of which RON 2,682,795,780 will expire on 31 December 2022 and RON 500,524,785 will expire on 31 December 2027.

As at 30 June 2021 and 31 December 2020 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 2021 and 30 June 2020. The deferred tax balances during both these periods were zero.

**14. Equity investments**

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

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

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

The movement in the carrying amounts of equity investments at fair value through profit or loss during the six month periods ended 30 June 2021 and 30 June 2020 is presented below:

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
<b>Opening balance</b>	<b>9,246,709,268</b>	<b>11,413,083,382</b>
Net gain/(loss) from equity investments at fair value through profit or loss (see <i>Note 5</i> )	1,189,630,744	(1,960,906,570)
Subscriptions to share capital increase of portfolio companies (see <i>Note 18 (b)</i> )	10,415,110	-
Disposals	-	(3,184,619)
<b>Closing balance</b>	<b>10,446,755,122</b>	<b>9,448,992,193</b>

**Portfolio**

As at 30 June 2021 and 31 December 2020 the Fund's portfolio comprised the following holdings:

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

**14. Equity investments (continued)**

	<b>30 June 2021</b>	<b>31 December 2020</b>
Hydroelectrica SA	6,039,000,000	5,128,900,000
OMV Petrom SA	1,684,507,933	1,440,749,726
Engie Romania SA	603,900,000	538,800,000
CN Aeroporturi Bucuresti SA	591,900,000	624,100,000
Administratia Porturilor Maritime SA	264,100,000	235,800,000
E-Distributie Banat SA	251,300,000	272,700,000
E-Distributie Muntenia SA	207,800,000	227,800,000
Alro SA	198,246,422	163,261,759
E-Distributie Dobrogea SA	188,500,000	177,200,000
Societatea Nationala a Sarii SA	182,800,000	201,200,000
Romaero SA	54,828,684	56,140,375
Enel Energie SA	52,500,000	52,500,000
Enel Energie Muntenia SA	43,100,000	43,100,000
Zirom SA	24,884,700	24,884,700
CN Administratia Canalelor Navigabile SA	17,751,740	17,751,740
Other	41,635,643	41,820,968
<b>Total equity investments</b>	<b>10,446,755,122</b>	<b>9,246,709,268</b>

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;
- 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:

<b>30 June 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity investments:	1,882,754,355	-	8,564,000,767	10,446,755,122
<i>Power utilities: generation</i>	-	-	6,039,000,000	6,039,000,000
<i>Oil and gas</i>	1,684,507,933	-	-	1,684,507,933
<i>Power and gas utilities: distribution, supply</i>	-	-	1,347,100,000	1,347,100,000
<i>Infrastructure</i>	-	-	945,080,633	945,080,633
<i>Heavy industry</i>	-	-	207,684,700	207,684,700
<i>Aluminium</i>	198,246,422	-	-	198,246,422
<i>Postal services</i>	-	-	13,100,000	13,100,000
<i>Others</i>	-	-	12,035,434	12,035,434
Government bonds	77,636,287	-	-	77,636,287
<b>Total</b>	<b>1,960,390,642</b>	<b>-</b>	<b>8,564,000,767</b>	<b>10,524,391,409</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

**14. Equity investments (continued)**

<b>31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equity investments:	1,604,011,486	-	7,642,697,782	9,246,709,268
<i>Power utilities: generation</i>	-	-	5,128,900,000	5,128,900,000
<i>Oil and gas</i>	1,440,749,726	-	-	1,440,749,726
<i>Power and gas utilities: distribution, supply</i>	-	-	1,312,100,000	1,312,100,000
<i>Infrastructure</i>	-	-	950,292,324	950,292,324
<i>Heavy industry</i>	-	-	226,084,700	226,084,700
<i>Aluminum</i>	163,261,759	-	-	163,261,759
<i>Postal services</i>	-	-	13,100,000	13,100,000
<i>Other</i>	-	-	12,220,759	12,220,759
Government bonds	380,268,285	-	-	380,268,285
<b>Total</b>	<b>1,984,279,771</b>	<b>-</b>	<b>7,642,697,782</b>	<b>9,626,977,553</b>

The fair value hierarchy for the other assets and liabilities which are not classified at fair value through profit or loss but for which the fair value amount was disclosed in these condensed interim financial statements (see Note 4), is either Level 1, respectively for cash and cash equivalents and other financial liabilities, or Level 3, respectively for all other financial assets.

