

IMPORTANT NOTICE / DISCLAIMER ON THE ELECTRONIC TRANSMISSION OF THE PROSPECTUS

IMPORTANT: You must read the following before continuing.

The following applies to the simplified prospectus (the “Prospectus”) relating to Fondul Proprietatea S.A. (the “Fund”) following this page and you are therefore advised to read the disclaimers set out in this electronic transmission carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Fondul Proprietatea S.A. as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION OR THE PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE U.S. OR ANY OTHER JURISDICTION. THE SECURITIES REFERRED TO IN THE PROSPECTUS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND IN PARTICULAR MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE PROSPECTUS.

NEITHER THE PROSPECTUS NOR ANY PART OR COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO AUSTRALIA, CANADA OR JAPAN OR TO ANY RESIDENT OF JAPAN, OR DISTRIBUTED DIRECTLY OR INDIRECTLY IN AUSTRALIA, CANADA OR JAPAN OR TO ANY RESIDENT OF JAPAN.

Confirmation of your representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the Securities, prospective investors must be non-U.S. persons (as defined in Regulation S) located outside the United States. The Prospectus is being sent to you at your request and, by accessing the Prospectus, you shall be deemed to have represented to the Fund that (1) you and the electronic mail address that you gave us and to which this transmission has been delivered are not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of the Prospectus by electronic transmission.

The Prospectus has been made available to you in an electronic format. You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the Prospectus, electronically or otherwise, to any person.

The Prospectus has been made available to you in an electronic format and your use of such Prospectus in electronic format is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Fund and each of its affiliates disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of this electronic transmission, the Prospectus or any such related statement.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Fund or on its behalf that any recipient of this Prospectus should purchase any Securities. Any reproduction or distribution of this Prospectus, in whole or in part and any disclosure of its contents, except to the extent that such contents are otherwise publicly available, is prohibited. The delivery of this Prospectus shall not, under any circumstances, create any implication that there has been no change in the Fund’s affairs since the date of this Prospectus, or that the information contained herein is correct at any time

subsequent to such date. Each prospective investor, by accepting delivery of this Prospectus, agrees to the foregoing.

Each potential purchaser of Securities should determine for itself the relevance of the information contained in this Prospectus, and its purchase of the Securities should be based upon such investigation, as it deems necessary, including the assessment of risks involved and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors that may be relevant to such investor in connection with the purchase of the Securities.



FONDUL PROPRIETATEA S.A.

(A joint stock company incorporated under the laws of Romania operating as a closed-end investment company managed by Franklin Templeton International Services S.à r.l.)

Prospectus for the authorisation of Fondul Proprietatea S.A.

as retail alternative investment fund under Law no. 243/2019 on the regulation of the alternative investment funds and supplementing certain acts

This document constitutes a simplified prospectus (the “Prospectus”) in the meaning of Article 14 of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “Prospectus Regulation”).

This Prospectus has been drawn up exclusively for the purpose of the authorization with the Romanian Financial Supervisory Authority (the “FSA”) of Fondul Proprietatea S.A. as a retail alternative investment fund as required in accordance with Law no. 243/2019 on the regulation of the alternative investment funds and supplementing certain acts (the “AIF Law”) and Regulation no. 7/2020 on the authorization and functioning of alternative investment funds issued by the FSA (the “AIF Regulation”) and does not concern any offering of securities of Fondul to the public or admission to trading on any regulated market.

Pursuant to Article 21 (1) of the AIF Law and Article 34 (1) letter (i) and Article 73 (2) of the AIF Regulation, the Fund has drawn up this Prospectus in accordance with the provisions of Article 5 and Article 13 corroborated with the relevant provisions of the annexes applicable to closed-end investment undertakings and relevant securities of the Prospectus Regulation and the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (the “Delegated Regulation 2019/980”) and the Commission Delegated Regulation 2019/979 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301 (the “Delegated Regulation 2019/979”).

This Prospectus relates to the authorisation of Fondul Proprietatea S.A. which operates as a closed-end investment company registered with the FSA and qualifies as an alternative investment fund as defined by Law no. 74/2015 regarding the alternative investment fund managers that implemented in Romania the Directive 2011/61/EU on alternative investment fund managers (the “AIFM Directive”), as subsequently amended (the “Law 74/2015”), and as a retail alternative investment fund in accordance with the AIF Law and the AIF Regulation (the “AIF Authorisation”).

The shares issued by the Fund have a nominal value of RON 0.52 and carry one vote in the Fund's general meeting of shareholders (the “Shares”). As at 31 October 2021, the total issued share capital of the Fund amounts to RON 3,334,342,422.84, divided into 6,412,196,967 Shares, among which 6,048,384,617 Shares are fully paid (of which 171,178,125 Shares are held as treasury Shares by the Fund) and 363,812,350 Shares (owned by the Romanian State) are unpaid and are blocked from trading until such time as they are fully paid. A number of 1,092,208,900 Shares are underlying assets for 21,844,178 global depositary receipts issued by The Bank of New York Mellon, each representing 50 Shares (the “GDRs” and together with the Shares, the “Securities”). The Shares were admitted to trading on Tier 1 (currently Premium Category) of the Spot Regulated Market managed by the Bucharest Stock Exchange (the “BSE”) on 25 January 2011 under the symbol “FP” with the ISIN ROFP7AACNOR5 and are traded in RON. Starting with 29 April 2015 the GDRs are admitted to trading on the Specialist Fund Market of the London Stock Exchange plc (the “LSE”) under the symbol “FP.” with the ISIN US34460G1067 and are traded in US dollars.

THIS PROSPECTUS HAS BEEN APPROVED BY THE FSA UNDER AUTHORIZATION NO. 25 DATED 28.01.2022, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION, AS PART OF THE AIF AUTHORISATION.

THE APPROVAL VISA APPLIED ON THIS PROSPECTUS DOES NOT CONSTITUTE A GUARANTEE OR ANY KIND OF ASSESSMENT BY THE FSA OF THE OPPORTUNITY, ADVANTAGES OR DISADVANTAGES, PROFIT OR RISKS INVOLVED BY THE TRANSACTIONS TO BE CONCLUDED IN CONNECTION WITH THE FUND'S SECURITIES. THE FSA APPROVAL DECISION CERTIFIES ONLY THAT THE PROSPECTUS COMPLIES WITH THE

REQUIREMENTS OF THE LAW AND OF THE NORMS ADOPTED IN ITS APPLICATION, INCLUDING LAW 74/2015, THE FIA LAW AND THE FIA REGULATION.

THE FSA ONLY APPROVED THIS PROSPECTUS AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE APPLICABLE LAW INCLUDING THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE FUND OR OF ANY INVESTMENTS INTO THE SECURITIES.

INVESTMENTS IN THE SHARES OR THE SECURITIES ARE NOT BANK DEPOSITS, AND BANKS, AS SHAREHOLDERS OF ALTERNATIVE INVESTMENT FUND MANAGERS, IF APPLICABLE FROM TIME TO TIME, DO NOT OFFER ANY GUARANTEES TO INVESTORS IN RELATION TO THE RETURN OF THE INVESTED MONEY, EXCEPT AS OTHERWISE PROVIDED IN THIS PROSPECTUS.

HOLDING THE SHARES OR THE SECURITIES INVOLVES NOT ONLY SPECIFIC ADVANTAGES BUT ALSO THE RISK OF FAILING TO MEET THE OBJECTIVES, INCLUDING CERTAIN LOSSES FOR INVESTORS, THE RETURNS OF THE INVESTMENT BEING, USUALLY, PROPORTIONATE WITH THE RISK. PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE SHARES OR THE SECURITIES AND SHOULD HAVE REGARD TO THE RISK FACTORS DESCRIBED UNDER THE SECTION HEADED "RISK FACTORS" IN THIS PROSPECTUS.

THE CONTENTS OF THIS PROSPECTUS ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL, BUSINESS OR TAX ADVICE. EACH POTENTIAL INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN LEGAL ADVISER, FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

The Fund does not make any representation to any purchaser of the Securities regarding the legality of an investment in the Securities by such purchaser under appropriate investment or similar laws.

This Prospectus does not constitute or form part of an offer to sell, or a solicitation of an offer to buy any security. The distribution of this Prospectus may, in certain jurisdictions, be restricted by law and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such an offer or solicitation. Persons into whose possession this Prospectus comes are required to inform themselves of and observe all such restrictions and obtain any consent, approval or permission required. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned. No action has been taken by the Fund that would permit an offer of the Securities, or possession or distribution of this Prospectus or any other related material or application form relating to the Securities in any jurisdiction where action for that purpose is required. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances.

The Securities have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the US. The Securities may not be offered or sold within the US or to, or for the account or benefit of, any US persons (as defined in Regulation S, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The date of the preparation of this Prospectus is 28.01.2022

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

The Fund, a joint stock company incorporated under the laws of Romania with registered office at Bucharest, 76-80 Buzesti Street, 7th floor, District 1, Romania, registered with the Bucharest Trade Register under the number J40/21901/2005 having the sole registration code 18253260 operating as closed-end investment company registered with the Romanian Financial Supervisory Authority under no. PJR09SIIR/400006, Legal Entity Identifier (“LEI”) 549300PVO1VWBFH3DO07, accepts responsibility for the information contained in this Prospectus.

To the best of the Fund's knowledge the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Information on the Fund's website, any website mentioned in this Prospectus or any website directly or indirectly linked to the Fund's website is not incorporated by reference into this Prospectus. Therefore, the information on the websites specified herein does not form part of the Prospectus and has not been scrutinized or approved by the FSA.

This Prospectus will be available on the website of the Fund at www.fondulproprietatea.ro. The information set forth in this Prospectus is only accurate as of the date on the front cover of this Prospectus. The Fund's business and financial condition may have changed since that date.

The Fund's constitutive act, updated pursuant to EGMS's resolution no. 1 of 14 January 2021 is under endorsement proceeding with the FSA, while the Fund's constitutive act in force is dated 15 February 2021, as endorsed by FSA endorsements no. 164 dated 22 July 2020 and no. 38 dated 8 February 2021 (the “Constitutive Act”), being available on the Fund's website at www.fondulproprietatea.ro.

NOTICE TO ALL INVESTORS

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set forth in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of any Securities, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction. Accordingly, the Securities may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Securities may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction.

Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the purchase of any Securities. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or buy any of Securities to any person in any jurisdiction.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING-STATEMENTS

Certain statements in this Prospectus are not historical facts and are “forward-looking” statements which reflect the Fund's views with respect to its results of operations, financial condition, business strategy and its plans and objectives for future operations.

These forward-looking statements mainly apply to the references in this Prospectus of the Fund's plans and expectations, its objectives and strategies, growth and profitability, as well as the economic environment in which the Fund carries out its business. These forward-looking statements include, without limitation, any statements preceded by, followed by or that include the words “may”, “will”, “would”, “should”, “expect”, “intend”, “estimate”, “forecast”, “anticipate”, “project”, “believe”, “consider”, “aim”, “target”, “appreciate”, “have in mind”, “seek”, “plan”, “predict”, “continue”, “commit” and similar expressions or their negatives. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Fund's control that could cause its actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Fund's present and future business strategies and the environment in which the Fund will operate in the future.

Among the important factors that could cause the Fund's actual results, performance or achievements to differ materially from those expressed in such forward-looking statements are those in the sections entitled: "Risk Factors", and elsewhere in this Prospectus.

When reviewing forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Fund operates. Forward-looking statements contained in this Prospectus speak only as at the date of this Prospectus.

Except as required by applicable law or regulation, including the Prospectus Regulation, the Delegated Regulation 2019/980 and Delegated Regulation 2019/979 or the disclosure and transparency rules of the Romanian legislation or of the Regulated Spot Market of the BSE, the Fund expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Fund's expectations with regard thereto or any change in events, conditions or circumstances on which any of such statements are based unless required to do so by any applicable regulatory regime.

RECOGNITION AND ENFORCEMENT OF CIVIL LIABILITIES

Recognition and enforcement of civil judgments of non-EU courts or courts of states that are not parties to the Lugano Convention

A judgment of a non-EU court of law or a court of a state that is not party to the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters signed on 30 October 2007 by the European Community, along with Denmark, Iceland, Norway and Switzerland and entered into force on 1 January 2010 (the "Lugano Convention") would be recognised in Romania provided that: (a) the judgement is final ("hotărâre definitivă") according to the law of the state where it was given; (b) the court rendering such judgement had, according to *lex fori*, jurisdiction to try the relevant litigation, but without relying exclusively on the presence in that jurisdiction of the defendant or of some of its assets which are not directly connected with that litigation; (c) there exists reciprocity regarding the effects of foreign judgements between Romania and the foreign jurisdiction which rendered the judgement whose recognition is sought; (d) when given in default of appearance, the party who lost the trial was served in due course with the summoning for appearance for the hearing where the court tried the merits of the case and with the document which instituted the proceedings, was given the possibility to defend itself and was given the possibility to challenge the judgement; (e) such judgement was not obtained by fraud or in a manner manifestly inconsistent with or contrary to public order of Romanian international private law; (f) where the judgement is rendered in an area of law where persons cannot dispose freely of their rights, the judgement was not obtained exclusively for the purpose of withholding the matter from the incidence of the law that would otherwise be applicable pursuant to Romanian conflict of law rules; (g) no substantially similar action or proceeding involving the same parties resulted in a judgement (even if not final) of the Romanian courts or is pending before Romanian courts as at the date the action or proceeding commenced before the foreign jurisdiction which rendered the judgement; (h) the judgement is not irreconcilable with a prior foreign judgement which may be recognised in Romania; (i) Romanian courts did not have exclusive jurisdiction to try the subject matter of the judgement pursuant to Romanian civil procedure laws; (j) the right of defence was not breached; (k) the judgement may not be challenged in any other manner in the state where it was rendered; and (l) the application for recognition before Romanian courts is duly made according to the Romanian procedural rules and encloses all the documentation thereby required. Additionally, the recognition of the judgement may not be refused solely for the reason that the foreign court rendering the judgement applied another law than the law that would have been applicable according to Romanian conflict of law rules, except where the trial concerns the civil status and the capacity of a Romanian citizen and the solution adopted by the court differs from the solution that would have been reached according to the Romanian law.

A judgement can be enforced in Romania based on a final decision of a Romanian competent court approving the enforcement, only if: (i) the requirements mentioned above for the recognition in Romania of judgements are met; (ii) the judgement is enforceable according to the law of the jurisdiction where it was made; (iii) where the judgement establishes an obligation arising from a foreign fiscal law, there exists reciprocity regarding the effects of foreign judgements in the relevant fiscal matter between Romania and the foreign jurisdiction which rendered the judgement whose recognition and enforcement is sought; (iv) the enforcement of such judgement does not constitute, directly or indirectly, the enforcement of foreign penal laws; (v) the right to require enforcement has not expired according to the statute of limitation provisions ("prescripția dreptului de a cere executarea silită") of the Romanian law; and (vi) the application for enforcement before Romanian courts is duly made according to the Romanian procedural rules and encloses all the documentation thereby required.

Recognition and enforcement of civil judgments of EU courts or of states parties to the Lugano Convention

A court judgment rendered in an EU court of law or a court of states parties to the Lugano Convention, respectively, would be recognised in Romania only if: (a) such recognition is not manifestly contrary to public order in Romania; (b) where it was given in default of appearance, if the defendant was served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable him to arrange for his defence and failing that, if the defendant failed to commence proceedings to challenge the judgment when it was possible for him to do so; (c) it is not irreconcilable with a judgment given in a dispute between the same parties in Romania; (d) it is not irreconcilable with an earlier judgement given in another state involving the same cause of action and between the same parties, provided that the earlier judgment fulfils the conditions necessary for its recognition in Romania; and (e) the judgement does not conflict with the provisions of the Regulation (EU) no. 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) of 12 December 2012 (the “Brussels I Regulation (recast)”) or the Lugano Convention, respectively, dealing with jurisdiction in matters relating to insurance, jurisdiction over consumer contracts, labour litigation and exclusive jurisdiction. Additionally, judgments could be refused from recognition and enforcement (i) if they were passed in breach of any rule of competence of the Lugano Convention, when it concerned parties domiciled in the signatory countries or (ii) if they were passed in specific areas of activity or law, when other conventions would apply or no convention applies.

A judgement can be enforced in Romania based on a final decision of a Romanian competent court approving the enforcement, only if: (i) it is enforceable in the state where the judgement was made; (ii) the Romanian competent court is provided with a copy of the judgement which satisfies the conditions necessary to establish its authenticity; (iii) the Romanian competent court is provided with an original certificate issued by the relevant foreign state's court or other competent authority substantially in the form set out in Brussels I Regulation (recast) or the Lugano Convention, respectively, and none of the conditions above preventing the recognition of a judgement is applicable; (iv) where the judgement orders a periodic payment by way of penalty, (including but not limited to, default interest), the amount of the payment has been finally determined by the courts of the state of origin; and (v) the right to enforce the final judgment is not restricted by any limitation period.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

Financial Statements of the Fund. The Fund's audited financial statements as of and for the year ended 31 December 2020 (the “**2020 Audited Financial Statements**”) are included in this Prospectus. The 2020 Audited Financial Statements included in this Prospectus have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (“IFRS”). The Fund's financial year ends on 31 December and references in this Prospectus to any specific year are to the 12-month period ended 31 December of such year. The 2020 Audited Financial Statements are presented in Romanian Lei (“**RON**”).

Unaudited operating information. The Fund's unaudited operating information in relation to its business is derived from the following sources: (i) net asset value reports prepared in accordance with Regulation no. 4/2010 of the National Securities Commission (the “NSC”) (currently merged into the FSA) regarding the registration of the Fund with the NSC, the operation of the Fund and the trading of the Fund's shares, as subsequently amended and supplemented (the “NSC Regulation 4/2010”); (ii) the unaudited simplified interim financial statements for the 6-month period ending as at 30 June 2021 (“**Unaudited Financial Statements as at 30 June 2021**”) and respectively 30 June 2020; (iii) internal accounting and reporting systems supporting the preparation of financial statements; (iv) management assumptions and analyses; (v) discussions with key operating personnel. Operating information derived from management accounts or internal reporting systems in relations to the Fund's business is to be found principally in the PART 6 THE FUND and PART 9 PORTFOLIO.

Non-IFRS measures. The Fund has included certain measures in this Prospectus that are not measures defined by IFRS. These include the valuation rules provided by NSC Regulation 4/2010 used for the preparation of net asset value (the “NAV”) reports of the Fund. The Fund has included these measures for the reasons described below, however, these measures should not be used instead of, or considered as alternatives to, its historical financial results based on IFRS.

The Fund is required to publish the NAV reports on monthly basis for each month-end and for each date when there is a change in the share capital. The NAV reports include the Fund's total net asset value and the net asset value per Share, in accordance with the FSA regulations regarding AIF (i.e., the AIF Regulation and the NSC Regulation 4/2010 until the issuance of the AIF Authorisation).

Market Information. Market data used in this Prospectus in PART 1 SUMMARY, PART 2 RISK FACTORS, PART 6 THE FUND and PART 9 PORTFOLIO has been extracted from official and industry sources and other sources the Fund believes to be reliable. Sources of such information, data and statistics include the BSE, the National Regulatory Agency in Energy Sector (“ANRE”), the International Monetary Fund (“IMF”), the Transparency International Corruption Perceptions Index, the Central Depository, the National Bank of Romania, Bloomberg. Such information, data and statistics have been accurately reproduced and, as far as the Fund is aware and is able to ascertain from information published or provided by the aforementioned sources, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and certainty of the raw data and other limitations and uncertainties inherent in any statistical survey. Where third-party information has been used in this Prospectus, the source of such information has been identified.

Countries. In this Prospectus, all references to “US” are to the United States of America, all references to “UK” are to the United Kingdom of Great Britain and Northern Ireland (the “United Kingdom”), all references to the “EU” are to the European Union and its member states as of the date of this Prospectus, and all references to the “EEA” are to the European Economic Area and its member states as of the date of this Prospectus.

Currencies. In this Prospectus, all references to “RON” and “Lei” are to the lawful currency of Romania, all references to “€”, “EUR” and “euro” are to the lawful currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, and all references to “US\$”, “\$”, “US dollar”, “USD” and “dollar” are to the lawful currency of the United States.

The Fund’s functional and reporting currency is the RON, as it reflects the economic substance of the Fund’s underlying events and circumstances. See also, “Exchange Rate Information”.

Rounding. Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

HOME MEMBER STATE

Romania is the Home Member State of the Fund for the purposes of the Transparency Directive (Directive 2004/109/EC, as subsequently amended).

EXCHANGE RATE INFORMATION

The information relating to the exchange rates between RON and EUR/ RON and USD, are published by the National Bank of Romania (the “NBR”): <https://bnr.ro/Cursul-de-schimb-524.aspx>.

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PART 1
SUMMARY

This summary to the Prospectus contains all the information required to be included in a summary for this type of securities and issuer.

Summaries are made up of disclosure requirements known as “Elements.” These Elements are numbered in Sections A-D (A.1 – D.4). Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding that Element. In this case a short description of the Element is included in the summary with the mention of “not applicable.”

Section A — Introduction and warnings		
A.1	<i>Warning</i>	<p>This summary should be read as an introduction to the Prospectus and any decision to invest in the Securities should be based on a consideration of the Prospectus as a whole by the investor.</p> <p>The investor could lose all or part of the invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Securities. You are about to purchase a product that is not simple and may be difficult to understand.</p>
A.3	<i>The name and international securities identification number (ISIN) of the securities.</i>	<p>The Shares issued by the Fund are ordinary nominative shares issued in dematerialised form, evidenced in book entry form, each with a nominal value of RON 0.52, carry one vote in the Fund's general meeting of shareholders and grant equal rights to their holders. The Shares are admitted to trading on Tier 1 (currently Premium Category) of the spot regulated market managed by the Bucharest Stock Exchange under the symbol “FP” with the ISIN ROFPTAACNOR5.</p> <p>Since 29 April 2015, the GDRs have been listed on the London Stock Exchange – specialist fund Market under the symbol “FP.”, under ISIN US34460G1067.</p>
A.4	<i>The identity and contact details of the issuer, including its legal entity identifier (LEI)</i>	<p>The Fund is a retail closed-end investment fund under the AIF Law registered with and supervised by the FSA, incorporated and operating under the laws of Romania as a joint stock company, registered with the Trade Registry under number J40/21901/2005, having sole registration code 18253260, Legal Entity Identifier code 549300PVO1VWBFH3DO07. The registered office of the Fund is at 76-80 Buzesti Street, 7th floor, Bucharest 011017, Romania and the telephone number of the Fund's registered office is +40 21 200 96 00.</p> <p>The Fund's website is www.fondulproprietatea.ro. The information published on the website of the Fund is not part of the Prospectus, nor incorporated by reference in the Prospectus, unless otherwise set out herein.</p>
A.5	<i>The identity and contact details of the competent authority approving the Prospectus and, where</i>	<p>The Romanian Financial Supervisory Authority (having the registered office at 15 Splaiul Independenței, District 5, postal code 050092, Bucharest, Romania, fiscal registration code 31588130 and the following contact details: e-mail: office@asfromania.ro, fax number (+4) 021.659.60.51).</p>

	<i>different, the competent authority that approved the registration document or the universal registration document</i>													
A.6	<i>The date of approval of the Prospectus</i>	_____ 2021												
Section B — Issuer														
Who is the issuer of the securities?														
B.1	<i>Domicile and legal form, LEI code, the law under which it operates and its country of incorporation</i>	<p>The issuer of the Shares is Fondul Proprietatea S.A., a joint stock company incorporated under the laws of Romania with registered office at Bucharest, 76-80 Buzesti Street, 7th floor, District 1, Romania, registered with the Bucharest Trade Register under the number J40/21901/2005 having the sole registration code 18253260, LEI 549300PVO1VWBFH3DO07.</p> <p>The Fund which operates as a retail closed-end investment fund under the AIF Law is registered with the FSA under no. PJR09SIIR/400006 and qualifies as an alternative investment fund as defined under the Romanian law implementing the AIFM Directive.</p>												
B.2	<i>Principal activities of the issuer</i>	The domain of activity of the Fund is the one described by CAEN Code 643 – mutual funds and other similar financial entities and the main activity is financial investments - CAEN code 6430.												
B.3	<i>Major shareholders, including whether it is directly or indirectly owned or controlled and by whom</i>	<p>As at the date of this Prospectus, insofar as it is known to the Fund, the following shareholders own more than 5% of the voting rights in the Fund:</p> <table border="1"> <thead> <tr> <th>Shareholders</th> <th>Voting rights</th> <th>Latest disclosure of ownership</th> </tr> </thead> <tbody> <tr> <td>NN Group</td> <td>10.01%</td> <td>6 March 2020</td> </tr> <tr> <td>Silver Point Capital Funds</td> <td>5.07%</td> <td>4 May 2021</td> </tr> <tr> <td>Allianz-Tiriac private pension funds</td> <td>5.05%</td> <td>1 July 2019</td> </tr> </tbody> </table> <p><i>Source: Ownership disclosures submitted by the Fund's shareholders</i></p> <p>The Fund is not directly or indirectly owned or controlled by any entity or individual.</p>	Shareholders	Voting rights	Latest disclosure of ownership	NN Group	10.01%	6 March 2020	Silver Point Capital Funds	5.07%	4 May 2021	Allianz-Tiriac private pension funds	5.05%	1 July 2019
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Silver Point Capital Funds	5.07%	4 May 2021												
Allianz-Tiriac private pension funds	5.05%	1 July 2019												
B.4	<i>The identity of its key managing directors</i>	The alternative investment fund manager, (the “AIFM” and “Sole Director”) of the Fund is Franklin Templeton International Services S.à r.l., (“FTIS”) organized as a “société à responsabilité limitée” under Luxembourg law, qualifying as an alternative investment fund manager under Article 101-1 of the Luxembourg Act of 17 December 2010 on undertakings for collective investment, as amended, registered with the Luxembourg Register of Commerce and Companies under number B 36.979., LEI code 549300PVL6CYCWSH9C53, authorized by the Luxembourg competent authority (Commission de Surveillance du Secteur Financier). At the same time, FTIS is the sole director of the Fund pursuant to Company Law no. 31/1990, as subsequently amended (“Companies Law”).												

		<p>FTIS is registered in the register kept by the FSA under no. PJM07.1AFIASMDLUX0037/10 March 2016 in respect of its cross-border activities, as well as under number PJM08AFIASMS/400001 of 5 August 2019 with regard to the activities carried on through its Bucharest branch based in Bucharest, Str. Buzesti 76-80, floor8, district 1, sole registration code no. 40198471 registration number at Trade Registry J40/16822/2018.</p> <p>Starting with December 1, 2020, FTIS Luxembourg Sucursala Bucuresti performs the portfolio management and administrative activities for the Fund, while the risk management activities are performed by FTIS cross-border.</p>
B.5	<i>The identity of its statutory Auditors</i>	<p>The Fund appointed Deloitte Audit SRL as the Auditor of the Fund.</p> <p>The Auditor is member of the Chamber of Financial Auditors of Romania, registered in the Electronic Public Register of the Authority for Public Supervision of the Statutory Audit Activity with no. FA25.</p>

What is the key financial information regarding the issuer?

B.6	<i>Selected financial information</i>	<p>Key information regarding the NAV as at 30 June 2021</p> <table border="1"> <thead> <tr> <th>Share Class</th> <th>Total NAV Amounts in RON</th> <th>No. of Shares</th> <th>NAV/Share Amounts in RON</th> </tr> </thead> <tbody> <tr> <td>Ordinary shares*</td> <td>11,429 million</td> <td>5,918,548,522</td> <td>1,9309</td> </tr> </tbody> </table> <p>* The Fund is a closed-end investment company and does not issue different classes of shares. Source: Fondul Proprietatea</p> <p>Historical performance of the Fund</p> <table border="1"> <thead> <tr> <th>NAV* and share price developments**</th> <th>31 December 2020</th> <th>31 December 2019</th> <th>30 June 2021</th> <th>30 June 2020</th> </tr> </thead> <tbody> <tr> <td>Total NAV at the end of the period (RON million)</td> <td>10,266.9</td> <td>11,871.5</td> <td>11,428.7</td> <td>10,141.4</td> </tr> <tr> <td>Total NAV change in period (%)</td> <td>-13.5%</td> <td>+16.2%</td> <td>+11.3%</td> <td>-14.6%</td> </tr> <tr> <td>NAV per Share at the end of the period (RON)</td> <td>1.6974</td> <td>1.7339</td> <td>1.9309</td> <td>1.5622</td> </tr> <tr> <td>NAV per Share change in the period (%)</td> <td>-2.1%</td> <td>+23.0%</td> <td>+13.8%</td> <td>-9.9%</td> </tr> <tr> <td>Price per share at the end of the period (RON)</td> <td>1.4500</td> <td>1.2100</td> <td>1.8500</td> <td>1.2600</td> </tr> <tr> <td>Change in price per Share in the period (%)</td> <td>+19.8%</td> <td>+37.0%</td> <td>+27.6%</td> <td>+4.1%</td> </tr> <tr> <td>Price per GDR at the end of the period (USD)</td> <td>17.1000</td> <td>13.7000</td> <td>22.6000</td> <td>14.4000</td> </tr> <tr> <td>Change in price per GDR in the period (%)</td> <td>+24.8%</td> <td>+30.5%</td> <td>+32.2%</td> <td>+5.1%</td> </tr> </tbody> </table> <p>* NAV for the end of each period was computed in the last working day of the month based on local rules issued by the Romanian capital market regulator, and was reviewed and certified by the Depositary ** Period should be read as year 2020 / year 2019/ first semester of 2021 / first semester of 2020 Source: Fondul Proprietatea</p> <p>Statement of Comprehensive Income of the Fund</p> <table border="1"> <thead> <tr> <th>All amounts in RON</th> <th>Year ended 31 December 2020</th> <th>Year ended 31 December 2019</th> <th>6-month period ended 30 June 2021</th> <th>6-month period ended 30 June 2020</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Share Class	Total NAV Amounts in RON	No. of Shares	NAV/Share Amounts in RON	Ordinary shares*	11,429 million	5,918,548,522	1,9309	NAV* and share price developments**	31 December 2020	31 December 2019	30 June 2021	30 June 2020	Total NAV at the end of the period (RON million)	10,266.9	11,871.5	11,428.7	10,141.4	Total NAV change in period (%)	-13.5%	+16.2%	+11.3%	-14.6%	NAV per Share at the end of the period (RON)	1.6974	1.7339	1.9309	1.5622	NAV per Share change in the period (%)	-2.1%	+23.0%	+13.8%	-9.9%	Price per share at the end of the period (RON)	1.4500	1.2100	1.8500	1.2600	Change in price per Share in the period (%)	+19.8%	+37.0%	+27.6%	+4.1%	Price per GDR at the end of the period (USD)	17.1000	13.7000	22.6000	14.4000	Change in price per GDR in the period (%)	+24.8%	+30.5%	+32.2%	+5.1%	All amounts in RON	Year ended 31 December 2020	Year ended 31 December 2019	6-month period ended 30 June 2021	6-month period ended 30 June 2020					
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	Audited	Audited	Unaudited	Unaudited
(Loss) / Net gain from equity investments at fair value through profit or loss	(1,245,837,059)	2,270,241,487	1,189,630,743	(1,960,906,570)
Gross dividend income	1,218,657,007	942,894,907	655,136,481	1,151,212,033
Interest income	14,038,979	9,867,055	9,966,818	6,443,272
Other income, net	4,301,573	3,938,407	5,256,951	4,301,574
Net foreign exchange loss	(1,117,671)	(510,220)	(164,388)	(422,309)
Net Gain/(Loss) related to other financial instruments at fair value through profit or loss	-	-	(3,907,235)	423,026
Impairment losses on receivables, net	(170,681)	(10,345,916)	-	-
Net operating income	(10,127,852)	3,216,085,720	1,855,919,370	(798,948,974)
Operating expenses	(82,251,945)	(75,879,626)	(48,676,184)	(39,112,093)
Finance costs	(76,500)	(437,667)	(45,250)	(30,500)
(Loss)/ Profit before income tax	(92,456,297)	3,139,768,427	1,807,197,936	(838,091,567)
Income tax	(10,522,671)	(9,897,515)	(6,143,500)	(10,522,671)
(Loss)/ Profit for the period	(102,978,968)	3,129,870,912	1,801,054,436	(848,614,238)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	(102,978,968)	3,129,870,912	1,801,054,436	(848,614,238)
Basic and diluted earnings per Share	(0.0159)	0.4436	0.3015	(0.1271)
<i>Source: 2020 Audited Financial Statements and 2019 Audited Financial Statements of Fondul Proprietatea Unaudited Financial Statements as at 30 June 2021 and Unaudited Financial Statements as at 30 June 2020 of Fondul Proprietatea</i>				

Detail of Fund's AIFM management fees including performance fees and other material operating expenses set out in the statements of comprehensive income presented above:

All amounts in RON

	Year ended 31 December 2020	Year ended 31 December 2019	6 months ended 30 June 2021	6 months ended 30 June 2020
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	Audited	Audited	Unaudited	Unaudited
FTIS Base Fee	49,089,707	43,853,105	29,608,555	24,241,401
FTIS Distribution Fee related to dividend distributions to shareholders ¹	4,183,001	6,423,188	4,271,477	4,179,654
FTIS Performance Fee	1,959,906	21,154	4,934,648	664,005
Investment management fees recognized in profit or loss	55,232,614	50,297,447	38,814,680	29,085,060
FSA monthly fees	9,384,781	9,801,000	4,989,784	4,697,723
Legal and litigation assistance expenses	4,083,794	5,108,475	1,161,166	1,215,592
Intermediaries and other fees related to disposal of portfolio holdings	5,515,939	1,501,030	9,702	136,698
Board of Nominees remunerations and related taxes	1,376,217	1,407,175	721,392	723,690
Portfolio valuation services	1,630,453	1,297,291	572,852	572,405
Investors' relations expenses	396,314	845,075	29,733	309,211
Depositary Bank fees	569,074	672,860	279,718	301,453
External audit	651,912	615,899	389,542	463,921
Other operating expenses	3,410,847	4,333,374	1,707,614	1,606,340
Total operating expenses	82,251,945	75,879,626	48,676,184	39,112,093
FTIS Distribution fee related to buy-backs recognised in other comprehensive income ¹	10,674,300	4,402,209	2,096,558	4,535,275

¹ the distribution fee related to the buy-backs is recognised directly in equity as buy-backs acquisition cost while the distribution fee related to dividend distributions to shareholders is recognised through profit and loss
Source: Fondul Proprietatea

Statement of financial position of the Fund

	31 December 2020 Audited	31 December 2019 Audited	6 months ended 30 June 2021 Unaudited	6 months ended 30 June 2020 Unaudited
Assets				
Cash and current accounts	174,667	83,551	144,125	4,302,723
Distributions bank accounts	34,255,963	31,799,616	65,417,412	426,968,617
Deposits with banks	659,982,573	338,381,995	415,277,143	139,450,285
Government bonds	380,268,285	137,303,498	77,636,287	152,042,631
Dividends receivable	-	-	525,281,650	436,050,989
Equity investments	9,246,709,268	11,413,083,382	10,446,755,122	9,448,992,193
Other assets	613,444	332,386	4,134,521	553,904
Total assets	10,322,004,200	11,920,984,428	11,534,646,260	10,608,361,342
Liabilities				
Payable to shareholders	34,380,437	31,988,947	67,493,584	441,872,021
Other liabilities and provisions	20,704,337	17,543,492	38,485,553	25,113,613
Total liabilities	55,084,774	49,532,439	105,979,137	466,985,634
Equity				
Paid share capital	3,560,099,870	3,770,082,341	3,560,099,870	3,770,082,341