The table below presents the movement in Level 3 equity investments during six month periods ended 30 June 2021 and 30 June 2020:

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
<b>Opening balance</b>	<b>7,642,697,782</b>	<b>8,407,640,418</b>
Net unrealised gain/(loss) recognised in profit or loss	910,887,875	(1,264,460,549)
Subscriptions to share capital increase of portfolio companies	10,415,110	-
Transfers in/(out) of Level 3	-	-
<b>Closing balance</b>	<b>8,564,000,767</b>	<b>7,143,179,869</b>

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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

**14. Equity investments (continued)**

As at 30 June 2021, the fair value for 87% of the Level 3 equity investments (31 December 2020: for 85% of the Level 3 equity investments) was determined by applying the market comparison technique using comparable trading multiples for EBITDA, while the fair value for almost 13% of the Level 3 equity investments (31 December 2020: for almost 15% of the Level 3 equity investments) was determined by applying the income approach using the discounted cash flow method.

The valuation technique currently used for the valuation of the holdings in the airports and the maritime ports companies (part of the investments in the infrastructure sector) was changed from the market approach - comparable companies, which was used in the previous years, to income approach method, mainly due to the following reasons:

- Market multiples of the companies in the airports peer group have significantly varied over the last year as the companies were severely impacted by the COVID-19 crisis thus displaying high levels of volatility.
- The restrictions due to COVID-19 are not aligned in all countries and airports may be affected differently considering their level of cash, debt, size, number of passengers.
- Industry analyses indicate that worldwide maritime ports were differently affected by the COVID-19 pandemic, depending on the specificity of their activities. There is no information related to how this is reflected in the level for multiples of each comparable companies in the peer group.
- Despite the worldwide impact of COVID-19 on marine industry, the Fund's holding in the Romanian maritime ports (i.e. Constanta Ports) displayed a stable evolution, as the company's operations mainly relate to maritime traffic of goods and not passengers.

The valuation for the Level 3 equity investments as at 30 June 2021 was prepared as follows:

- 97.3% 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 2021 incorporating the impact of any significant corporate action that took place until 30 June 2021;
- 2.1% 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 October 2020;
- 0.7% 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 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;
- 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

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**14. Equity investments (continued)**

Given the current context of the COVID-19 pandemic, the valuations are based on prevailing market, economic and other conditions at the valuation date and correspond with a period of significant volatility in global financial markets and widespread macro-economic uncertainty. To the extent possible, these conditions were reflected in the valuation. However, the factors driving these conditions can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and on the Fund's portfolio holdings specifically, could impact the estimated fair values in the future, either positively or negatively.

In light of the spread of the coronavirus and the emergence to find some solutions, the existing uncertainty regarding the impact for businesses could persist for sometime. As a result, the current valuation may not have identified, or reliably quantified the impact of all such uncertainties and implications.

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

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.

Based on the analysis of market multiples evolution up to the current valuation reports date, generally, it resulted that all multiples followed an increasing trend, the main drivers including: the decrease in yields, the descending trend in market risk premiums and additional factors related to market excitement due to improved perspectives regarding COVID-19. In addition, for the power generation sector, the increase in the price of CO<sub>2</sub> certificates was noted as a potential factor for the market multiples increase.

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 and based on available information.

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

The 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

**14. Equity investments (continued)**

The following tables set out information about the significant unobservable inputs used at 30 June 2021 and 31 December 2020 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

Financial assets	Fair value as at 30 June 2021	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
<b>Total</b>	<b>8,564,000,767</b>			
Unlisted equity instruments	7,411,380,349	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.45 - 11.90 (10.92)  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	1,083,447,229	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 10.40% - 14.50% (11.10%)  Discount for lack of marketability ranging from 9.6% - 16.3% (14.67%)  Discount for lack of control: 0% - 26.7% (17.84%)  Long-term revenue growth rate: 2% or 2.5% (2.48%)	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	13,100,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 8.09 (8.09)  Discount for lack of marketability: 24.0% (24.0%)	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	0	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.35 (0.35)	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	56,073,189	Bucharest Stock Exchange reference price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the Financial Supervisory Authority.	

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

**14. Equity investments (continued)**

Financial assets	Fair value as at 31 December 2020	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
<b>Total</b>	<b>7,642,697,782</b>			
Unlisted equity instruments	6,466,280,349	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.45 - 9.83 (9.00)  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	1,105,747,229	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 10.40% - 14.50% (11.24%)  Discount for lack of marketability ranging from 9.6% - 16.3% (14.67%)  Discount for lack of control: 0% or 17% or 18.8% or 19.1% or 26.7% (17.91%)  Long-term revenue growth rate: 2% or 2.5% (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	13,100,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 8.09 (8.09)  Discount for lack of marketability: 24.0% (24.0%)	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	0	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.35 (0.35)	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	57,570,204	Bucharest Stock Exchange reference price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the Financial Supervisory Authority.	

As at 30 June 2021 and 31 December 2020, 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 2021**

(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**

	<b>30 June 2021</b>	<b>31 Dec 2020</b>
Dividends payable to shareholders, <i>out of which:</i>	67,341,638	34,228,491
- <i>Net dividends payable to shareholders</i>	65,406,113	34,228,491
- <i>Dividend withholding tax payable to State Budget</i>	1,935,525	-
Returns of capital due to shareholders	151,946	151,946
	<u><b>67,493,584</b></u>	<u><b>34,380,437</b></u>



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(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:

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
<b>Opening balance</b>	<b>34,380,437</b>	<b>31,988,947</b>
Gross distributions approved during the period, <i>out of which</i> :		
- <i>Net distributions payable to shareholders</i>	427,147,747	417,965,383
- <i>Dividend withholding tax due to State Budget</i>	413,407,805	403,263,206
	13,739,942	14,702,177
Payments of net distributions performed from the dedicated bank accounts	(380,387,191)	(8,082,309)
Withholding tax payable to State Budget corresponding to the net dividends paid during the period	(11,804,417)	-
Distributions for which the statute of limitation occurred	(1,842,992)	-
<b>Closing balance</b>	<b>67,493,584</b>	<b>441,872,021</b>

**(b) Other liabilities and provisions**

	<b>30 June 2021</b>	<b>31 December 2020</b>
FTIS Administration fees	23,501,605	16,447,827
Tax on dividends due to State Budget	11,804,417	772,075
Payables related to treasury shares under settlement	1,686,170	-
Financial Supervisory Authority fees	849,446	778,355
Other liabilities	643,915	1,849,833
Provision for litigations	-	856,247
	<b>38,485,553</b>	<b>20,704,337</b>

**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 2021 or during the first six months of 2020.

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
Number of shares in issue	7,210,158,254	7,210,158,254
Number of paid shares	6,846,345,904	6,846,345,904
Number of unpaid shares	363,812,350	363,812,350
Nominal value per share (RON)	0.52	0.52

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**
(all amounts are in RON unless otherwise stated)

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**16. Shareholders' equity (continued)**

The shareholders structure as at 30 June 2021 was as follows:

<b>Shareholder categories</b>	<b>% of subscribed share capital</b>	<b>% of paid share capital</b>
Romanian institutional investors	32.58%	34.31%
Romanian private individuals	17.45%	18.37%
The Bank of New York Mellon (depository bank for the Fund's GDRs)	15.99%	16.84%
Foreign institutional investors	13.12%	13.82%
Foreign private individuals	2.89%	3.05%
Romanian State	0.09%	0.10%
Treasury shares	12.83%	13.51%
Unpaid shares (see Note 16(b))	5.05%	-
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Depozitarul Central SA (Central Depository)

**(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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

**16. Shareholders' equity (continued)**
**(c) Other reserves**

	<b>30 June 2021</b>	<b>31 December 2020</b>
Legal reserve	533,826,946	533,826,946
Other reserves	671,941,939	236,026,121
Distributions for which the statute of limitation occurred	-	5,573,278
Losses from cancellation of treasury shares (negative equity reserves)	-	(236,026,121)
	<b><u>1,205,768,885</u></b>	<b><u>539,400,224</u></b>

The legal reserve cannot be used for distributions to shareholders.

The amounts allocated to other reserves are to be used to cover the losses (negative reserves) recorded from cancellation of shares acquired through the buy-back programmes. The other reserves balance as at 31 December 2020 of RON 236,026,121 was used to cover the negative reserves recorded from cancellation of shares acquired during the tenth buy-back programme, according to the resolution of the Fund's General Shareholders' Meeting ("GSM") held on 28 April 2021. In the same time, the Fund's shareholders' approved during the 28 April 2021 GSM, the allocation to other reserves of an amount of RON 671,941,939 from retained earnings and reserves resulted from the distributions for which the statute of limitation occurred, in order to be available for covering the negative reserves estimated to arise from cancellation of shares acquired during 2020 through the eleventh 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. These amounts may be covered from retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting.

Starting with January 2017, the Fund's share nominal value was constantly lower than its market price, situation which did not change up to the date of these 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 2021 and 30 June 2020.

**(d) Treasury shares**

The table below summarises the details regarding the twelfth buy-back programme, respectively the buy-back programme carried during 2021:

	<b>GSM date approving the buy-back programme</b>	<b>Starting date</b>	<b>Completion date</b>	<b>Acquisition price range as approved by GSM</b>
<b>Twelfth buy-back programme</b>	13-Nov-2020	1-Jan-2021	31-Dec-2021	RON 0.2 - 2 per share

The twelfth 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 2021 and the first six months of 2020 is presented in the tables below:

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

(all amounts are in RON unless otherwise stated)

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

	<b>Opening balance 1 January 2021</b>	<b>Acquisitions during the period</b>	<b>Cancellations during the period</b>	<b>Closing balance 30 June 2021</b>
11 <sup>th</sup> buy-back	797,961,287	-	-	797,961,287
12 <sup>th</sup> buy-back	-	129,836,095	-	129,836,095
	<b>797,961,287</b>	<b>129,836,095</b>	<b>-</b>	<b>927,797,382</b>