		Reserves related to the unpaid share capital	189,182,422	189,182,422	189,182,422	189,182,422
		Other reserves	539,400,224	536,545,225	1,205,768,885	772,571,346
		Treasury Shares	(1,086,443,209)	(446,008,591)	(1,300,445,193)	(909,505,251)
		Retained earnings	7,064,680,119	7,821,650,592	7,774,061,139	6,319,044,850
		Total equity	10,266,919,426	11,871,451,989	11,428,667,123	10,141,375,708
		Total liabilities and equity	10,322,004,200	11,920,984,428	11,534,646,260	10,608,361,342
		<i>Source: 2020 Audited Financial Statements and 2019 Audited Financial Statements of Fondul Proprietatea</i>				
		<i>Unaudited Financial Statements as at 30 June 2020 and Unaudited Financial Statements as at 30 June 2019 of Fondul Proprietatea</i>				
		Leverage effect	31 December 2020	31 December 2019	30 June 2021	30 June 2020
			Unaudited	Unaudited	Unaudited	Unaudited
		a) Gross method	91.34%	96.50%	92.09%	94.71%
		b) Commitment Method	100%	100%	100%	100%
		<i>Source: Fondul Proprietatea</i>				
What are the key risks that are specific to the issuer?						
B.7	<i>Risks that are specific to the issuer</i>	<p>Together with C.12 not to exceed 15</p> <p><i>Financial risks – Market risk</i> The market risk consisting in changes in market prices and rates, mainly in security prices, and also changes in interest rates or foreign exchange rates may affect the Fund's income and the value of its holdings. The value of equity investments in the Fund's portfolio may vary depending on the risks related to the companies in the Fund's portfolio.</p> <p><i>Financial risks – Liquidity risk</i> The liquidity risk consisting in the Fund's potential impossibility to pay its financial obligations as they fall due results from the fact that an important part of the Fund's assets are not liquid (the Fund's equity investments, including unlisted shares issued by companies domiciled in Romania, which are not traded on a regulated market and generally may be considered illiquid, as well as listed shares which are not traded regularly or in sufficient sizes). Therefore, the Fund may not be able to sell these categories of securities within the time limits imposed by its own liquidity requirements or may not be able to respond to specific events. <i>Risks related to companies in the Fund's portfolio - The Fund's investments are focused on a limited number of industrial sectors.</i> The Fund's performance and the NAV will depend largely on the overall condition of the industries and markets in which the companies in the Fund's portfolio operate, especially the electricity sector and oil and gas industry, the Fund's portfolio being concentrated in a limited number of sectors.</p> <p><i>Risks posed by global events</i> The spread of infectious diseases, such as COVID-19, could have a significant adverse impact on the Fund's operations and Fund's returns.</p>				
Section C – Securities						
What are the main features of the securities?						
C.1	<i>Type, class and ISIN</i>	<p>The Shares issued by the Fund, ISIN ROFPTAACNOR5, are ordinary nominative shares issued in dematerialised form, evidenced in book entry form.</p> <p>Each GDR (ISIN US34460G1067) represents 50 Shares.</p>				

C.2	<i>Their currency, denomination, nominal value, the number of securities issued and the term of the securities</i>	<p>The Shares have a nominal value of RON 0.52 and carry one vote in the Fund's general meeting of shareholders and grant equal rights to their holders.</p> <p>As at 31 October 2021, the total issued share capital of the Fund amounts to RON 3,334,342,422.84, divided into 6,412,196,967 Shares, among which 6,048,384,617 Shares are fully paid (of which 171,178,125 Shares are held as treasury Shares by the Fund) and 363,812,350 Shares (owned by the Romanian State) are unpaid and are blocked from trading until such time as they are fully paid.</p>
C.3	<i>The rights attached to the securities</i>	<p>The rights attached to the Shares are the following: (i) voting right; (ii) right to dividends; (iii) preference rights; (iv) right to information; (v) withdrawal right, (vi) squeeze-out and sell-out right; (vii) right to challenge the decisions of the GMS; (viii) right to participate in the distribution of assets in case of liquidation; (ix) right to secure registration and confirmation of the ownership of Shares issued by the Fund; and (x) other rights of the shareholders, as set out in the Constitutive Act of the Fund and the applicable law, such as those of shareholders having certain minimum holdings.</p> <p>The rights attached to GDRs are described within this Prospectus according to the terms and conditions of the GDR Deposit Agreement.</p>
C.4	<i>The relative seniority of the securities in the issuer's capital structure in the event of insolvency including, where applicable, information on the level of subordination of the securities and the potential impact on the investment in the event of a resolution under Directive 2014/59/EU;</i>	Not applicable
C.5	<i>Any restrictions on the free transferability of the securities</i>	<p>Ownership of Shares may be transferred freely under Romanian law. Transfers of Shares are subject to the regulations of the BSE and the clearing and settlement rules of the Central Depository.</p> <p>The GDRs are freely transferable in accordance with the laws and regulations applicable thereto as per the constitutive deeds, respectively as per the applicable regulations based on the trading on the LSE.</p>

<p>C.6</p>	<p><i>The dividend or pay-out policy</i></p>	<p>Cash distributions of the Fund are to be made in line with the Annual Cash Distribution Policy (the “ACDP”) (last revised on 11 August 2021) which may be revised by the AIFM after the consultation with the Board of Nominees, on an annual basis, in correlation to other on-going measures aimed at achieving the performance discount objectives assumed by the AIFM (e.g. buy-backs).</p> <p>Cash distributions in the form of dividends or in the form of capital returns (decrease of the nominal value per Share) are approved by the GMS of the Fund, following proposal by the AIFM made by applying the ACDP and in correlation with the other on-going discount control mechanism measures (e.g. buy-backs) in accordance with the Fund’s investment policy statement (the “IPS”).</p> <p>The IPS sets out the prudential rules governing the Fund's investment policy and sets out the purpose, investment objectives, as well as the decision-making process for investments selection, in line with the investment objectives. Initially, the IPS was set forth under Government Decision 1514/2008 approving the Regulation for the organization of the international tender for the appointment of the management company of Fondul Proprietatea S.A. and of the Terms of Reference of the tender, with the first such investment policy statement being applied as from 29 September 2010. It is currently approved by the Extraordinary General Meeting of the Fund's Shareholders, being reviewed as often as necessary by the AIFM together with the Board of Nominees.</p> <p>The AIFM intends to recommend to shareholders for their approval a cash distribution of at least RON 0.05 per Share in cash, on an annual basis, subject to any restrictions under Romanian legal or tax regulations and subject to available financing sources. Under exceptional market conditions or circumstances (e.g. events that may significantly impact the discount), the AIFM may propose a change of the mix of cash distribution and share buy-backs to allocate more of the distributable cash towards share buy-backs, if it considers this to be in the best interest of the Fund’s shareholders to enhance shareholder value. ACDP does not limit additional cash distributions and share buy-backs that can be recommended by the AIFM separately, subject to available financing sources, regulatory and corporate approvals and depending on the discount level, in accordance with the IPS and the discount control mechanism in the IPS.</p> <p>Cash distributions are paid to the shareholders on a pro rata basis, proportionately to their participation in the paid-up share capital of the Fund.</p> <p>Dividends distributions</p> <p>In the absence of exceptional market conditions or circumstances, and subject to any restrictions under Romanian law or tax regulations and subject to available financing sources, in case of dividend distributions (where permitted by applicable law), the distributable amount is calculated by the AIFM and proposed for shareholders’ approval as sum of the following elements:(i) the Fund's annual dividend income from portfolio companies, except special cash distributions, (ii) plus interest on cash balances, (iii) less operating, financing expenses and taxation and (iv) less compulsory allocations to reserves according to the regulations in force. The AIFM and Sole Director may propose the dividend level up to the amount computed as above, by considering the on-going measures imposed by discount objectives assumed by the AIFM and the available cash. Any dividend distribution will be based on audited financial statements.</p> <p>Return of capital</p> <p>In the case of a return of capital, the distributable amount will be based on the AIFM’s best estimate according to the latest available financial statements at the time of proposing the respective distribution for the shareholders’ approval, in line with the requirements set forth under the applicable legislation, including Art. 29 of AIF Law.</p>
<p><i>Where will the securities be traded?</i></p>		

C.7	<i>An indication as to whether the securities are or will be subject to an application for admission to trading on a regulated market or for trading on an MTF and the identity of all the markets where the securities are or are to be traded;</i>	<p>The Shares are admitted to trading on Tier 1 (currently Premium Category) of the spot regulated market managed by the Bucharest Stock Exchange under the symbol “FP” with the ISIN ROFPTAACNOR5.</p> <p>Since 29 April 2015, the GDRs have been listed on the London Stock Exchange – specialist fund Market under the symbol “FP.”, under ISIN US34460G1067.</p>
<i>Is there a guarantee attached to the securities?</i>		
C.8	<i>A brief description of the nature and scope of the guarantee;</i>	Not applicable
C.9	<i>A brief description of the guarantor, including its LEI;</i>	Not applicable
C.10	<i>The relevant key financial information for the purpose of assessing the guarantor’s ability to fulfil its commitments under the guarantee;</i>	Not applicable
C.11	<i>A brief description of the most material risk factors pertaining to the guarantor contained in the prospectus</i>	Not applicable
<i>What are the key risks that are specific to the securities?</i>		

C.1 2	<i>Risks that are specific to the securities</i>	<p><i>Together with B.7 not to exceed 15</i></p> <p>Price volatility of the Securities and liquidity may affect the performance of investments in the Fund.</p> <p>The Securities are traded and may continue to be traded at a discount to the NAV per Share and the price at which investors may dispose of their Shares or GDRs at any point in time may be negatively influenced by the level of the NAV discount.</p> <p>The Fund may be unable to maintain the level of dividends to be paid and investors may not receive the expected dividends upon the occurrence of extraordinary events, such as change in domestic and foreign economic conditions, increased operational expenses, changes in the laws and rules regarding assets, natural disaster and political situation..</p> <p>A suspension of trading in the Securities could affect the price of the Securities</p>
Section D – Offer and admission to trading		
<i>Under which conditions and timetable can I invest in this security?</i>		
D.1		This Prospect is not associated to a public offer of the Securities or with an admission to trading on any trading venue. This Prospectus has been prepared exclusively in relation to the authorisation of the Fund as a retail alternative investment fund in accordance with the AIF Law and the AIF Regulation (the “AIF Authorisation”).
<i>Who is the offeror and/or the person asking for admission to trading?</i>		
D.2		Not applicable
<i>Why is this prospectus being produced?</i>		
D.3	<i>Use and estimated net amount of proceeds</i>	The Fund will not receive any proceeds, as there is no public offer of Securities associated with the application for the AIF Authorisation under this Prospectus.
D.4	<i>Indication of whether the offer is subject to an underwriting agreement on a firm commitment basis, stating any portion not covered</i>	Not applicable
D.5	<i>Indication of the most material conflicts of interest pertaining to the offer or the admission to trading.</i>	Not applicable

PART 2 RISK FACTORS

An investment in the securities involves a high degree of risk. You should carefully consider the following information about these risks, together with the information contained elsewhere in this Prospectus, before deciding whether to invest in the securities. Any of the following risks, individually or together, could have a material adverse effect on the Funds business, financial condition and results of operations, and the trading price of the securities, and you could lose all or part of your investment.

The Fund has described the risks and uncertainties that its management believes are material, but these risks and uncertainties may not be the only ones the Fund faces. Additional risks and uncertainties, including those about which the Fund is currently not aware or which it deems immaterial, could have the effects set forth above. Prospective investors should be aware that the value of the Securities and any income from them (if any) may go down as well as up and that investors may not be able to realize their initial investment.

RISKS RELATED TO THE FUND

1 Financial Risks

The Fund's investment activity is exposed to the risks associated with the financial instruments and markets in which it invests. The main types of financial risks to which the Fund is exposed are market risk, liquidity risk and credit risk. The manner in which these financial risks may affect the Fund's performance are set out below.

Market Risk

In order to reach the investment objectives, in line with the IPS and the AIF Law (see PART 8 INVESTMENT POLICY AND OBJECTIVES), among others, the Fund holds listed shares in its portfolio (liquid and illiquid), shares not admitted to trading, current accounts in banks, investments in bank deposits, treasury certificates and government bonds with a fixed interest rate and initial maturities of up to one year and receivables and liabilities denominated in foreign currency (EUR, USD and GBP).

Changes in market prices and rates, including in respect of shares prices held by the Fund, interest rates applicable to the Fund's cash placed in bank deposits, treasury certificates and Government bonds and also the exchange rates of the currencies (EUR, USD and GBP) in which the Fund has current bank accounts and receivables and liabilities, affect the Fund's income or the value of financial instruments it holds, and implicitly the Fund's general performance, the Fund's NAV and/or the market price of Securities, the most significant such risk being related to holdings.

Price risk related to holdings

The price risk related to holdings is the risk that the value of such an instrument might fluctuate as a result of changes in market prices, caused by factors specific to the issuer or factors affecting all instruments traded in the market. The structure of the share portfolio as at 31 December 2020 is as follows: 17% investments in companies listed on the BSE, which are part of the BET-BK index and 83% investments in unlisted shares issued by Romanian companies as well as listed but illiquid shares, and the potential quantitative impact on the Fund's financial position, with negative effects on the Fund's overall performance, the Fund's NAV and / or the market price of Securities may be exemplified as follows

Assuming that all the other variables remain unchanged, for investments in listed and liquid shares, a +/- 10% change in the BET-BK index as at 31 December 2020 would have an impact on the profit or loss account of RON +/- 181,869,994.

For investments in unlisted shares, although the Fund's management considers its estimates of the fair value of these holdings to be appropriate, the use of different methodologies or assumptions might lead to a different valuation of the fair value. Thus, a change in the following unobservable input data used in the valuation as of 31 December 2020 would have the following effects on the profit and loss account:

Valuation technique used	Change in unobservable input data used in the valuation as at 31 December 2020	Impact on profit or loss account
Market method approach - comparable companies analysis (based on EBITDA multiple)	10% increase in EBITDA multiple	598,377,340
	10% decrease in EBITDA multiple	(598,377,340)
	Discount increase for a 10% lack of liquidity	(109,397,261)
	Discount reduction for a 10% lack of liquidity	109,397,261
The income approach - the discounted cash flow method	10% increase in EBITDA margin	250,540,000
	10% decrease in EBITDA margin	(125,320,000)
	0.50% increase in the weighted average cost of capital	(56,570,000)
	0.50% decrease in the weighted average cost of capital	120,150,000
	0.50% increase in the long-term revenue growth rate	91,650,000
	0.50% decrease in the long-term revenue growth rate	(43,210,000)

The sensitivity analysis above was performed for 97% of the total unlisted equity portfolio and is based on the assumption that all other variables remain constant.

Liquidity risk

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. Moreover, not all the shares listed on the BSE are considered to be liquid, since it is possible that these listed securities might not be traded regularly or in sufficient sizes. Although the Fund is a closed-end investment fund, where the related liquidity risk is less significant than in the case of an open-end fund, and the Fund applies a cautious liquidity risk management to maintain an optimal level of liquid assets in order to meet current liabilities, the liquidity risk still remains applicable to the Fund, as the Fund may not be able to sell certain investments in illiquid instruments (mentioned above) 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. If the Fund is required to liquidate all or a portion of an investment quickly, it may realize significantly less than the value at which the investment was previously recorded, which may lead to the inability of the Fund to raise sufficient cash in order to invest in more profitable assets or meet its financial obligations as they fall due.

Credit and counterparty risk

The Fund places cash in bank deposits, treasury certificates and government bonds with a fixed interest rate and initial maturities of up to one year. Non-fulfilment of contractual obligations by any of the Fund's counterparties may result in financial losses for the Fund, and consequently the decrease in the Fund's NAV and/or the market price of Securities.

Although the Fund addresses the credit risk by diversifying investments and by placing the Fund's cash in several banks, and the selection of these financial institutions is made and the exposure limits are set according to the credit ratings of these banks, the credit and counterparty risk to which the Fund is exposed results mainly from the relationship with the credit institutions where the Fund places cash. This risk may materialize in the event that one or more of these credit institutions becomes insolvent, with the effects mentioned below.

In the event of a bank's insolvency, cash held on deposit becomes an unsecured claim in the insolvency proceedings and must compete alongside the claims of other creditors from a limited pool of assets. Therefore, in the event that a bank holding the Fund's cash became insolvent, the Fund might not recover some or all of these amounts. This risk is increased by the fact that the vast majority of cash received by the Fund is denominated in RON and the range of banks offering RON deposit-taking services, and the quality of their credit ratings, is limited compared to more developed markets.

2. Risks posed by the Fund's portfolio companies

The Fund's investments are concentrated in a limited number of industry sectors

The companies in which the Fund holds investments operate in various industries, but the Fund's portfolio is significantly concentrated in the "Electricity Utilities: production", "Oil and Gas" and "Electricity and gas utilities:(distribution and supply)". Therefore, the Fund's performance and the NAV will depend largely on the overall condition of the industries and markets in which the companies in the Fund's portfolio operate and where the Fund's holdings are concentrated, especially the electricity industry, the oil and gas industry.

For instance, insofar as the oil and gas sector is concerned, a sustained decline in the real price of oil for an extended period of time could have a material adverse effect on the results of operations of the companies operating in the oil and gas industry and may lead such companies to alter, and in particular to reduce, their investments. Thus, oil price decline would negatively impact the business, results of operations and financial condition of the companies operating in this industry, and consequently have an adverse effect on the Fund's NAV and/or the market price of the Securities.

Regarding the companies in the Fund's portfolio operating in the electricity sector, they are subject to tariffs on the Romanian regulated market as set by ANRE. The change or maintenance of tariffs regulated by ANRE at a level that will not ensure the necessary income for these companies to cover their investment expenses or to maintain or improve the profit margins, or failure by the companies in the electricity sector to meet the operating and financial targets set by ANRE could have a material adverse effect on their business, results of operations, financial condition and prospects and consequently have an adverse effect on the Fund's NAV and the market price of the Securities.