	<b>Opening balance 1 January 2020</b>	<b>Acquisitions during the period</b>	<b>Cancellations during the period</b>	<b>Closing balance 30 June 2020</b>
10 <sup>th</sup> buy-back	403,812,443	-	-	403,812,443
11 <sup>th</sup> buy-back	-	354,699,875	-	354,699,875
	<b>403,812,443</b>	<b>354,699,875</b>	<b>-</b>	<b>758,512,318</b>

The movement of treasury shares carrying amounts during the first six months of 2021 and the first six months of 2020 is presented in the tables below:

	<b>Opening balance 1 January 2021</b>	<b>Cost of treasury shares acquired</b>	<b>Cancellation of treasury shares</b>	<b>Closing balance 30 June 2021</b>
11 <sup>th</sup> buy-back	1,086,443,209	438,598	-	1,086,881,807
12 <sup>th</sup> buy-back	-	213,563,386	-	213,563,386
	<b>1,086,443,209</b>	<b>214,001,984</b>	<b>-</b>	<b>1,300,445,193</b>

The difference between the total 11<sup>th</sup> buy-back cost as at 30 June 2021 (i.e. RON 1,086,881,807) included in the table above and the buy-back carrying amount presented in the audited financial statements for the year ended 31 December 2020 (i.e. RON 1,086,443,209) is due to the difference between the actual invoiced amounts as per invoices received by the Fund in 2021 and the related accrued costs booked in the Fund's accounting as at 31 December 2020.

	<b>Opening balance 1 January 2020</b>	<b>Cost of treasury shares acquired</b>	<b>Cancellation of treasury shares</b>	<b>Closing balance 30 June 2020</b>
10 <sup>th</sup> buy-back	446,008,591	-	-	446,008,591
11 <sup>th</sup> buy-back	-	463,496,660	-	463,496,660
	<b>446,008,591</b>	<b>463,496,660</b>	<b>-</b>	<b>909,505,251</b>

**(e) Dividend distribution**

During the 28 April 2021 General Shareholders Meeting, the Fund's shareholders approved the distribution of a gross dividend of RON 0.072 per share from 2016 and 2017 unallocated profits. The shareholders registered in the shareholders' registry with the Central Depository on 28 May 2021 have the right to receive a gross dividend of RON 0.072 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment started on 22 June 2021 and until the date of these condensed interim financial statements, shareholders had collected over 91% of the total distribution.

During the 16 July 2021 General Shareholders Meeting, the Fund's shareholders approved the distribution of a gross dividend of RON 0.070 per share from the remaining balance of 2017 and 2019 unallocated profits. The shareholders registered in the shareholders' registry with the Central Depository on 6 August 2021 have the right to receive a gross dividend of RON 0.070 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment will start on 27 August 2021.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

**17. Contingencies****Litigations**

At 30 June 2021, the Fund was involved in certain litigations, either as defendant or claimant. After analysing the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Fund considers that there are no litigations which may have significant effects on the Fund's financial position or profitability.

**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.

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. On 18 September 2020, Bucharest Court of Appeal admitted the appeal of Ministry of Public Finance. The Fund filled the second appeal which was rejected by the High Court of Cassation and Justice on 1 April 2021. The Fund is waiting to receive the full decision of the Court following to investigate the next actions that will be taken based on the argumentation of the High Court of Cassation and Justice.

**18. Related parties****(a) Key management**

(i) *Board of Nominees ("BON")*

	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
Total Fund's cost with BON remuneration, <i>out of which</i> :	721,392	723,690
- Net remuneration paid to BON members	581,955	514,548
- Related taxes and contributions payable to State Budget	139,437	209,142

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**
(all amounts are in RON unless otherwise stated)

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**18. Related parties (continued)****(a) Key management (continued)***(i) Board of Nominees (continued)*

During the first six months of 2021, there was performed a recalculation of the net remuneration for one of the BON members, for the entire period from the beginning of his mandate as member of the Fund's Board of Nominees until 31 December 2020, as a result of a different tax treatment that should have been applied in his case. Thus, the amount of RON 384,520 was paid to him as net remuneration while the corresponding overpaid contributions to the State Budget resulted following the recalculation to be offset by the Fund with the taxes payable to the State Budget in the future.

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 2021 nor in the first six months of 2020.

There are no post-employment, long term or termination benefits related to the remuneration of the members of the Board of Nominees.

On 24 March 2021 the Fund's shareholders elected as members of the Board of Nominees, for a three-years period, Mr. Nicholas Paris and Ömer Tetik, following the expiration of the mandates of Mr. Julian Healy and respectively Mr. Piotr Rymaszewski on 5 April 2021.