Risks related to insolvency, liquidation, dissolution, reorganisation or bankruptcy of the companies in the Fund's portfolio

Most of the Fund's portfolio (over 90%) consists of investments in shares issued both by companies admitted to trading and by companies not admitted to trading. In the event of insolvency, liquidation, dissolution, reorganisation or bankruptcy of a company in the Fund's portfolio, the creditors of such company would typically be entitled to receive payment in full before distributions could be made in respect of the Fund's holdings as a shareholder. After repaying the creditors' receivables and any other senior debt, the relevant company in the Fund's portfolio may not have sufficient remaining assets to distribute to shareholders or to repay amounts owed in respect of the Fund's investment, if any. Thus, in addition to the market risk associated to the equity investments held in the portfolio companies, the Fund is also subject to the risk arising from the subordinated nature of its claims as a shareholder in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of portfolio companies, which, if materialized, would adversely affect the Fund's performance, the Fund's NAV and / or the market price of the Securities.

Risk related to holdings in majority State-owned companies

The Fund holds a number of significant holdings in companies that are majority State-owned (see PART 9 THE PORTFOLIO). Past experience indicates that management of these companies is often replaced whenever there are Government changes. Consequently, the development and implementation of a long-term strategy for these companies may take longer and may be more difficult than in the case of private companies. These particularities of companies with majority state capital can affect the financial results of the Fund's portfolio companies and implicitly their market value or the estimations of the fair value of the holdings in such companies which influence the Fund's overall performance, the Fund's NAV and /or the market price of Securities.

Risk of Government intervention in the Fund's investment strategy

Certain of the State-owned companies in which the Fund holds a significant shareholding (such as the energy companies) have national importance and are subject to national development strategies. A potential divesture by the Fund of its holdings in such nationally strategic companies may be dependent on the actions of or the prior consent of the Romanian Government or other relevant authority, which may cause delays in the Fund's investment decision making process and may adversely affect the performance of the portfolio, also contributing to the liquidity risk increase, with the consequences indicated in category 1 above on *Financial Risks*.

3 Risks related to global events

The spread of infectious diseases, such as COVID-19, could have a significant adverse impact on the Fund's operations and Fund's returns

The spread of infectious diseases, such as COVID-19, could have a significant adverse impact on the Fund's operations and Fund's returns.

The widespread nature of the COVID-19 outbreak and the measures taken to contain the spread continue to have a significant impact on global economic activity and it is likely to reverberate for several quarters. A partial recovery is projected for 2021, but the level of GDP will remain below the pre-virus trend, with considerable uncertainty about the strength of the rebound. Many countries have taken decisive steps, such as prompt monetary and fiscal policy responses. Central banks in the United States and Europe have started cutting interest rates and the NBR has also joined the trend and has adjusted the monetary policy to lower interest rates.

The fiscal and monetary policy measures implemented to mitigate the current situation are unprecedented. Governments around the world, including Romania, are taking extensive action to support their economies, from benefits on long-term unemployment to packages targeting small businesses, hospitals and healthcare centers, which will certainly increase short-term budgeting constraints. It is difficult to predict what the global or Romanian economy will look in a few months, as there are still many unknown factors at the moment and there can be no assurance that governmental or other actions would result in prompt and adequate improvement of such market conditions in the future, should the situation deteriorate further or further restrictions are imposed, or current or new restrictions persist for a prolonged period of time. The management cannot anticipate all events that might have an impact on the Romanian economy and, consequently, the possible effects on the Fund's performance and financial statements, if the case. Given that at the date of this Prospectus, the Covid-19 pandemic is ongoing and its magnitude and economic impact remain unknown, the management cannot reliably estimate the impact on the Fund's financial statements, future diminution of financial markets liquidity and the devaluation of financial assets, caused by the increased volatility of capital and foreign exchange markets in this context.

4 Risks related to the Securities

Price volatility of the securities and liquidity may affect the performance of investments in the Fund

The share or GDR price of listed companies can be highly volatile and their shares and GDRs may have limited liquidity. Equity market conditions are also affected by many factors, such as the general economic, political or regulatory outlook, movements in or the outlook for interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital. Trading in the Shares or GDRs by other investors, such as large purchases or sales of Shares or GDRs, may also affect the price of the Shares or the GDRs. Accordingly, the market price of the Shares or GDRs may not reflect the underlying value of the Fund's investments and the price at which investors may dispose of their Shares or GDRs at any point in time may be influenced by a number of factors, only some of which may pertain to the Fund while others may be outside the Fund's control.

The Securities are traded and may continue to be traded at a discount to the NAV per Share

Market participants expectations may cause the Shares of the Fund to be traded at a discount to the NAV per share of the Fund and investor returns may be negatively affected by such market factors.

The Fund may not pay dividends or cash distributions in the future and GDR Holders may be subject to limitations or delays in repatriating their earnings from distributions made on the underlying Shares

The Fund's ability to distribute dividends according to the **IPS** (see **PART 7 DIVIDENDS POLICY**) to its shareholders and GDR holders will depend on the Fund's financial position, including on the available cash resources, future profits, including the portfolio companies' capacity to declare and pay dividends and interest on cash balances, as well as on the Fund's capital requirements, the restrictions imposed under the general legislation on companies, which for instance, prohibits the distribution of dividends in the event of a negative net asset value, or the tax legislation and prudential regulations, and other factors that the Sole Director and AIFM and/or shareholders deem to be important from time to time, or the measures taken by the Sole Director and the AIFM through the Discount Control Mechanism (for example, Shares buy-back). Changes in any of the variables that adversely affect the Fund or, in general, the occurrence of extraordinary events, such as changes in domestic or international economic conditions, natural disasters or the deterioration of the political situation, including conflicts or political uncertainties, may limit the Fund's ability to distribute dividends. Thus, investors may not receive the expected dividends. If the Fund does not distribute dividends, or the distributed dividends are not at the level expected by investors, even the price of the Securities may be adversely affected.

In particular, the value of dividends received by foreign shareholders would also be subject to fluctuations in the exchange rate. Similarly, the value of dividends received by GDR Holders will be subject to fluctuations in the

exchange rate between the RON and the US dollar. Such fluctuations could have an adverse effect on the price of the GDRs.

Furthermore, even though current Romanian legislation permits distributions in RON to be converted into US dollars by the GDR Depositary without restriction, the ability to convert RON into US dollars is subject to the availability of US dollars in Romanian currency markets. Although there is an existing, albeit limited, market within Romania for the conversion of RON into US dollars, including the interbank currency exchange and over-the-counter and currency futures markets, further development of this market is uncertain. Furthermore, the NBR could also impose certain restrictions and requirements with respect to foreign currency operations carried out in Romania, which, in their turn, may limit, at least in time, the receipt of dividends by the GDR Holders.

A suspension of trading in the Shares could affect the price of the Securities

The FSA is authorised to suspend or request the relevant regulated market on which securities are admitted to trading to suspend such securities from trading for a period not exceeding 10 consecutive business days, if the authority has reasonable indications that its regulations are breached or the relevant issuer's situation is such that continued trading would be detrimental to investors' interests. The FSA is further authorised to instruct the BSE to suspend trading in an issuer's securities in connection with measures taken against market manipulation and insider trading. The BSE may request the suspension of trading in securities which no longer comply with the rules of the regulated market unless such a step would likely cause significant damage to investors' interests or the market's orderly functioning. In addition, if the BSE does not do so, the FSA can also demand the suspension of trading in securities if it is in the interest of the orderly functioning of the market and does not impair investors' interests. Under extraordinary circumstances, upon the issuer's request and exclusively in order to prevent the use of non-public information prior to its official release, the BSE may decide to suspend trading in the requesting issuer's securities for a determined period of time. Upon receiving reports containing information on corporate events likely to significantly influence the securities' price or yield or the decision to invest, the BSE may decide to suspend such securities from trading for at least 15 minutes from the distribution of such reports until the end of the trading session. In exceptional cases, the BSE may suspend trading for a longer period of time, over one or more trading sessions, in order to ensure the protection of investors or the maintaining of an orderly market. Frequent suspensions of trading in the Shares may limit the investors' possibility to sell the Shares when they want. Any suspension of trading in the Shares could affect the GDR price.

Shareholders or GDR holders in certain jurisdictions may not be able to exercise their pre-emptive rights and ownership interests may therefore be diluted

In order to raise funding in the future, the Fund may issue additional Shares, including in the form of GDRs. Generally, existing holders of ordinary shares in Romanian companies are in certain circumstances entitled to pre-emptive rights on the issue of new ordinary shares as described in DESCRIPTION OF THE SHARE CAPITAL of the Prospectus. However, shareholders or GDRs Holders in certain jurisdictions may not be able to exercise pre-emptive rights with respect to any new equity issuances by the Fund unless the offer of Securities meets the applicable securities law requirements in such jurisdiction or an exemption from such requirements is available. The Fund is unlikely to adhere to such requirements and an exemption may not be available. Accordingly, such shareholders from other jurisdictions or GDR Holders may not be able to exercise their pre-emptive rights on future issuances of Shares or GDRs, and, as a result, their percentage ownership interests in the Fund would be reduced.

Changes in Romanian regulatory policy with respect to the placement and circulation of the Shares outside Romania in the form of GDRs or otherwise may negatively affect the market for the GDRs

Romanian securities regulations provide that no more than one third of the aggregate number of shares issued by the relevant Romanian company may be circulated in the form of GDRs. The FSA may grant exemptions from this rule where necessary to ensure that the minimum necessary conditions are met for the admission and maintenance to trading on a Romanian regulated market, depending inter alia on the relevant Romanian company's share capital and the shareholding structure. There can be no assurance that the Fund will be able to obtain approval for a deposit of a greater number of the Shares with the GDR Depositary under the Fund's GDR facility. As a result, once these thresholds have been reached, it may not be possible to deposit the Shares with the GDR Depositary under the Fund's GDR facility to receive GDRs and under certain circumstances an investor may be

required to withdraw Shares from the Fund's GDR facility, which may in either case affect the liquidity and the value of the GDRs.

Voting rights with respect to GDRs' underlying Shares are subject to procedural steps and practical limitations imposed by the terms of the GDR Deposit Agreement and the relevant requirements of Romanian law

The GDRs' holders have no direct voting rights with respect to the Shares represented by the GDRs. However, they may exercise their voting rights with respect to the Shares represented by the GDRs only in accordance with the provisions of the terms and conditions of the GDRs and the relevant requirements of Romanian law. There are, therefore, practical limitations upon the ability of the GDR Holders to exercise their voting rights due to the additional procedural steps involved in communicating with them.

Thus, in order to exercise their voting rights, the GDR Holders must instruct the GDR Depositary how to vote with respect to the Shares represented by the GDRs they hold. Because of this additional procedural step involving the GDR Depositary, the process for exercising voting rights may take longer for GDR Holders than for holders of the Shares, and the Fund cannot assure the GDR Holders that they will receive voting materials in time to enable them to return voting instructions to the GDR Depositary in a timely manner. The GDR Depositary will not vote on GDRs if it does not receive complete, legible and clear voting instructions within the time period established by it. Furthermore, whilst Romanian securities regulations expressly permit the GDR Depositary to split the votes with respect to the shares underlying the GDRs in accordance with instructions from GDR Holders, there is no court or regulatory guidance on the application of such regulations. The GDR Holders may therefore have significant difficulty in exercising voting rights with respect to the shares underlying the GDRs. There can be no assurance that holders and beneficial holders of GDRs will (i) receive notice of shareholders' meetings to enable the timely return of voting instructions to the GDR Depositary, (ii) receive notice to enable the timely conversion of GDRs or (iii) shall have the right to oppose or the minority shareholders' rights with respect to an event or action in which the holder or beneficial owner has voted against, abstained from voting or not given voting instructions. The GDR Depositary is only required to execute the voting instructions of the GDR Holders insofar as practicable and as permitted under applicable law. In practice, GDR Holders may not be able to instruct the GDR Depositary to: (i) vote on the Shares represented by their GDRs on a cumulative basis, (ii) introduce proposals for the agenda of shareholders' meetings or request that a shareholders' meeting be called or (iii) nominate candidates for the board of nominees or for other positions of the Fund's management bodies. If GDR Holders wish to take such actions, they should request in a timely manner that their GDRs be cancelled and instead take delivery of the Shares and thus become the holders of the Shares on the Fund's share register.

PART 3
USE OF PROCEEDS

The Fund will not receive any proceeds, as there is no offer associated with the application for the AIF Authorisation under this Prospectus.

PART 4 SELECTED FINANCIAL INFORMATION

1 Introduction / General relevant information

The financial information in the Prospectus consists of the 2020 Audited Financial Statements along with comparative data of the same period of the previous financial year, i.e. 31 December 2019, as well as the Unaudited Financial Statements as at 30 June 2021 and the comparative data of the same period of 2020.

The 2019 audited financial statements of the Fund and the 2020 Audited Financial Statements as well as the unaudited financial statements corresponding to the first semester ending as at 30 June 2021, 30 June 2020 respectively, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The 2019 audited financial statements were approved by the shareholders in the OGMS held on 28 April 2020 while the 2020 Audited Financial Statements were approved by the shareholders in the OGMS of 28 April 2021. The Auditor’s report on the 2019 audited financial statements was issued on 26 February 2020 while the report on the 2020 Audited Financial Statements was issued on 22 February 2021.

The 2020 Audited Financial Statements, including the Auditor’s report are included by reference in this Prospectus. Information about the documents incorporated by reference is also included in PART 21 GENERAL INFORMATION of this Prospectus.

There is no other information than the one mentioned above related to the Fund included in the Prospectus which was audited by the Auditor.

The financial information included in this Prospectus has to be read together with the aforementioned 2020 Audited Financial Statements and, where appropriate, together with the accompanying notes thereto.

The 2020 Audited Financial Statements are presented in Romanian Lei (RON), unless otherwise specified, which is the functional currency of the Fund. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2 Key Financial Information

Key information regarding the NAV, share price and discount as at 31 December 2020, 31 December 2019, 30 June 2021 and 30 June 2020.

	31 December 2020	31 December 2019	30 June 2021	30 June 2020
NAV/Share	RON 1.6974/EUR 0.3486 / USD 0.4280	RON 1.7339/EUR 0.3628 EUR / USD 0.4070	RON 1.9309 / EUR 0.3919 / USD 0.4661	RON 1.5622 / EUR 0.3226 / USD 0.3613
Share price	RON 1.4500 / EUR 0.2978 / USD 0.3656	RON 1.2100 / EUR 0.2532 / USD 0.2840	RON 1.8500 / EUR 0.3755 / USD 0.4466	RON 1.2600 / EUR 0.2602 / USD 0.2914
GDR Price (1 GDR = 50 Shares)	RON 67.82 / EUR 13.93 / USD 17.10	RON 58.37 / EUR 12.21 / USD 13.70	RON 93.62 / EUR 19.00 / USD 22.60	RON 62.26 / EUR 12.86 / USD 14.40
Share price discount ¹	14.58%	30.22%	4.19%	19.34%
GDR price discount	20.09%	32.67%	3.03%	20.30%
FUND NAV	RON 10.27 billion / EUR 2.11 billion / USD 2.59 billion	RON 11.87 billion / EUR 2.48 billion / USD 2.79 billion	RON 11.43 billion / EUR 2.32 billion / USD 2.76 billion	RON 10.14 billion / EUR 2.09 billion / USD 2.35 billion
Market capitalization (excluding buyback of treasury shares)	RON 8.77 billion / EUR 1.80 billion / USD 2.21 billion	RON 8.28 billion / EUR 1.73 billion / USD 1.94 billion	RON 10.95 billion / EUR 2.22 billion / USD 2.64 billion	RON 8.18 billion / EUR 1.69 billion / USD 1.89 billion
Average daily value of transactions on the BSE ²	RON 9.67 million / EUR 1.99 million / USD 2.44 million	RON 5.27 million / EUR 1.10 million / USD 1.24 million	RON 3.38 million / EUR 0.67 million / USD 0.82 million	RON 4.16 million / EUR 0.86 million / USD 0.96 million
Average daily value of transactions on the LSE ²	RON 4.94 million / EUR 1.01 million / USD 1.24 million	RON 0.89 million / EUR 0.19 million / USD 0.21 million	RON 1.67 million / EUR 0.34 million / USD 0.41 million	RON 3.89 million / EUR 0.80 million / USD 0.90 million

Source: Fondul Proprietatea ¹ The current discount values are calculated based on the NAV as at 31 December 2020 / 31 December 2019 / 30 June 2021 / 30 June 2020

² For the period: BSE: 2 December – 30 December 2020/1 – 31 December 2019; / June 2 – 30 June 2021; 2 June – 30 June 2020; LSE: 1 December – 31 December 2020/ 2 January – 31 December 2019// 1 June – 30 June 2021; 1 June – 30 June, 2020

Statement of Comprehensive Income

All amounts in RON	Year ended	Year ended	6 months ended	6 months ended
	31 December 2020	31 December 2019	30 June 2021	30 June 2020
	Audited	Audited	Unaudited	Unaudited
Net (loss) gain from equity investments at fair value through profit or loss	(1,245,837,059)	2,270,241,487	1,189,630,743	(1,960,906,570)
Gross dividend income	1,218,657,007	942,894,907	655,136,481	1,151,212,033
Interest income	14,038,979	9,867,055	9,966,818	6,443,272
Other income, net	4,301,573	3,938,407	5,256,951	4,301,574
Impairment losses on receivables, net	(170,681)	(10,345,916)	-	-
Net gain (loss) from other financial instruments at fair value through profit or loss			(3,907,235)	423,026
Net foreign exchange loss	(1,117,671)	(510,220)	(164,388)	(422,309)
Net operating income	(10,127,852)	3,216,085,720	1,855,919,370	(798,948,974)
Operating expenses	(82,251,945)	(75,879,626)	(48,676,184)	(39,112,093)
Finance costs	(76,500)	(437,667)	(45,250)	(30,500)
(Loss) Profit before income tax	(92,456,297)	3,139,768,427	1,807,197,936	(838,091,567)
Income tax	(10,522,671)	(9,897,515)	(6,143,500)	(10,522,671)
(Loss)/ Profit for the period	(102,978,968)	3,129,870,912	1,801,054,436	(848,614,238)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	(102,978,968)	3,129,870,912	1,801,054,436	(848,614,238)
Basic and diluted earnings per share	(0.0159)	0.4436	0.3015	(0.1271)