*(ii) Sole Director and Investment Manager*

FTIS is the Sole Director and Alternative Investment Fund Manager of the Fund starting with 1 April 2016. Until 30 November 2020, FTIS had delegated the role of Investment Manager, as well as certain administrative functions to FTIML. Starting 1 December 2020, the activity carried out by FTIML through the delegation agreement ceased by mutual consent of the parties. Starting this date, the portfolio management and the administrative activities previously delegated to FTIML are performed by FTIS through its Bucharest Branch.

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

<b>Transactions</b>	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
Administration fees	40,911,238	33,620,335

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

<b>Transactions</b>	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
Rent expense charged to the Fund	41,553	-
Operating cost charged to the Fund	13,460	-
	<b>55,012</b>	<b>-</b>

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

<b>Transactions</b>	<b>6 months ended 30 June 2021</b>	<b>6 months ended 30 June 2020</b>
Rent expense charged to the Fund	-	40,801
Operating cost charged to the Fund	-	13,371
	<b>-</b>	<b>54,172</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

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

During the first six months of 2021, the Fund recorded RON 80,216 representing expenses incurred by FTIS Bucharest Branch on its behalf.

During the first six months of 2020, the Fund recorded RON 346,264 representing expenses incurred by FTIML Bucharest Branch on its behalf.

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:

<b>Amounts due to:</b>	<b>30 June 2021</b>	<b>31 December 2020</b>
FTIS Luxembourg	23,501,605	16,447,827
FTIS Bucharest Branch	-	9,546
	<b>23,501,605</b>	<b>16,457,372</b>

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:

	<b>30 June 2021</b>	<b>31 December 2020</b>
<b>Ownership interest</b>		
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	70%	70%

During the first six months of 2021, the Fund recorded the dividend distributed by Alcom SA in amount of RON 233,725 and participated in the cash share capital increase of Zirom SA, subscribing 1,000,000 new shares, at the nominal value of RON 10 per share (in total of RON 10,000,000).

During the first six months of 2020, the Fund recorded and collected from Alcom SA dividends in total amount of RON 275,360.

As at 30 June 2021 and 31 December 2020, Comsig SA was in administrative liquidation process, which is still ongoing at the date of these condensed interim financial statements. In April 2021, the Fund received from Comsig SA as liquidation proceeds an amount of RON 62,154. Until the date of these condensed interim financial statements, Comsig SA was not deregistered from Trade Registry.

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
Zirom SA	24,884,700	24,884,700
Alcom SA	8,863,429	8,863,429
Comsig SA	-	-
	<b>33,748,129</b>	<b>33,748,129</b>

As at 30 June 2021 and 31 December 2020, the Fund had no commitment to provide financial or other support to its subsidiaries, including commitments to assist the subsidiaries in obtaining financial support.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(all amounts are in RON unless otherwise stated)

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

As 30 June 2021 and 31 December 2020 the Fund had two associates, both incorporated in Romania:

	<b>30 June 2021</b>	<b>31 December 2020</b>
<b>Ownership interest</b>		
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

During the first six months of 2021, the Fund recorded a dividend of RON 5,626,066 (first six months of 2020: nil) distributed by Societatea Nationala a Sarii SA and a dividend of RON 116,856 (first six months of 2020: RON 100,097) distributed by Plafar SA. For both, Societatea Nationala a Sarii and Plafar dividends, the payment date is after 30 June 2021 according to these companies' shareholders resolution.

Also, as at 30 June 2021 there was a balance due by Societatea Nationala a Sarii SA to the Fund amounted RON 7,345 (31 December 2020: RON 7,178) which comprised the outstanding dividend receivable distributed in 2018 of RON 6,378 (31 December 2020: RON 6,378) and the penalties for delay payment of dividends of RON 967 (31 December 2020: RON 800). This outstanding balance due by Societatea Nationala a Sarii SA to the Fund is fully impaired.