Source: 2020 Audited Financial Statements and 2019 Audited Financial Statements of Fondul Proprietatea

Unaudited financial statements as at 30 June 2021 and Unaudited financial statements as at 30 June 2020 of Fondul Proprietatea

Statement of financial position

All amounts in RON	31 December 2020	31 December 2019	30 June 2021	30 June 2020
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	Audited	Audited	Unaudited	Unaudited
Assets				
Cash and current accounts	174,667	83,551	144,125	4,302,723
Distributions bank accounts	34,255,963	31,799,616	65,417,412	426,968,617
Deposits with banks	659,982,573	338,381,995	415,277,143	139,450,285
Government bonds	380,268,285	137,303,498	77,636,287	152,042,631
Dividend receivables			525,281,650	436,050,989
Equity investments	9,246,709,268	11,413,083,382	10,446,755,122	9,448,992,193
Other assets	613,444	332,386	4,134,521	553,904
Total assets	10,322,004,200	11,920,984,428	11,534,646,260	10,608,361,342
Liabilities				
Payable to shareholders	34,380,437	31,988,947	67,493,584	441,872,021
Other liabilities and provisions	20,704,337	17,543,492	38,485,553	25,113,613
Total liabilities	55,084,774	49,532,439	105,979,137	466,985,634
Equity				
Paid share capital	3,560,099,870	3,770,082,341	3,560,099,870	3,770,082,341
Reserves related to the unpaid share capital	189,182,422	189,182,422	189,182,422	189,182,422
Other reserves	539,400,224	536,545,225	1,205,768,885	772,571,346
Treasury shares	(1,086,443,209)	(446,008,591)	(1,300,445,193)	(909,505,251)
Retained earnings	7,064,680,119	7,821,650,592	7,774,061,139	6,319,044,850
Total equity	10,266,919,426	11,871,451,989	11,428,667,123	10,141,375,708
Total liabilities and equity	10,322,004,200	11,920,984,428	11,534,646,260	10,608,361,342

Source: 2019 Audited Financial Statements of the Fund and 2020 Audited Financial Statements of Fondul Proprietatea

Unaudited Financial Statements as at 30 June 2021 / 30 June 2020 of Fondul Proprietatea

Statement of cash flows

All amounts in RON	Year ended 31 December 2020	Year ended 31 December 2019	6 month ended 30 June 2021	6 month ended 30 June 2020
Cash flows from operating activities	Audited	Audited	Unaudited	Unaudited
Dividends received (net of withholding tax)	1,207,910,543	1,059,655,125	123,712,126	704,598,887
Proceeds from disposal of equity investments	920,634,404	200,906,333	-	3,184,619
Proceeds from transactions with treasury bills and bonds	252,957,872	188,627,069	419,739,079	101,199,715
Interest received	12,328,285	9,539,497	11,181,105	6,838,428
Amounts collected from the GDR Depositary	4,215,191	3,903,730	-	4,215,191
Acquisition of treasury bills and bonds	(530,280,208)	(174,521,938)	(122,297,124)	(151,490,418)
Suppliers and other taxes and fees paid	(114,065,852)	(103,234,951)	(45,939,561)	(43,316,787)
Subscriptions to share capital increase of portfolio companies	(512,460)	(6,330,030)	(10,055,720)	-
Other payments, net	(1,310,131)	(1,366,555)	290,877	(685,782)
Net cash flows from operating activities	1,751,877,644	1,177,178,280	376,630,782	624,543,853
Cash from financing activities				
Dividends paid (net of withholding tax)	(395,298,925)	(599,767,099)	(380,387,190)	(5,370,214)
Buy-back of treasury shares (acquisition cost)	(1,065,217,543)	(440,362,147)	(209,778,981)	(451,493,023)
Payments to shareholders related to the return of capital	(2,717,792)	(3,142,228)	-	(2,712,095)
Guaranty placed with broker for public buy-back tender offer			-	-
Payment of fees related to the short term bank loans	(74,950)	(486,578)	(45,500)	(36,200)
	(1,463,309,210)	(1,043,758,052)	(590,211,671)	(459,611,532)
Net increase of cash and cash equivalents	288,568,434	133,420,228	(213,580,889)	164,932,321
Cash and cash equivalents at the beginning of the period	405,776,121	272,355,893	694,344,555	405,776,121
Cash and cash equivalents at the end of the period	694,344,555	405,776,121	480,763,666	570,708,442

Source: 2020 Audited Financial statements of the Fund and 2019 Audited Financial Statements of Fondul Proprietatea

Unaudited Financial Statements as at 30 June 2021 and unaudited financial statements as at 30 June 2020 of Fondul Proprietatea

Detail of Fund's Operating expenses included in Statements of comprehensive income presented above:

Operating expenses (in RON) <i>All amounts in RON</i>	Year ended 31 December 2020	Year ended 31 December 2019	6 month period ended 30 June 2021	6 month period ended 30 June 2020
	Audited	Audited	Unaudited	Unaudited
FTIS Base Fee	49,089,707	43,853,105	29,608,555	24,241,401
FTIS Distribution Fee related to dividend distributions to shareholders ¹	4,183,001	6,423,188	4,271,477	4,179,654
FTIS Performance Fee	1,959,906	21,154	4,934,648	664,005
Legal and litigation assistance expenses	4,083,794	5,108,475	1,161,166	1,215,592
Portfolio valuation services	1,630,453	1,297,291	572,852	572,405
Investors' relations expenses	396,314	845,075	29,733	309,211
Board of Nominees activity expenses	416,858	638,637	231,135	249,056
External audit	651,912	615,899	389,542	463,921
Other third-party expenses	1,822,268	2,113,277	539,003	885,716
FSA monthly fees	9,384,781	9,801,000	4,989,784	4,697,723
Intermediaries and other fees related to disposal of portfolio holdings	5,515,939	1,501,030	9,702	136,698
Board of Nominees remunerations and related taxes	1,376,217	1,407,175	721,392	723,690
Depository bank fees	569,074	672,860	279,718	301,453
Other operating expenses	1,171,721	1,581,460	937,476	471,568
Total Operating expenses	82,251,945	75,879,626	48,676,184	39,112,093
FTIS Distribution Fee related to buy-backs of treasury shares ¹	10,674,300	4,402,209	2,096,558	4,535,275

¹The Distribution Fee related to the buy-backs is recognised directly in equity as buy-backs acquisition cost while the Distribution Fee related to dividend distributions to shareholders is recognised through profit and loss

Source: internal accounting and reporting systems supporting the preparation of financial statements of Fondul Proprietatea

Leverage effect	31 December 2020 Unaudited	31 December 2019 Unaudited	30 June 2021 Unaudited	30 June 2020 Unaudited
a) Gross method	91.34%	96.50%	92.09%	94.71%
b) Commitment method	100%	100%	100%	100%

Source: Fondul Proprietatea

3 Profit forecasts or estimates

In accordance with the Fund's Forecast Policy which is available on the Fund's website (without being incorporated by reference into this Prospectus), the Fund prepares annual budgets only and does not provide any financial forecast other than the mandatory annual budgets approved by the Fund's shareholders. If not legally required, no forecast or estimate is made public in addition to these annual budgets, except for the cases where either the Fund's Sole Director or the regulatory bodies consider that additional forecasts and estimates should be presented in the Fund's Sole Director periodical reports or other public presentations (e.g. GMS materials). No such forecast has been presented at the date of this Prospectus and this Prospectus does not include a profit forecast or estimate by the Fund in addition to the information included in the 2021 Budget.

2021 Budget of the Fund

The 2021 Budget of Income, Expenses and Capital Expenditure of the Fund (the "2021 Budget") was prepared in August 2020, based on the IFRS as endorsed by the European Union, in a consistent manner with the Fund's accounting policies. The 2021 Budget was prepared using actual historical information available for the period up

to 31 July 2020 and considering the assumptions presented below. The 2021 Budget was approved by the Fund's shareholders during the OGMS held on 13 November 2020.

According to the main assumptions of the 2021 Budget, there are certain categories of income and expenses which cannot be budgeted. The **main unbudgeted categories** are the following:

- **Foreign exchange gains or losses** were not forecasted, as future exchange rates cannot be reasonably estimated.
- **Changes in fair value of financial instruments** were not forecasted, as future stock prices cannot be reasonably estimated.
- **Gains or losses from changes in portfolio** were not forecasted, as acquisitions, disposals, participation in share capital increases of portfolio companies cannot be reasonably estimated.

According to the accounting policy, the distribution fees related to buy-backs and other related costs, such as, brokerage fees and regulatory fees are recognized in other comprehensive income. Starting with the 2021 budget, these expenses were presented on a separate line, and the 2020 budget was restated for comparability purposes.

<i>All amounts are in RON</i>	2021 Budget
I. BUDGETED INCOME FROM CURRENT ACTIVITY	336,997,861
Net dividend income	324,040,582
BNY Mellon ¹ income	4,296,475
Interest income	
II. BUDGETED EXPENSES FROM CURRENT ACTIVITY	82,719,519
Third-party service providers' expenses	64,694,042
Commissions and fees (including FSA fees)	10,157,139
Investor relations expenses	2,360,909
Public relations expenses	1,398,303
Board of Nominees remunerations ²	1,447,380
Bank fees and distribution to shareholders fees (including depositary fees)	547,909
Finance costs	91,250
Amortisation expenses	90,390
Insurance expenses	362,370
Other expenses	1,569,827
III. GROSS PROFIT	254,278,342
Profit tax	-
IV. NET PROFIT	254,278,342
Other comprehensive income elements	
Distribution fees and other costs related to buy-backs of treasury shares recognized in other comprehensive income elements ³	4,140,795
VI. CAPITAL EXPENDITURE	542,341
Intangible assets	542,341

Source: 2021 Budget

Main assumptions for the 2021 Budget

Please note that the following assumptions used in the preparation of the 2021 budget are not necessarily the intended future course of actions of the management of Fondul Proprietatea.

¹ The Bank of New York Mellon – the depositary for global depositary receipts facility (“GDR”)

² The Financial Supervisory Authority in Romania

² The remunerations mentioned in the 2021 budget include the taxation and all related contributions that were transferred from the employer to the employee starting with 1 January 2018.

³ Distribution fees and other costs related to buy-back programs, such as brokerage fees and other regulatory fees, are recognized directly in equity as part of the acquisition cost of buy-back shares while the distribution fees related to dividend distributions to shareholders are recognized in the profit or loss account.

A. Investment management related assumptions

Acquisitions and disposals of equity investments

For simplicity purposes, the 2021 budget was prepared without taking into consideration the financial impact of potential changes in the portfolio (i.e. acquisitions, disposals, participation in share capital increases of portfolio companies) during the period August 2020 to December 2021, except for the impact of the sale of the holdings in OMV Petrom SA and Nuclearelectrica SA, which have already been settled.

However, the planning and execution of acquisitions and disposals of equity investments requires careful and timing preparation, considering the developments within the financial markets and extraneous circumstances. The high volatility of the Romanian capital market and the unpredictability of political and macroeconomic developments made it impossible to foresee with reliable certainty when or if certain transactions will occur within the period extending 17 months forward from the date of preparation of the 2021 budget.

Nevertheless, given that the AIFM is pursuing an active investment strategy, opportunities over the year may arise to acquire or dispose of some investments. The execution of such transactions is likely to incur certain external third-party costs and, in case of disposals, would generate gains or losses on disposal.

Budget revisions with each transaction related to acquisitions or disposals of assets are impractical, inefficient and can negatively affect a potential transaction. Additionally, such transactions may be price sensitive and confidential. Given the highly competitive and dynamic nature of financial markets, any disclosure of planned transactions within the Fund's portfolio may have a negative impact on the performance of the Fund and on the potential returns to its shareholders.

Consequently, the shareholders granted the AIFM the power to incur on behalf of the Fund expenses related to the execution of acquisitions and disposals of equity investments and participation in share capital increases of portfolio companies, even if this will result in exceeding the total 2021 budget. These expenses can include intermediary fees of brokers or investment banks, market authorities' fees, lawyers, public notaries, other advisors' costs, as well as other related expenses, commissions, or fees.

Other investment assumptions

The 2021 budget has been prepared based on the following assumptions:

- The 2021 dividend income was discussed and agreed with the investment management team and the conclusion was that the best approach was to estimate its level based on the 2020 budgets of the portfolio companies, if available, and taking into account a certain dividend distribution rate, or a level similar to that of the 2020 dividend and by taking into account actual disposals of holdings (for the 7 months ended 31 July 2020, including the impact of holdings disposals made after this date and already settled) and excluding special dividends;
- The collection of dividends from the portfolio companies during 2021 is expected to generally follow the previous year's collection pattern;
- The portfolio structure will remain constant from 31 July 2020 until the end of 2021, (adjusted for the impact of holdings disposals made after this date and already settled);
- All available cash will be invested in money market instruments at an average interest rate of 1.5% (based on the average interest rates of Fund's bank deposits and Government securities for the period January to July 2020);
- Valuation of unlisted portfolio holdings will remain constant based on the NAV as at 31 July 2020.

B. Buy-back programmes

For simplicity purposes, the 2021 budget was prepared taking into consideration that there will be a buy-back programme ongoing during the period January – December 2021 and that no other buy-back programmes will take place during 2021 (except for the ones already approved or subject to shareholders' approval), so no other expense related to such transactions will be included in the 2021 budget.

The 2021 budget includes the assumption that the eleventh buy-back programme would be closed at the end of 2020, and a new buy-back programme will be subject of shareholders' approval. The cancelation of Shares acquired during the eleventh buy-back programme is expected to be on the agenda of the annual general meeting of shareholders and to be effective during 2021.

The 2021 budget also includes the assumption regarding the twelfth buy-back programme, submitted to shareholders' approval on 13 November 2020 and which refers to the acquisition of maximum 800,000,000 Shares starting with 1 January 2021 and ending on 31 December 2021. This buy-back programme implementation will be subject to the availability of the necessary financing resources.

Any buy-back programme of the Fund's Shares and their subsequent cancellation may have an impact on the Fund's expenses and equity, such as FTIS fees for distributions, depositary trade settlement fees, other related fees and costs and profit tax expenses (if applicable).

Based on the current assumptions used in the budget preparation, the estimated costs (brokerage fees, regulatory fees, distribution fees and other related costs) regarding the twelfth buy-back programme may amount up to RON 11 million.

Due to the fact that it is impossible to reasonably estimate these types of expenses in a period extending 17 months forward from the date of preparation of the 2021 budget, and it is impractical to continually update the 2021 budget, the shareholders granted the AIFM the power to incur any costs related to any buy-back programs approved by shareholders, even if this will result in exceeding the total expenses approved in the 2021 budget. This includes the impact of any potential public buy-back offer that may be organized during the period.

C. Borrowings

For simplicity purposes, the 2021 budget was prepared without taking into consideration the financial impact of potential bank loans/ credit facility utilizations that the Fund would contract in the period 2020 - 2021 for purposes other than investments (except the impact of the commitment fee payable by the Fund for the existing credit facility).

Any bank loan/ credit facility utilization by the Fund would have an impact on the Fund's expenses, such as interest expenses, or other related fees and expenses. The current loan agreement was extended for a 2-year period and will be available until 29 June 2022.

Due to the fact that it is impossible to estimate reasonably these types of expenses in a period extending 17 months forward from the date of preparation of the 2021 budget, and it is impractical to continually update the 2021 budget, the shareholders granted the AIFM and Investment Manager the power to incur any expenses related to bank loans/ credit facilities contracted by the Fund with Board of Nominees approval, even if this will result in exceeding the total expenses approved in the 2021 budget.

D. Distributions to shareholders

According with the Fund's ACDP, the AIFM remains committed to returning cash to shareholders on an annual basis (subject to applicable laws and necessary approvals).

For the 2021 budget, one distribution to the Fund's shareholders is assumed to take place at a minimum amount of RON 0.05 per share in accordance with the ACDP published on the Fund's website at www.fondulproprietea.ro.

E. AIFM's fees

For estimating the base fee payable to the AIFM, the fee rate used was 60 basis points per year and the Fund's closing share price as at 31 July 2020 was used as an estimate for the Fund's average share price during 2021. For estimating the distribution fee relating to distributions made by the Fund to shareholders in 2021 (repurchases of Fund Shares, repurchases of Fund GDRs, and/or Fund ownership interests, dividends and returns of share capital), a fee of 100 basis points of the total distributions' value was used.

If the Fund's actual average Share price during 2021 exceeds the price used for the 2021 budget or if additional distributions take place during 2021, the AIFM's fees will be higher than budgeted.

Due to the fact that it is difficult, if not impossible, to estimate reasonably these expenses, and it is impractical to continually update the 2021 budget, the shareholders granted the AIFM the power to exceed the expenses budgeted for investment management and administration fees, even if this will result in exceeding the total expenses approved in the 2021 budget.

F. Other assumptions

- **FSA and Depositary Bank fees**

For estimating the monthly FSA regulator's fee (0.0936% per year, i.e. 0.0078% per month, based on NAV) and the depositary bank fee for certifying monthly NAV calculations, the average NAV during 2020 (until 31 July 2020) has been used as an estimate for the average NAV during 2021.

For estimating the depositary bank custody fee, the Fund's portfolio structure as at 31 July 2020 (adjusted for the impact of holdings disposals made after this date and already settled) has been used as the basis for the Fund's structure during 2021.

If the Fund's actual NAV, value of assets under custody and/ or trades in the Fund's portfolio in 2021 exceed the ones assumed for the 2021 budget, these commissions and fees will be greater than budgeted.