## Annex 2

## Statement of Assets and Obligations of Fondul Proprietatea SA as at 30 June 2021, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	31 December 2020				30 June 2021				Differences RON
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
<b>I. Total assets</b>	<b>100.5399%</b>	<b>100.0000%</b>		<b>10,322,346,256.28</b>	<b>100.9274%</b>	<b>100.0000%</b>		<b>11,534,654,816.02</b>	<b>1,212,308,559.74</b>
1 <b>Securities and money market instruments, out of which: *</b>	19.9739%	19.8669%		2,050,713,400.44	17.7214%	17.5586%		2,025,327,255.92	(25,386,144.52)
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:									
1.1.1 listed shares traded in the last 30 trading days	19.9739%	19.8669%	-	2,050,713,400.44	17.7214%	17.5586%	-	2,025,327,255.92	(25,386,144.52)
1.1.2 listed shares not traded in the last 30 trading days	16.1838%	16.0970%	-	1,661,581,690.23	16.9645%	16.8087%	-	1,938,827,543.64	277,245,853.41
1.1.3 Government bonds	0.0863%	0.0859%	-	8,863,425.29	0.0776%	0.0768%	-	8,863,425.29	-
1.1.4 allotment rights not admitted at trading on a regulated market	3.7038%	3.6840%	-	380,268,284.92	0.6793%	0.6731%	-	77,636,286.99	(302,631,997.93)
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:									
- shares not admitted at trading on a regulated market	73.7930%	73.3967%	-	7,576,256,630.47	74.3662%	73.6827%	-	8,499,052,162.53	922,795,532.06
4 Bank deposits, out of which:	73.7930%	73.3967%	-	7,576,256,630.47	74.3662%	73.6827%	-	8,499,052,162.53	922,795,532.06
4.1. bank deposits made with credit institutions from Romania	6.4282%	6.3937%	-	659,982,573.15	3.6336%	3.6003%	-	415,277,143.33	(244,705,429.82)
- in RON	6.4282%	6.3937%	-	659,982,573.15	3.6336%	3.6003%	-	415,277,143.33	(244,705,429.82)
- 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:	0.3354%	0.3336%		34,430,629.84	0.5737%	0.5684%		65,561,536.66	31,130,906.82
- in RON	0.3343%	0.3325%	-	34,325,895.24	0.5731%	0.5678%	-	65,494,166.14	31,168,270.90
- in euro	0.0000%	0.0000%	EUR 610.18	2,971.21	0.0000%	0.0000%	EUR 397.12	1,956.49	(1,014.72)
- in USD	0.0010%	0.0010%	USD 25,026.03	99,253.23	0.0006%	0.0006%	USD 15,357.96	63,620.35	(35,632.88)
- in GBP	0.0000%	0.0000%	GBP 463.12	2,510.16	0.0000%	0.0000%	GBP 312.63	1,793.68	(716.48)
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:									
- Treasury bills with original maturities of less than 1 year	-	-	-	-	0.0000%	0.0000%	-	-	-
8 Participation titles of OCIIU and/or of UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	0.0000%	0.0000%	-	-	-
9 Other assets out of which:	0.0095%	0.0091%		963,022.38	4.6325%	4.5900%		529,436,717.58	528,473,695.20
- net dividend receivable from Romanian companies	-	-	-	-	4.5962%	4.5540%	-	525,281,650.32	525,281,650.32
- receivables related to the cash contributions to the share capital increases performed by portfolio companies	0.0043%	0.0042%	-	445,140.00	0.0008%	0.0007%	-	85,750.00	(359,390.00)
- tax on dividends to be recovered from the State Budget	0.0034%	0.0033%	-	348,524.00	0.0002%	0.0002%	-	20,546.00	(327,978.00)
- intangible assets	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
- advance payments for intangible assets	0.0003%	0.0002%	-	28,384.79	0.0002%	0.0002%	-	28,384.79	-
- other receivables out of which:	0.0002%	0.0001%	-	5,180.00	0.0305%	0.0303%	-	3,486,142.95	3,480,962.95
- in RON	0.0001%	0.0001%	-	5,180.00	0.0045%	0.0045%	-	517,204.00	512,024.00
- in USD	-	-	-	-	0.0260%	0.0257%	USD 716,702.22	2,968,938.95	2,968,938.95
- prepaid expenses	0.0013%	0.0013%	-	135,793.59	0.0047%	0.0046%	-	534,243.52	398,449.93
<b>II. Total liabilities</b>	<b>0.5399%</b>	<b>0.5370%</b>		<b>55,434,352.18</b>	<b>0.9274%</b>	<b>0.9190%</b>		<b>105,999,683.03</b>	<b>50,565,330.85</b>
Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1602%	0.1593%	-	16,447,826.86	0.2056%	0.2037%	-	23,501,604.61	7,053,777.75
1 Liabilities related to the fees payable to the depositary bank	0.0004%	0.0004%	-	42,297.22	0.0004%	0.0004%	-	43,706.83	1,409.61
2 Liabilities related to the fees payable to intermediaries	0.0046%	0.0046%	-	475,920.00	0.0000%	0.0000%	-	0.00	(475,920.00)
3 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
4 Interest payable	-	-	-	-	-	-	-	-	-
5 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-
6 Liabilities in relation with the fees/commissions to FSA	0.0076%	0.0075%	-	778,355.05	0.0074%	0.0074%	-	849,445.53	71,090.48

**Fondul Proprietatea SA**

Item	31 December 2020				30 June 2021				Differences RON
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
8	0.0018%	0.0018%	-	189,408.19	0.0000%	0.0000%	-	0.00	(189,408.19)
9	0.3653%	0.3634%	-	37,500,544.86	0.7140%	0.7075%	-	81,604,926.06	44,104,381.20
- liabilities to the Fund's shareholders related to the dividend distribution	0.3334%	0.3316%	-	34,228,490.76	0.5892%	0.5839%	-	67,341,638.36	33,113,147.60
- liabilities related to the return of capital	0.0015%	0.0015%	-	151,945.60	0.0013%	0.0013%	-	151,945.60	-
- liabilities related to Government securities under settlement	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
- provisions	0.0083%	0.0083%	-	856,247.22	0.0000%	0.0000%	-	-	(856,247.22)
- liabilities related to buybacks under settlement	-	-	-	-	0.0148%	0.0146%	-	1,686,169.54	1,686,169.54
- remunerations and related contributions	0.0003%	0.0003%	-	34,857.00	0.0009%	0.0009%	-	108,853.00	73,996.00
- VAT payable to State Budget	0.0000%	0.0000%	-	904.81	0.0000%	0.0000%	-	-	(904.81)
- tax on dividends payable to State Budget	0.0110%	0.0110%	-	1,120,599.00	0.1035%	0.1025%	-	11,824,963.00	10,704,364.00
- other liabilities out of which:	0.0108%	0.0107%	-	1,107,500.47	0.0043%	0.0043%	-	491,356.56	(616,143.91)
- in RON	0.0108%	0.0107%	-	1,107,500.47	0.0043%	0.0043%	-	491,356.56	(616,143.91)
- in EUR	-	-	-	-	-	-	-	-	-
<b>III. Net Asset Value (I - II)</b>	<b>100.0000%</b>	<b>99.4630%</b>		<b>10,266,911,904.10</b>	<b>100.0000%</b>	<b>99.0810%</b>		<b>11,428,655,132.99</b>	<b>1,161,743,228.89</b>

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

**Unitary Net Asset Value**

Item	30 June 2021	31 December 2020	Differences
<b>Net Asset Value</b>	<b>11,428,655,132.99</b>	<b>10,266,911,904.10</b>	<b>1,161,743,228.89</b>
Number of outstanding shares	5,918,548,522	6,048,384,617	(129,836,095)
Unitary net asset value	1.9309	1.6974	0.2335

**DETAILED STATEMENT OF INVESTMENTS AS AT 30 JUNE 2021**
**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
Airo Slatina SA	ALR	30/Jun/2021	72,884,714	0.5	2.7200	198,246,422.08	10.21%	1.7187%	1.7346%	Closing price
IOR SA	IORB	23/Jun/2021	2,622,273	0.1	0.1700	445,786.41	0.82%	0.0039%	0.0039%	Reference price - Average price
Mecon SA	MECP	30/Jun/2021	60,054	11.6	13.3000	798,718.20	12.51%	0.0069%	0.0070%	Reference price - Average price
OMV Petrom SA	SNP	30/Jun/2021	3,963,548,078	0.1	0.4250	1,684,507,933.15	6.99%	14.6039%	14.7393%	Closing price
Romaero SA	RORX	22/Jun/2021	1,311,691	2.5	41.8000	54,828,683.80	18.87%	0.4753%	0.4797%	Reference price - Average price
<b>Total</b>						<b>1,938,827,543.64</b>		<b>16.8087%</b>	<b>16.9645%</b>	

**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	99.3112	8,863,425.29	71.89%	0.0768%	0.0776%	Fair value / share (Value based on valuation report as at 31 October 2020)
<b>Total</b>						<b>8,863,425.29</b>		<b>0.0768%</b>	<b>0.0776%</b>	