Due to the fact that it is difficult, if not impossible, to estimate reasonably this type of expenses, and it is impractical to continually update the 2021 budget, the shareholders granted the AIFM the power to exceed the expenses budgeted for other commissions and fees (FSA fees and depositary bank fees), to the extent that these arise from the Fund's actual NAV, value of assets under custody and/ or trades in Fund's portfolio or additional buy-backs in 2021 being higher than those assumed in the 2021 budget, even if this will result in exceeding the total expenses approved in the 2021 budget.

- **Foreign exchange rate**

The average EUR/RON exchange rate used in the preparation of the 2021 budget is RON 4.8316 per 1 EUR, being the official exchange rate published by the National Bank of Romania as at 31 July 2020.

- **Taxation**

All taxes, contribution rates, and computation methodologies are based on the laws in force as at 31 July 2020. This budget was prepared based on a profit tax rate of 16%, dividend withholding tax rate of 5% and a VAT rate of 19%, in accordance with the Fiscal Code in force as at 31 July 2020 and under the assumption that these tax rates will also be in force for the year 2021.

Generally, expenses incurred by the Fund are subject to Romanian VAT, unless a VAT exemption may be applied. As the activity of the Fund is VAT exempt, the amount of VAT paid is not recoverable.

4 Significant change in the Fund's financial position

There is no significant change in the financial position of the Fund which has occurred since the publication of the Fund's latest financial statements until the date of this Prospectus.

PART 5 CAPITALISATION AND INDEBTEDNESS

The following section presents the capitalisation and indebtedness of the Fund as at 30 June 2021 and 31 December 2020 accompanied by comparative data from the same period of the previous financial year, i.e. 31 December 2019, and the comparative data as at 30 June 2020. The information should be read in conjunction with the information included in PART 4 SELECTED FINANCIAL INFORMATION and the 2020 Audited Financial Statements and the related notes thereto.

The Fund's policy is to maintain a strong capital base to sustain shareholders' confidence and future developments. The Fund is not subject to externally imposed capital requirements.

The Fund's shareholders' equity comprises share capital, reserves and retained earnings, net of the book value of treasury Shares. Details are included in the table below.

<i>All amounts in RON</i>	31 December 2020 (Audited)	31 December 2019 (Audited)	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Equity				
Paid share capital	3,560,099,870	3,770,082,341	3,560,099,870	3,770,082,341
Reserves related to the unpaid share capital	189,182,422	189,182,422	189,182,422	189,182,422
Other reserves	539,400,224	536,545,225	1,205,768,885	772,571,346
Treasury shares	(1,086,443,209)	(446,008,591)	(1,300,445,193)	(909,505,251)
Retained earnings	7,064,680,119	7,821,650,592	7,774,061,139	6,319,044,850
Total equity	10,266,919,426	11,871,451,989	11,428,667,123	10,141,375,708

Source: 2020 and 2019 IFRS audited Financial Statements of the Fund

The Fund had no bonds or other debt securities in issue during 2019 and 2020 and until the date of this Prospectus. The Fund did not have any borrowings during 2019 and 2020 and until the date of the preparation of this Prospectus.

Credit Facility Agreement

The Fund has in place an unsecured credit facility from BRD Groupe Societe Generale SA with a maximum committed amount of RON 45 million, expiring on 29 June 2022. The credit facility is for general corporate and operational use. The Fund may access, subject to bank's approval and in accordance with the provisions of the credit facility, additional financing in excess of the said committed amount, without exceeding a total amount of RON 100 million at any given time. The Fund did not use the credit facility until the date of this Prospectus and the outstanding balance is nil.

PART 6 THE FUND

1 Overview

The Fund is incorporated and operating under the laws of Romania as joint stock company, registered with the Romanian Trade Registry Office attached to the Bucharest Court under number J40/21901/2005, having sole registration code 18253260, LEI 549300PVO1VWBFH3DO07 and operating as a closed-end investment company registered with the FSA under no. PJR09SIIR/400006.

The registered office of the Fund is at 76-80 Buzesti Street, 7th floor, Bucharest 011017, Romania and the telephone number of the Fund's registered office is +40 21 200 96 00.

The Fund's website can be found by accessing www.fondulproprietatea.ro, it being specified that the information on its website does not form part of the Prospectus unless any that information included therein is expressly mentioned as being incorporated by reference into the Prospectus.

The Fund's original constitutive act was enacted by Government Decision no. 1481/2005 setting out that the Fund is an undertaking for collective investments organised as a closed end investment company. The Fund was officially registered with the NSC (currently FSA) as a closed-end investment company only in 2010, by NSC (currently FSA) Decision no. 34 of 18 August 2010. According to AIF Law, the Fund is qualified as a retail alternative investment fund.

The latest version of the Fund's Constitutive Act in effect applies as from 15 February 2021.

The main activities of the Fund according to the Constitutive Act and the classification of the activities in the national economy (CAEN) are the business of operating mutual funds and other similar financial entities (CAEN reference 643) and the main activity is financial investments (CAEN reference 6430).

The Fund was incorporated by the Romanian State on 22 July 2005 as a joint stock company in accordance with the provisions of Title VII of Law no. 247/2005 regarding the reforms in the sectors of justice and property as well as certain related measures, with subsequent amendments ("Law 247/2005") with the special purpose of providing compensation to the individuals whose real estate assets had been abusively confiscated by the Romanian state during the communist regime and which may no longer be subject to in-kind restitution thereto. The initial share capital of the Fund has been subscribed and substantially paid up (in a proportion of approximately 97%) by the Romanian State through various cash contributions and in kind contributions, mainly in the form of stakes in various Romanian companies (many of which are still part of the portfolio of the Fund at the date of this Prospectus).

The Fund was listed on 25 January 2011 on the spot regulated market managed by the BSE in Tier I Shares of the Securities Sector of the market (currently the Premium Category of the regulated market managed by the BSE), under ISIN number ROFPTAACNOR5 and with the market symbol "FP". As of 29 April 2015, the Fund's GDRs issued by The Bank of New York Mellon as the depositary bank of the GDR facility (the "GDR Depositary") limited to maximum one-third of the Fund's subscribed share capital under the Romanian securities regulations are listed on the LSE - Specialist Fund Market.

The GDR Depositary is a state-chartered New York banking corporation and a member of the United States Federal Reserve System, subject to regulation and supervision principally by the United States Federal Reserve Board and the New York State Banking Department of Financial Services. The GDR Depositary was constituted in 1784 in the State of New York. It is a wholly owned subsidiary of The Bank of New York Mellon Corporation, a Delaware bank holding company. The principal office of the GDR Depositary and its principle administrative office is located at 240 Greenwich Street, New York, NY 10286. A copy of the GDR Depositary's articles of association, as amended, together with copies of The Bank of New York Mellon Corporation's most recent quarterly financial statements and annual report are available for inspection at the principal office of the GDR Depositary located at 240 Greenwich Street, New York, NY 10286 and at The Bank of New York Mellon, One Canada Square, London E14 5AL.

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 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.

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

2 The Fund's service providers

The Fund's AIFM and Sole Director

The Fund is managed by FTIS as its Sole Director and AIFM under the management agreement that entered into force on 1 April 2020, according with the resolution dated 28 June 2019 ordinary general meeting of shareholders ("OGMS") of the Fund (the "**Management Agreement**").

Details regarding the identity of FTIS including information about the Management Agreement are included in PART 10 MANAGEMENT COMPANY of the Prospectus. A description of the duties of FTIS under the Management Agreement as well as information regarding the actual or estimated maximum amount of all material fees payable directly or indirectly by the Fund to FTIS and a description of how these fees are calculated is included in PART 16 MATERIAL CONTRACTS of the Prospectus.

Information about the lack of any material potential conflicts of interest which the AIFM may have as between its duty to the Fund and duties owed by it to third parties and its other interests is included in PART 11 MANAGEMENT SYSTEM.

The investors' rights in connection with FTIS acting as AIFM are those set out in the applicable legislation including Law 74/2015 which regulated the right of all investors to be treated fairly by the AIFM and to be kept permanently informed on various matters, both before and after the investment.

The investors' rights in connection with FTIS acting as Sole Director are those set out by the provisions of the Companies Law in respect of the shareholders' rights related to the activity of directors of a joint stock company. Additional information about the shareholders' rights in connection with the Shares is included in PART 12 DESCRIPTION OF THE SHARE CAPITAL of the Prospectus.

FTIS does not receive any benefits from third parties (other than the Fund) by virtue of providing any services to the Fund.

The Fund's Depositary

The Fund's Depositary is BRD - Groupe Société Générale S.A. and details regarding the identity of the Depositary and a description of its duties and responsibilities are included in PART 15 THE DEPOSITARY.

Information regarding the actual or estimated maximum amount of all material fees payable directly or indirectly by the Fund to the Depositary for any services provided under arrangements entered into on or prior to the date of

the Prospects and a description of how these fees are calculated included in PART 16 MATERIAL CONTRACTS of the Prospectus.

There is no material potential conflict of interest which the Depositary may have as between its duty to the Fund and duties owed by it to third parties and its other interests.

The Depositary does not receive any benefits from third parties (other than the Fund) by virtue of providing any services to the Fund.

The Fund's Financial Auditor

The financial auditor of the Fund is Deloitte Audit SRL. Information about its identity and a description of its duties and responsibilities is included in PART 21 INDEPENDENT AUDITORS of the Prospectus.

There is no material potential conflict of interest which the Fund's Auditor may have as between its duty to the Fund and duties owed by it to third parties and its other interests.

The Auditor does not receive any benefits from third parties (other than the Fund) by virtue of providing any services to the Fund.

Absent a direct contractual relationship between an investor and the Fund's service providers, the investors have generally no direct rights against the service providers and there are only limited circumstances in which an investor may potentially bring a claim against the Fund's service providers. Instead, generally, the proper claimant in an action in respect of which a wrongdoing is alleged to have been committed against the Fund by the relevant service provider is, prima facie, the Fund itself.

PART 7 DIVIDEND POLICY

1. General principles

In order to comply with the requirements of the Code of Corporate Governance of the BSE, with the practice of the companies listed on LSE and in accordance with the Investment Policy Statement (the “IPS”), the Fund has in place an Annual Cash Distribution Policy last revised on 23 February 2021, setting a series of guidelines and principles on the cash distributions made by the Fund (the “ACDP”). The ACDP may be revised by the AIFM after the consultation with the Board of Nominees, on an annual basis, in compliance with the applicable law and regulations or in case of new regulations or mandatory legal provisions regarding the scope of the policy. The current policy is published on the Fund’s website at the following link: <https://www.fondulpropriatea.ro/about-fund/fund-overview/corporate-governance> (without being incorporated by reference into this Prospectus).

In accordance with the IPS and the ACDP, the Sole Director and AIFM may propose cash distributions for shareholders’ approvals. The level of such cash distributions is proposed by the Sole Director and AIFM by applying the ACDP and in correlation with the other on-going Discount Control Mechanism measures (e.g. buy-backs).

The Sole Director and AIFM intends to recommend to shareholders for their approval a cash distribution of at least RON 0.05 per Share in cash, on an annual basis, subject to applicable law and necessary approvals, to any restrictions under Romanian legal or tax regulations and subject to available financing sources.

Under exceptional market conditions or circumstances (e.g. events that may significantly impact the discount), the Sole Director and AIFM may propose a change of the mix of cash distribution and share buy-backs to allocate more of the distributable cash towards share buy-backs, if it considers this to be in the best interest of the Fund’s shareholders to enhance shareholder value.

ACDP does not limit additional cash distributions and share buy-backs that can be recommended by the AIFM separately, subject to available financing sources, regulatory and corporate approvals and depending on the discount level, in accordance with the IPS and the Discount Control Mechanism.

The Fund Manager will include in its periodic reports (annual report, quarterly reports and half-yearly report), as well as in the announcement (“current report”) for the finalization of a certain material transaction, the use of revenues from this transaction.

2. Cash distributions

Under current Romanian legislation and the Fund's Constitutive Act, each fully paid Share gives its owner the right to receive cash distributions. Cash distributions are paid to the shareholders on a pro rata basis, proportionately to their participation in the paid-up share capital of the Fund. Unpaid shares and treasury Shares will not be entitled to receive cash distributions.

The cash distributions will be proposed by the AIFM and Sole Director and paid in compliance with the GMS Resolutions under the terms and conditions provided by Romanian law. The Fund publishes information on the payment of dividends and other cash distributions to shareholders on the Fund’s website (www.fondulpropriatea.ro) in compliance with the applicable laws.

The Fund pays cash distributions in relation to the Shares denominated in RON and, in the case of the GDRs, will pay such distributions to The Bank of New York Mellon, as GDR Depositary, which will convert them into US dollars and will distribute them to the holders of the GDRs, net of all applicable fees, taxes, duties, charges, cost and expenses applicable in relation to the GDRs subject to the terms of the GDR deposit agreement.

The cash distributions would be paid to shareholders either in the form of dividends or in the form of return of capital (by decreasing the nominal value per Share), in each case subject to any restrictions under Romanian law or tax regulations.

2.1 Dividend distribution

In the absence of exceptional market conditions or circumstances, and subject to any restrictions under Romanian law or tax regulations and subject to available financing sources, in case of dividend distributions (where permitted by applicable law), the distributable amount is calculated by the AIFM and proposed for shareholders’ approval

as sum of the following elements: (i) the Fund's annual dividend income from portfolio companies, except special cash distributions, (ii) plus interest on cash balances, (iii) less operating and finance expenses and taxation and (iv) less compulsory allocations to reserves according to the regulations in force. For the ACDP purpose, the special cash distributions are the amounts distributed by portfolio companies from sources other than the annual net profit included in the latest financial statements. The AIFM and Sole Director may propose the dividend level up to the amount computed as above, by considering the on-going measures imposed by Discount Control Mechanism and the available cash. Any dividend distribution will be based on audited financial statements.

The Sole Director does not intend to propose interim or quarterly dividends. Dividends calculated according to the principles above may be distributed from annual profit and / or other equity (e.g. retained earnings) subject to the applicable legal requirements.

Also, as an important notice to shareholders, this dividend payment is subject to the general statute of limitation of three years. As such, shareholders may request the payments only within a three-year term starting with the Payment Date for the relevant dividend approved.

2.2 Return of capital

In the case of a return of capital, the distributable amount will be based on the AIFM's best estimate according to the latest available financial statements at the time of proposing the respective distribution for the shareholders' approval, in compliance with the requirements provided by the applicable legislation, including Art. 29 of the AIF Law.

3. Dividend history

The table below sets forth the Fund's dividend distributions per Share declared in the years ended 31 December 2019, 2018 and 2017.

Description	Payment Date	Gross distribution declared (RON)	Gross distribution per Share (RON)	Total number of Shares*	Deadline for distribution collection by shareholders
Dividend related to 2017 FY profit	29 June 2018	499,976,344	0.0678	7,374,282,346	29 June 2021
Dividend related to 2018 FY profit	1 July 2019	642,318,808	0.0903	7,113,165,099	1 July 2022
Dividend related to 2019 FY profit	1 July 2020	417,965,383	0.0642	6,510,364,222	1 July 2023

Source: Fondul Proprietatea

* Number of Shares defined as (1) the number of Shares in issue, less (2) any unpaid Shares and less (3) any treasury Shares acquired via buy-backs (in the form of ordinary Shares or GDRs corresponding to ordinary Shares) at the registration date decided upon by the GMS approving the dividend distribution or return of capital.

Dividend distribution related to 2017 financial year result

On 26 April 2018, the shareholders approved the distribution of a gross dividend of RON 0.0678 per Share, with Ex- date on 8 June 2018 and registration date on 11 June 2018. The payments of the distributions to shareholders are performed through the 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 the 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).

Dividend distribution related to 2018 financial year result

On 4 April 2019, the shareholders approved the distribution of a gross dividend of RON 0.0903 per share, with Ex- date on 7 June 2019 and registration date on 10 June 2019. The Fund started the payment of dividends on 1 July 2019. The payments of the distributions to shareholders are performed through the 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 the 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).

Dividend distribution related to 2019 financial year result

On 28 April 2020, the shareholders of the Fund approved the distribution of a gross dividend of RON 0.0642 per Share, with *ex- date* on 9 June 2020 and registration date on 10 June 2020. The payment of the distributions to shareholders is performed through the Central Depository, according to the legislation in force, as follows:

- (c) for shareholders having a custodian/ brokerage account, directly by the custodian bank or broker in question;
- (d) for all other shareholders:
 - (i) by the Central Depository, through BRD Groupe Societe Generale S.A., which acts as Payment Agent, for bank transfers when the supporting documentation required by the Central Depository along with a payment application 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 application were submitted to the Payment Agent).

Distribution of special dividends during 2021

Although there is no profit available for making distributions according to the statutory annual financial statements for financial year ending as at 31 December 2020, the Fund having recorded an accounting loss of RON 102,978,968, the Sole Director maintains its commitment to ensure an annual cash distribution to the Fund's shareholders.

Thus, after the Fund's shareholders have approved the coverage of the accounting loss mentioned above (which from a legal point of view makes distributions impossible), the Sole Director proposed a cash distribution of RON 0.072 per Share from the undistributed profit for 2016 and 2017.

Thus, on 28 April 2021, the shareholders approved the distribution of a gross dividend of RON 0.072 per share further to the approval given for the coverage of negative reserves and the coverage of the accounting loss, with *ex-date* on 27 May 2021 and registration date of 28 May 2021. The Fund began the payment of dividends on 22 June 2021.

Subsequently, the Sole Director proposed the payment of an additional special dividend with a gross value of 0.07 per Share from the undistributed profit for the years 2017 and 2019, and this proposal was approved by the shareholders in the GMS of 16 July 2021, and the Fund started the payment of dividends on 27 August 2021.

The payment of distributions to shareholders. will be made through the Central Depository, according to the legislation in force, as follows:

- (a) for shareholders who have a custodian / brokerage account, directly by that custodian bank or broker;
- (b) for all other shareholders:
 - (i) by the Central Depository, through the Payment Agent, for bank transfers when the supporting documentation requested by the Central Depository, along with a payment application has been submitted;
 - (ii) by the Payment Agent for cash payments to any of its agencies, or by bank transfer (when the supporting documentation requested by the Payment Agent along with a payment application has been submitted to the Payment Agent).