**Fondul Proprietatea SA**
**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	111.0410	2,571,598.52	20.00%	0.0223%	0.0225%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 October 2020)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	199.9000	6,399,998.40	20.00%	0.0555%	0.0560%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 October 2020)
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	87.3781	17,751,734.80	20.00%	0.1539%	0.1553%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 October 2020)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	84.7332	2,334,738.59	20.00%	0.0202%	0.0204%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 October 2020)
CN Administratia Porturilor Dunarii Maritime SA	21,237	19/Jul/2005	1,351,671	244.5669	5,193,867.26	20.00%	0.0450%	0.0454%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 October 2020)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	52,691,564	99.3556	264,099,902.32	19.99%	2.2896%	2.3109%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 May 2021)
CN Aeroporturi Bucuresti SA ***	2,875,443	5/Feb/2010	131,168,263	205.8465	591,899,877.50	20.00%	5.1315%	5.1791%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 May 2021)
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 31 October 2020)
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	27.2540	251,299,431.58	24.12%	2.1786%	2.1989%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 May 2021)
E-Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	27.9129	188,499,358.64	24.09%	1.6342%	1.6494%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 May 2021)
E-Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	63.8128	207,799,746.67	12.00%	1.8015%	1.8182%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 May 2021)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	97.0602	43,099,970.05	12.00%	0.3737%	0.3771%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 October 2020)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	31.2500	52,500,000.00	12.00%	0.4552%	0.4594%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 October 2020)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	252.6040	603,899,877.59	11.99%	5.2355%	5.2841%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 May 2021)
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
Hydroelectrica SA	89,437,916	19/Jul/2005	3,020,007,106	67.5216	6,038,991,188.99	19.94%	52.3552%	52.8408%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 May 2021)
Plafar SA	132,784	28/Jun/2007	3,160,329	14.5160	1,927,492.54	48.99%	0.0167%	0.0169%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 October 2020)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	0.8808	13,099,210.92	6.48%	0.1136%	0.1146%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 October 2020)
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%	Bankruptcy	Priced at zero
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Juridical reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	91.1318	182,799,819.51	48.99%	1.5848%	1.5995%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 May 2021)
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
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 7 financial years including the financial statements for the year-ended 31 December 2019; last available financial statements are those for the year-ended 31 December 2012)
Zirom SA	7,542,083	28/Jun/2007	75,208,072	3.2994	24,884,348.65	100.00%	0.2157%	0.2177%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 31 October 2020)
<b>Total</b>	<b>174,379,227</b>		<b>4,613,202,769</b>		<b>8,499,052,162.53</b>		<b>73.6827%</b>	<b>74.3662%</b>		

**Legend:**

\* = where the date of acquisition is shown as earlier than Fondul Proprietatea'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 Fondul Proprietatea on its future incorporation.

\*\* = The acquisition price includes the initial value of Fondul Proprietatea'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). Fondul Proprietatea 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 Fondul Proprietatea (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 Baneca - 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.

**Fondul Proprietatea SA**

**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	RO1821DBN052	15,000	22/Jan/2021	27/Oct/2021	27/Oct/2021	75,000,000.00	8,219.18	2,030,136.99	-	100.8082%	77,636,286.99	0.6731%	0.6793%	Fair value (reference composite price published by Markit, including the cumulated interest)
<b>Total</b>								<b>2,030,136.99</b>			<b>77,636,286.99</b>	<b>0.6731%</b>	<b>0.6793%</b>	

**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
UniCredit Tiriac Bank	17/Jun/2021	1/Jul/2021	105,200,000.00	2,191.66	30,683.33	105,230,683.33	0.9123%	0.9208%	Bank deposit value cumulated with the daily related interest for the period from starting date
CITI Bank	17/Jun/2021	1/Jul/2021	105,200,000.00	2,045.56	28,637.78	105,228,637.78	0.9123%	0.9207%	
ING BANK	24/Jun/2021	1/Jul/2021	103,500,000.00	2,012.50	14,087.50	103,514,087.50	0.8974%	0.9057%	
BRD Groupe Société Générale	30/Jun/2021	7/Jul/2021	89,400,000.00	1,490.00	1,490.00	89,401,490.00	0.7751%	0.7823%	
BRD Groupe Société Générale	30/Jun/2021	1/Jul/2021	11,902,129.00	115.72	115.72	11,902,244.72	0.1032%	0.1041%	
<b>Total</b>			<b>415,202,129.00</b>			<b>415,277,143.33</b>	<b>3.6003%</b>	<b>3.6336%</b>	

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

	31 December 2019	31 December 2020	30 June 2021
Net Asset	11,871,445,439.59	10,266,911,904.10	11,428,655,132.99
NAV/share	1.7339	1.6974	1.9309

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

Johan Meyer  
Permanent representative

BRD Groupe Societe Generale

Victor Strâmbei  
Manager Depository Department

## Annex 3

### Statement of persons responsible

Provisions of Accounting Law no. 82/1991, Art.30 and  
FSA Regulation no. 5/2018, Art.223, par. A (1), letter c

The semi-annual report for the six-month period ended 30 June 2021 prepared for:

Entity: Fondul Proprietatea SA

Address: Bucharest, District 1, 76–80, 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 “Trusts, 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, undertake the responsibility for the preparation of the semi-annual financial reporting as at 30 June 2021 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 financial position and performance (including the assets, liabilities and profit or loss) and of other information regarding the business conducted;
- c) the company is conducting its business on a going concern basis;
- d) the Semi-annual Report of Franklin Templeton International Services S.à r.l regarding the management and administration of Fondul Proprietatea SA for the six-month period ended as at 30 June 2021, includes an accurate overview of the developments and performance of Fondul Proprietatea SA, as well as a description of the main risks and uncertainties related to the business.

Johan Meyer

Permanent Representative

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

Catalin Cadaru

Financial Reporting Manager

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