PART 8 INVESTMENT POLICY AND OBJECTIVES

1 Investment policy statement

The prudential rules concerning the investment policy of the Fund, as well as the investment goals, objectives and the decision-making process for selecting investments in accordance with the investment objectives are set out under the Fund's IPS. The IPS provides criteria against which investment results will be measured and serves as a review document to monitor, evaluate and compare the performance of the AIFM on a regular basis.

The IPS is drafted and proposed by the AIFM, after consulting the Board of Nominees, with the observance of the investment limits set forth in the applicable laws and regulations and in the Constitutive Act. The latest form of the IPS in force starting with 23 July 2020 was approved by the Fund's EGMS on 28 April 2020. The IPS is published on the Fund's website (<https://www.fondulproprietatea.ro/home/investments/investment-strategy.html>), without being incorporated by reference into this Prospectus.

2 Investment objectives

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

3 Performance objectives

The AIFM pursues several performance objectives endorsed in the Management Agreement entered into between the Fund and the AIFM. Please see PART 10 MANAGEMENT COMPANY of the Prospectus for a description of the AIFM. Please see PART 16 MATERIAL CONTRACTS for a description of the role and responsibilities of the AIFM. The performance objectives are stated in the IPS, as follows:

- (a) a discount objective, whereby the AIFM aims to ensure that the discount between the closing price for each trading day of the Shares on the BSE (the "Trading Day") and the latest reported NAV per Share should be equal to or lower than 15% in at least two thirds of the Trading Days during the applicable reporting periods (i.e. a period between 1 January and 31 December each year with the first reporting period starting on 1 January 2020 and ending on 31 December 2020 and the second reporting period starting on 1 January 2021 and ending on 31 December 2021 each referred to below as a reporting period); and
- (b) a NAV objective, whereby the AIFM aims to increase the level of the NAV (adjusted to reflect the value of the NAV as at the end of the applicable reporting periods, as well as any returns 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, distribution fees and transaction and/or distribution costs relating to either dividend or non-dividend distributions including buy-backs of Shares/GDRs/ depositary interests executed through daily acquisitions or public tenders after the end of the previous reporting period), divided by the total number of paid Shares, less treasury Shares and less equivalent in Shares of GDR acquired by the Fund and not yet converted into Shares, held at the end of each reporting period, above the level of the NAV per Share reported as at the end of the previous reporting period.

For the avoidance of doubt, the term "previous reporting period", when applied to a first reporting period under the Management Agreement, is to be understood as being the last reporting period derived from either the current or the previous management agreement.

The AIFM aims to meet the performance criteria by implementing corporate actions, subject to approval by the Fund's shareholders, with the objective of narrowing down the discount between the Fund's NAV per share and the Shares' market price. Such corporate actions include the buyback programmes and cash distributions conducted by the Fund. Considering that the management fee payable to the AIFM is calculated based on the market capitalization of the Fund, which is in direct proportion with the market value per Share, any action of the AIFM leading to an increase of the Share price will have an impact on the amount of the management fee. In order to prevent a potential conflict of interests between itself and the Fund arising from the increase of the Shares'

market price, the AIFM observes rigorously the requirements approved by the Fund's shareholders and acts under the close monitoring of the Board of Nominees and generally observes the specific conflicts of interest policies applicable to the Fund. See section Conflict of interest of PART 11 MANAGEMENT SYSTEM of the Prospectus for further details on the prevention of conflicts of interest between the Fund and the AIFM.

4 General principles for achieving the Fund's objectives

According to the IPS, the AIFM shall, in the absence of investment opportunities offering better returns for shareholders or if the discount to NAV per Share is wider than 15% for more than 50% of the Trading Days in any 3 month financial quarter, use all or a significant part of the proceeds from dividends, additional special cash distributions performed by portfolio companies and disposal of portfolio companies to implement measures aimed at maximising cash returns to the Fund's shareholders and fulfilling the Fund's performance objectives. To this end, the AIFM may employ discount management techniques as provided for in the IPS, which include (without limitation) the following: (i) recommending of Share buy-back programs to shareholders for approval; (ii) dividend distributions; (iii) decreasing of the nominal value of the Shares, followed by cash distribution to shareholders; (iv) subject to available liquidity, carrying out buy-back programs via trading on the regular market or via public tender offers; and (v) increasing investor demand for the Shares and the GDRs, with the aim of increasing the market price (via, inter alia, increasing the stake of listed companies in the Fund's portfolio, by maintaining a transparent dividend policy, by building good communication through active investor relations work and also by supporting initiatives to increase the visibility and attractiveness for investors of the Romanian regulated market). In relation to these techniques, the AIFM undertakes to pursue a clear investment strategy and to engage actively with the portfolio companies aiming to increase their value, while at the same time maintaining a constructive communication with the Fund's Board of Nominees.

The investment activity carried out by the AIFM, as well as the extent of the compliance with the Fund's IPS, is monitored by the Board of Nominees based on information and reports provided by the AIFM.

The AIFM has the power to make all decisions with respect to the investments of the Fund (including sector and security selection, portfolio construction, timing of transactions, choice of trading venue and structure of transactions), in accordance with the IPS, the Constitutive Act and the applicable laws and regulations. The AIFM may buy, sell, exchange, exercise and/or transfer any rights and commit the Fund including with respect to entering into derivative transactions, loan agreements, repurchase agreements, securities lending operations or to purchase GDRs or depositary interests corresponding to Shares. However, the entry by the Fund into certain transactions will require the prior approval of the Fund's shareholders (i.e. agreements for purchase, sale or exchange or creation of encumbrances over the non-current assets of the Fund whose value exceeds during a financial year 20% of the total value of the Fund's non-current assets, less receivables).

The Fund may not engage in transactions which involve a broker acting as principal, where the broker is also the investment manager (or an affiliate of such investment manager) who makes the transaction (or an affiliate of such investment manager). Furthermore, the IPS provides that the AIFM must perform transactions at the lowest possible cost (to be determined having regard to commissions, efficiency of execution and the impact of the market) and best execution should be provided at all times.

The AIFM shall maintain adequate liquidity in order to at least cover the operating and tax expenses of the Fund, as well as the capital expenditures for the Fund's on-going activities and to ensure appropriate funds for dividend payments, capital distribution and Share and/or GDRs buy-backs.

5 Changes to the IPS

The AIFM may propose on a regular basis changes to the Fund's IPS with a view to achieve the overall objectives of the Fund. Any such changes proposed to the IPS will not go beyond the investment limits provided in the applicable legislation and will comply in all cases with the applicable legislation. Such proposed changes to the Fund's IPS must be approved by the Fund's EGMS before implementation.

6 Borrowing capacity of the Fund / Leverage under AIFM Directive

In accordance with the Regulation (EU) 231/2013 leverage is any method which increases the Fund's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of Fund's exposure to its net asset value and is calculated by means of both a "gross" and "commitment" method.

Under the gross method, the Fund's overall exposure is determined, while the commitment method provides information on the hedging and netting techniques used by the director; therefore, the methods must be corroborated.

Under the gross method, exposure represents the sum of the Fund's positions (including listed and unlisted holdings) after deduction of cash balances and cash equivalents in the Fund's basic currency (i.e. RON) without taking account of any hedging or netting arrangements. Government securities with a residual maturity of 90 days or less are assimilated to cash equivalents and are excluded from the calculation of leverage effect, while government securities with a residual maturity of over 90 days are assimilated to investments and are included in leverage effect calculation.

Under the commitment method, exposure is calculated as the sum of the Fund's positions without the deduction of cash balances and cash equivalents and after certain hedging and netting positions are offset against each other if applicable.

According to its Constitutive Act and the AIF Law and AIF Regulation, the Fund may not utilise borrowings for investment purposes and buyback of own shares for the purpose of share capital decrease. The use of derivative financial instruments is permitted. The Fund is authorised to issue bonds in accordance with the applicable legal provisions.

The maximum incremental level of leverage which the AIFM is entitled to employ on behalf of the Fund for AIFM Directive monitoring and reporting purposes is 50% which, considering 100% of long assets held in the portfolio, relates to a ratio of 1.5 (or 150%) for both the gross method and the commitment method. The Fund has never exceeded this maximum incremental level of leverage effect as can be seen in the table below and does not use leverage effect to conduct transactions.

Leverage effect	31 December 2020 Unaudited	31 December 2019 Unaudited	30 June 2021 Unaudited	30 June 2020 Unaudited
a) Gross method	91.34%	96.50%	92.09%	94.71%
b) Commitment method	100%	100%	100%	100%

Source: Fondul Proprietatea

The AIFM annually verifies the adequacy of risks coverage from additional own funds or from professional liability insurance, but at the same time, the AIFM has procedures that ensure the continuous monitoring of the total value of the Fund's portfolio, as well as the continuous adjustment of the risks coverage value related to professional liability, if significant inconsistencies are identified. Losses incurred as a result of a decrease in an investment value due to adverse market conditions should not be covered by the AIFM.

The AIFM implements appropriate policies and procedures to prevent fraudulent practices, such as anticipating market developments (market timing) or trading after the end of trading (late trading). Also, brokers and intermediaries are appointed after careful selections, among the selection criteria being the existence of a solid financial situation and an adequate organizational structure, and their activity is subject to permanent supervision. In order to ensure the proper protection of investors' interests, one of the criteria for assessing financial soundness is to verify if brokers or counterparties are subject to relevant prudential regulation, including appropriate capital requirements, and effective supervision. Another pillar of the risk management system is the risk management policy. This policy is duly formalized and explains the measures and procedures used to measure and manage risks, the safeguards to ensure the independent exercise of the risk management function, the techniques used to manage risks and the details for the allocation of responsibilities for risk management and operational procedures within the AIFM. The risk management policy is reviewed by the AIFM management at least annually.

7 The Investor's profile

The Fund qualifies as a retail alternative investment fund under the AIF Law and AIF Regulation (further information about the Fund and its historical background is included in PART 6 THE FUND of this Prospectus.

As at 30 September 2021, approximately 74.87% % of the Fund's paid-up share capital is held by foreign and Romanian institutional shareholders including The Bank of New York Mellon (the GDR Depository). Additional information about the current shareholding structure of the Fund is included in PART 14 PRINCIPAL SHAREHOLDERS of the Prospectus.

An investment in the Fund by means of Shares or GDRs may appeal to investors:

- (a) who are seeking capital appreciation over the long term;
- (b) are willing to accept the heightened risks of investment exposure to emerging market equities; and

- (c) understand the potential for significant volatility or currency fluctuations that may affect the value of their investments.

This type of investment is not suitable for investors that cannot afford any loss of their investment or require a steady income. Additional risks and uncertainties not currently known to the Fund, or risks that the Fund deems to be immaterial, may have an adverse effect on the business of the Fund. Therefore, potential investors should carefully review this Prospectus and consult their advisers prior to any investment in the Fund's Securities (additional information about the risk factors related to the investment in the Fund's Securities are included in PART 2 RISK FACTORS of this Prospectus).

8 Assets in which the Fund is allowed to invest

In accordance with the AIF Law, as a retail alternative investment fund, the Fund may only invest in:

- (a) securities and money market instruments registered or traded on a regulated market, multilateral trading facility or organised trading facility (a "Trading Venue") in Romania or in a member state of the European Union (an "EU Member State");
- (b) securities and money market instruments admitted to trading on a stock exchange of a state which is not an EU member state (a "Non-Member State"), operating regularly, recognised and opened to the public, provided that the choice of the stock exchange is approved by the FSA and is included in the Constitutive Act as approved by the FSA;
- (c) newly issued securities subject to a public offer for admission to trading if (i) the issuance conditions include a firm commitment that the admission to trading on Trading Venue or a stock exchange of a Non-Member State operating regularly, recognised and open to the public, provided that the choice regarding the Trading Venue or the stock exchange is approved by the FSA and included in the Constitutive Act as approved by the FSA, shall be requested; and (ii) such admission is made within one year from the issuance;
- (d) units in undertakings for collective investment in transferable securities ("UCITS") or in alternative investment funds under the AIF Law (i.e. non-UCITS collective investment undertakings, "AIFs") whether or not established in EU Member State, under certain conditions (i.e. the AIFs need to be registered or authorized, the AIFs need to be subject to periodical reporting requirements which would allow the valuation of assets and liabilities, income and operations during the relevant reporting period and the profile of AIFs would need to be in line with the liquidity profile of the Fund);
- (e) deposits with credit institutions, reimbursable upon request, with a maturity of maximum 12 months, provided that the credit institution has its headquarters in Romania or in an EU Member State, or, if the permanent establishment of the credit institution is in a Non-Member State, provided that it observes prudential rules considered equivalent to those issued by the European Union;
- (f) financial derivatives, including those involving final settlement in cash, traded on a Trading Venue or a stock exchange of a Non-Member State as presented in paragraphs (a) and (b) above and/or financial derivatives negotiated over-the-counter, under certain conditions (including the condition that the underlying asset consists in instruments, financial index, interest rate, precious metals, energy products and FX rate in which the Fund is allowed to invest based on its investment objectives, the counterparties in case of negotiation outside regulated markets are entities subject to prudential supervision part of the categories approved by the FSA and derivative financial instruments traded outside the regulated markets are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or the position can be closed daily by an offsetting transaction at their fair value at the request of the AIFM);
- (g) other money market instruments than those negotiated on a Trading Venue, which are liquid and the value of which may be determined precisely at any moment, except for commercial papers, provided that the issuance or issuer are subject to regulations referring to the protection of investors and their savings, and the instruments (i) issued or guaranteed by an administrative, central, local or regional authority, a central bank of a EU Member State, the European Central Bank, the European Union or the European Investment Bank, a third country or, in the case of a federal State, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong; or (ii) issued by an undertaking whose securities are traded on regulated markets, referred to in letters a) and b); or (iii) issued or guaranteed by an entity subject to prudential supervision, according to the criteria defined by European law, or by an entity that is subject to and complies with prudential rules considered

by the FSA to be equivalent to those laid down by the European law; or (iv) issued by other entities belonging to the categories approved by the FSA, provided that the investments in such instruments are subject to investor protection equivalent to that laid down in points (i), (ii) and (iii), and that the issuer is a company whose capital and reserves amount to at least the equivalent in RON of EUR 10,000,000 and which presents and publishes its annual financial statements in accordance with the applicable European law, or an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity dedicated to the financing of securitization vehicles which benefit from a financing line;

- (h) shares issued by limited liability companies regulated by the Companies Law which prepare annual financial statements which are audited in accordance with the applicable law;
- (i) securities which are not admitted to trading on a Trading Venue or traded on the stock market of a Non-Member State;
- (j) freely convertible foreign currency acquired from the local market;
- (k) government securities;
- (l) real estate assets subject to the regulations issued by the FSA and the Fund's documents;
- (m) greenhouse gas emission allowance in the meaning of the Romanian legislation transposing the Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community;
- (n) movable assets and immovable assets that are strictly necessary for conducting its business.

Also, according to the AIF Regulation, if the Fund intends to invest in corporate bonds not admitted to trading on a Trading Venue, at least the conditions set forth under Art. 44 of the AIF Regulation must be met, i.e. (i) the corporate bond issuer must have at least a 2-year activity when the Fund makes placements in the corporate bond issue (if the corporate bond issuer has less than 2 years of activity, the AIFM, on behalf of the Fund, will invest only in corporate bond issues guaranteed by a credit institution authorized by the NBR or by a Romanian branch of a credit institution authorized in another Member State or with other liquid / outstanding guarantees representing at least 100% of the value of the corporate bond issue), (ii) the annual financial statements of the corporate bond issuer must be audited according to the law and should not indicate significant risks, such as creditworthiness, liquidity or solvency risk, regarding its financial position, likely to cause non-compliance with the payment obligations of the coupons and the principal related to the issue of corporate bonds; (iii) the corporate bonds issuer must not be registered in the list of taxpayers with tax arrears published on the website of the National Agency for Fiscal Administration; (iv) the corporate bond issuer has recorded a profit at least in the last previous 3 consecutive financial years, according to the annual financial statements, audited according to the law (if the corporate bond issuer has less than 2 years of activity, then it has recorded a profit in all financial years). At the date of this Prospectus, the Fund does not hold such instruments in its portfolio and does not intend to invest in such securities. To the extent that this would change, the AIFM will take all necessary measures as per the legislation applicable at that time, including Art. 44 para. 8 and para. 9 of the AIF Regulation as the case may be.

According to the IPS, the use of derivatives is permitted subject to the limitations contained in applicable legislation in force. Short selling of securities is prohibited. Borrowing is allowed only in accordance with the applicable legislation and regulations and the Constitutive Act.

Pursuant to the AIF Regulation, the Fund needs to comply with the requirements on permitted investments set forth by the AIF Law within six (6) months as of the date the FSA issues the AIF Authorisation. As at the date of this Prospectus, the Fund complies with the above requirements.

Until that date (i.e. six (6) months as of the date the FSA issues the AIF Authorisation), according to the AIF Regulation, the Fund's portfolio is still subject to the requirements set forth by Law 247/2005, pursuant to which the Fund is allowed to invest in:

- (a) securities and money market instruments registered or traded on a regulated market in Romania or in a EU Member State;
- (b) securities and money market instruments admitted to trading on a stock exchange of a Non-Member State or negotiated on another regulated market in a Non-Member State, operating regularly, recognised and

opened to the public, provided that the choice of the stock exchange or of the regulated market is approved by the FSA and it is included in the Constitutive Act as approved by the FSA;

- (c) newly issued securities if (i) the issuance conditions include a firm commitment that the admission to trading on a stock exchange or another regulated market operating regularly, recognised and open to the public shall be requested, provided that the choice regarding the stock exchange or the regulated market is approved by the FSA and it is included in the Constitutive Act as approved by the FSA; and (ii) such admission is made within one year from the issuance;
- (d) units in UCITS and/or in other undertakings for collective investment (“Non-UCITS”), under certain conditions (including the condition that a maximum of 10% of the total assets of the UCITS/Non-UCITS in which the investment is intended may be invested in units issued by other UCITS/Non-UCITS);
- (e) deposits with credit institutions, reimbursable upon request, with a maturity of maximum 12 months, provided that the credit institution has its permanent establishment in Romania or in an EU Member State, or, if the permanent establishment of the credit institution is in a Non-Member State, provided that it observes prudential rules considered by the FSA to be equivalent to those stated for the European Union;
- (f) financial derivatives, including those involving final settlement of funds, traded on a regulated market as presented in paragraphs (a) and (b) above and/or financial derivatives negotiated over-the-counter, under certain conditions (including the condition that the underlying asset consists in instruments in which the Fund is allowed to invest, financial index, interest rate and FX rate); and
- (g) the Fund may acquire only those movable and immovable assets that are necessary for conducting its business;
- (h) other money market instruments than those negotiated on a regulated market, which are liquid and the value of which may be determined precisely at any moment, provided that the issuance or issuer are subject to regulations referring to the protection of investors and their savings, under certain conditions.

9 Investment restrictions

The Fund's investment policy is set out under the IPS and needs to observe the prudential limits of investment provided for in the Constitutive Act and in the applicable laws and regulations.

According to the AIF Law, the investment limitations applicable to retail alternative investment funds such as the Fund are the following:

- (a) the Fund cannot hold more than 10% of its assets in securities and money market instruments issued by the same issuer, except for securities or money market instruments issued or guaranteed by a EU Member State, by the public local authorities of the EU Member state, by a Non-Member State or international public entities to which one or more EU Member States are part. The 10% limit may be raised to 40% provided that the total value of the securities held by the Fund in each of the issuers in which it holds 40% does not exceed 80% of the total value of its assets;
- (b) the Fund cannot hold more than 50% of its assets in securities and money market instruments issued by entities belonging to the same group, defined as the parent company and its subsidiaries, and in case of the group of the sole manager of the Fund, this limit is of 40%;
- (c) the exposure of the Fund to counterparty risk in a transaction with derivatives traded outside regulated markets cannot exceed 20% of its assets, regardless of the transaction counterparty;
- (d) the global exposure of the Fund to derivatives cannot exceed the total value of its assets;
- (e) the value of the current accounts and the cash held by the Fund must not exceed 20% of its assets; the limit may be extended up to 50% of its assets, provided that the respective amounts come from issuance of equity securities, mature investments or from the sale of financial instruments from the portfolio and that such extension does not last for more than 90 days;
- (f) the value of the bank deposits set up by the Fund with the same credit institution cannot represent more than 30% of its assets;

- (g) the Fund cannot hold more than 20% of its assets in equity securities not admitted to trading on a Trading Venue or on a stock exchange of Non-Member State, issued by a single retail alternative investment fund in the meaning of the AIF Law;
- (h) the Fund cannot hold more than 10% of its assets in equity securities not admitted to trading on a Trading Venue or on a stock exchange of a Non-Member State issued by a single alternative investment fund for professional investors in the meaning of the AIF Law;
- (i) the Fund cannot hold more than 50% of its assets in equity securities not admitted to trading on a trading place or on a stock exchange market from a third country issued by other open-end alternative investment fund. The limit is set at 40% of its assets for the entities belonging to the group of the sole manager of the Fund;
- (j) the Fund cannot hold more than 40% of its assets in equity securities issued by a single UCITS authorised by the FSA or by a competent authority from a EU Member State or in equity securities issued by a UCITS admitted to trading on a Trading Venue in Romania, other EU Member State or a stock exchange of a Non-Member State;
- (k) the Fund cannot grant loans of financial instruments which represent more than 20% of its assets and the loans cannot exceed 12 months, in accordance with the regulations issued by the FSA regarding margin trading and loan operations; the 20% limit may be increased to 30% of its assets, with the approval of the FSA, in accordance with the conditions established by the FSA regulations;
- (l) the Fund cannot grant loans in cash, cannot participate/subscribe syndicated loans, cannot secure loans in cash in favour of a third party, except for entities belonging to the same group as the Fund, incorporated as investment fund, not exceeding 10% of its assets, and cannot purchase directly or indirectly, partially or totally, credit portfolios issued by other financial or non-financial institutions, except for investments in financial instruments issued by internationally-recognized financial institutions, credit institutions or non-banking financial institutions authorized by the NBR or other central banks from an EU Member State or from Non-Member State;
- (m) the Fund cannot hold more than 40% if its assets in securities, money market instruments which were not admitted to trading on a Trading Venue or a stock exchange a Non-EU Member State, except for government securities and bonds issued by the Ministry of Public Finance, as well as the holdings acquired by the Fund by virtue of law, in which case no holding limit is established;
- (n) the Fund cannot hold more than 20% of its assets in shares issued by limited liability companies regulated by the Companies Law;
- (o) the Fund cannot hold more than 10% of its assets in greenhouse gas certificates in the meaning of the Romanian legislation transposing the Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community;
- (p) the Fund cannot engage in short selling, as defined under the Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps, except for the purposes of hedging risks;
- (q) the Fund cannot invest in financial instruments issued by the AIFM of the Fund.

The Fund may exceed the above limits set out under the AIF Law for a period of maximum 90 days only if this is triggered by the exercise by the Fund of its preference rights in relation to the financial instruments in its portfolio. Exercising the preference right related to existing holdings, acquired by the Fund from the Romanian State under other regulations, does not lead to exceeding the limits described above. Pursuant to the AIF Regulation, the Fund needs to comply with the above investment restrictions within six (6) months as of the date the FSA issues the AIF Authorisation.

The Fund may exceed the investment limits regarding financial instruments upon exercise of subscription preference rights attached to such instruments, on the condition that it does not exceed a period of 120 calendar days (this rule is not applicable in the case of holdings in non-listed securities obtained from the Romanian State).

Further, pursuant to the IPS, the Fund may hold:

- (a) up to 10% of its assets invested in listed shares or money market instruments issued by one single issuer, except of the government securities;
- (b) up to 20% of its assets invested in unlisted securities or money market instruments except of the government securities and bonds and other cases permitted by law;
- (c) up to 10% of assets invested in bank deposits with one single bank;
- (d) up to 10% of assets invested in financial instruments issued by entities belonging to the same group of companies;
- (e) up to 10% of assets invested in UCITS units or other collective investment scheme units;
- (f) exposure to the counterparty risk in a transaction with derivatives traded out of the regulated markets up to 10% of assets, irrespective of the counterparty of the transaction, while the global exposure of derivatives may not exceed 15% of the total allocation of net assets.

In line with the investment restrictions above, according to the IPS, shares received from Romanian State on the basis of the legislation in force at that time are exempted from the general rules on allocation. Where the Fund acquires further securities in the same issuer as securities received from Romanian State, the general rules on allocation shall apply to the newly acquired securities only. For the calculation of the ownership limit for securities not admitted to trade shall be excluded from the value of assets not admitted to trade the value of securities not admitted to trade owed from the Romanian State on the basis of the legislation in force at that time. Therefore, any part of the current portfolio of the Fund (as it has been set up, on securities not admitted to trade owed from the Romanian State on the basis of the legislation in force at that time) shall be exempted from the general rules on allocation. However, any new acquisition made by the Fund shall observe the general rules on allocation. Until decrease of its participation in the relevant listed issuers, the Fund is prohibited to acquire further securities in the same issuer as securities received from Romanian State, except for the exercise of the subscription rights related to the Fund's preference rights where the excess of the relevant investment limit should not last for more than 120 calendar days.

The AIFM will inform investors with respect to any breach of the investment restrictions applicable to the Fund and the measures that the AIFM will take in connection with such breaches by publishing current reports with the FSA, on the website of the BSE and on the Fund's website, as soon as possible in accordance with the terms required by the applicable law as of the breach.

10 Compliance with the investment limitations

The Fund is currently in compliance with all investment restrictions applicable to it. See PART 9 PORTFOLIO of this Prospectus for more details on holdings of the Fund.

Pursuant to the AIF Law (relevant after the end of a six (6) months period as of the date the FSA issues the AIF Authorisation), as a general rule, the Fund cannot hold more than 10% of its assets in securities and money market instruments issued by a single issuer.

As at 30 September 2021, the Fund held 19.9% of the share capital of Hidroelectrica S.A. representing 55.15% of its NAV and 6.99% of the share capital of OMV Petrom S.A. representing 14.32% of its NAV.

Considering the carve-outs set out under the AIF Law pursuant to which:

- (a) the 10% limit may be raised to 40% provided that the total value of the securities held by the Fund in each of the issuers in which it holds 40% does not exceed 80% of the total value of its assets, and
- (b) the 40% limit in securities which were not admitted to trading on a Trading Venue or a stock exchange a Non-EU Member State does not apply to the holdings acquired by operation of law, in which case no holding limit is established,

as at the date of the preparation of this Prospectus, the Fund complies with the investment limits applicable to it for these particular holdings as well, received by the Fund from the Romanian State at the date of setting up the Fund in 2005.

At the date of the preparation of this Prospectus, there are no investments by the Fund in collective investment undertakings and, save as noted above, no exposures of more than 20% of the Fund's assets to the creditworthiness or solvency of any single counterparty.

11 Use of derivatives

The Fund is permitted to use derivatives, either for investment or risk hedging purposes. However, up to the date of this Prospectus, the Fund has not entered into any derivative transactions.

Nevertheless, should the AIFM decide in the future to make use of derivative transactions, either for investment or risk hedging purposes, it will need to observe the relevant rules on the assets in which the Fund is allowed to invest (see section 8 Assets in which the Fund is allowed to invest above).

In addition, the AIFM will be required to observe rules on the exposure of the Fund to derivative transactions – i.e. under the AIF Law, the exposure of the Fund to counterparty risk in a transaction with derivatives traded outside regulated markets cannot exceed 20% of its assets, regardless of the transaction counterparty, while the global exposure of the Fund to derivatives cannot exceed the total value of its assets, as indicated in section 9 *Investment restrictions* above.

PART 9 PORTFOLIO

1 Net Asset Value

The key performance indicator of the Fund is its Net Asset Value. The AIFM is responsible for the proper valuation of the Fund's assets, the calculation of the Net Asset Value and the publication of that Net Asset Value. AIFM's liability towards the Fund and its investors shall not be affected by the fact that AIFM has appointed an external independent valuator. The AIFM is bound by FSA regulations to act with honesty, fairness and professional diligence and adopt such valuation methods that ensure the protection of investors' interests and market integrity in accordance with the international valuation standards (at fair value).

According to the applicable legislation, the Fund is required to prepare and publish the net asset value per share on monthly basis and for the dates when share capital changes are recorded to Trade Registry.

The Fund has to prepare a report detailing the NAV calculation along with a detailed situation of the investments at the reporting date in the forms established in the AIF Regulation. According to the AIF Regulation, the reports thus prepared are certified by the Depositary. The reports will also contain a description of the valuation methods used for those financial instruments for which valuation methods have been chosen in accordance with international valuation standards (fair value principle), the leverage level and the exposure value of the Fund calculated as per EU Regulation 231/2013.

Such reports must be submitted to FSA and published on the Fund's website at www.fondulproprietatea.ro, together with Share price and discount information, no later than 15 calendar days after the reporting date. In case the 15th calendar day from the end of the reporting date is a non-working day, then the reporting deadline is prolonged until the next working day. The FSA may request whenever it deems necessary additional information on the reports, with the mandatory obligation of the AIFM to provide the information within 5 (five) Business Days after the request date, following that these additional information to be also certified by the Depositary within 1 (one) Business Day.

According to the AIF Regulation, all rules regarding the computation and the reporting of the NAV per Share in case of the Fund set forth by the AIF Law and AIF Regulation (which are detailed below) will start applying on the date of the issuance by the FSA of the AIF Authorisation. Until the issuance of the AIF Authorisation, the computation and the reporting of the NAV per share is subject to the rules set forth by the NSC Regulation 4/2010.

The Net Asset Value of the Fund is determined as the difference between the total assets value and the aggregate value of the Fund's debts and deferred income. The calculation of the total value of debts includes both current and non-current liabilities, as well as the provisions created by Fondul Proprietatea.

The total value of the Fund's assets is calculated according to the AIF Regulation, by cumulating:

- a) non-current assets consisting of:
 - 1. intangible assets;
 - 2. tangible assets;
 - 3. financial assets;
- b) current assets;
- c) derivatives;
- d) deferred expenses.

To determine the Net Asset Value of the Fund:

- The portfolio holdings are valued and reflected in the Fund's assets at values established in accordance with the applicable accounting rules and the provisions of articles 113-122 of FSA Regulation no. 9/2014 on the authorisation and operation of investment management companies, undertakings for collective investment in transferable securities and of the depositaries of undertakings for collective investment in transferable securities (the "FSA Regulation 9/2014"). Please see section 2.2 Specific rules for the valuation of different types of assets of this PART 9 PORTFOLIO of the Prospectus for a detailed description of the valuation methods and rules.
- The debts, and registered deferred income amount is determined based on information provided by Fund's own accounting organised and managed in accordance with the legal provisions in force.

According to the AIF Regulation, the NAV per Share is computed as total NAV divided by the number of paid in issued shares excluding treasury shares and repurchased own shares related to global depositary receipts or certificates of interest of own shares. The equivalent number of shares corresponding to the Fund's GDRs bought back and held at the NAV reporting date are assimilated to treasury Shares.

The NAV per Share is calculated with 4 (four) decimals using truncation method.

According to the provisions of AIF Regulation, a material NAV error consists of one or more errors in the computation of NAV which, when considered cumulatively, result in a difference in the NAV of at least 0.5% (50 bps).

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

NAV* and Share price developments**	Notes	31 December 2020	31 December 2019	30 June 2021	30 June 2020
Total shareholders' equity at the end of the period (RON million)		10,266.9	11,871.5	11,428.7	10,141.4
Total shareholders' equity change in period (%)		-13.5%	+20.8%	+11.3%	-14.6%
Total NAV at the end of the period (RON million)	a	10,266.9	11,871.5	11,428.7	10,141.4
Total NAV change in period (%)		-13.5%	+16.2%	+11.3%	-14.6%
NAV per Share at the end of the period (RON)	a	1.6974	1.7339	1.9309	1.5622
NAV per Share change in the period (%)		-2.1%	+23.0%	+13.8%	-9.9%
NAV per Share total return in the period (%)	g	+2.2%	+31.2%	+18.4%	-5.9%
Share price as at the end of the period (RON)	b	1.4500	1.2100	1.8500	1.2600
Share price low in the period (RON)	b	0.9980	0.8000	1.4400	0.9980
Share price high in the period (RON)	b	1.4500	1.2100	1.8600	1.3800
Share price change in the period (%)		+19.8%	+37.0%	+27.6%	+4.1%
Share price total return in the period (%)	h	+26.4%	+49.1%	+32.9%	+9.9%
Share price discount to NAV as at the end of the period (%)	d	-14.6%	-30.2%	-4.2%	-19.3%
Average Premium/(discount) of the Share price in the period (%)	d	-21.1%	-29.4%	-4.2%	-23.6%
Average daily share turnover in the period (RON million)	c, j	7.4	5.6	4.3	8.7
GDR price as at the end of the period (USD)	e	17.1000	13.7000	22.6000	14.4000
GDR price low in the period (USD)	e	11.2000	9.6500	17.4000	11.2000
GDR price high in the period (USD)	e	17.3000	13.9000	22.6000	15.7000
GDR price change in the period (%)		+24.8%	+30.5%	+32.2%	+5.1%
GDR price total return in the period (%)	i	+31.1%	+41.4%	+37.1%	+10.4%
GDR price discount to NAV as at the end of the period (%)	d	-20.1%	-32.7%	-3.0%	-20.3%
Average GDR price discount in the period (%)	d	-22.1%	-30.4%	-5.9%	-24.6%
Average daily GDR turnover in the period (USD million)	f, j	0.7	0.7	1.2	0.8

Source: Fondul Proprietatea, BSE (for Shares), Bloomberg (for GDRs)

* NAV for the end of each period was computed in the last working day of the month, and was reviewed and certified by the Depositary Bank

** Period should be read as 2019/2020 / first semester in 2021 / first semester in 2020

Notes:

- Prepared based on local rules issued by the capital market regulator
- Source: BSE - REGS market - Closing prices
- Source: BSE
- Share Price/ GDR Price discount to NAV as at the end of the period (%) is calculated as the discount between FP Share closing price on BE - REGS/ FP GDR closing price on LSE on the last trading day of the period and the NAV per Share at the end of the period; the average discount is calculated according to IPS, using the latest published NAV per Share at the date of calculation, taking into account both premium days and discount days
- Source: LSE / Bloomberg - Closing prices
- Source: LSE, the Fund and Bloomberg

- g. The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per Share at the end of the period plus any cash distribution during the period, dividing the resulting sum by the official NAV per Share at the beginning of the period. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- h. The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- i. The GDR Price Total Return is calculated in USD by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- j. Including the tender offers carried by the Fund in March 2020 / September 2020 / December 2020 / August 2019

2 NAV Methodology

2.1 Overview

Valuation of the AIF's assets is performed by using the valuation methods in accordance with the principle of fair value, in compliance with the provisions FSA Regulation 9/2014, Articles 113-122 and EU Regulation 231/2013. The responsibility for setting the methods of valuation of portfolio assets is with the AIFM, which shall adopt such valuation methods that protect the investors' interests and market integrity, acting with honesty, fairness and professional diligence. If the responsibility to value the Fund's assets is delegated to an independent evaluator, then the AIFM assesses on an ongoing basis how such valuator fulfils its duties. The AIFM conducts annually, through a third party appointed considering the need to avoid the conflict of interest, an analysis of the valuation procedures and methods used, in order to ensure that they are adequate and in line with the legislation in enforce.

There are no specific cases of suspension of the valuation process.

2.2 Specific rules for the valuation of different types of assets

The specific valuation rules applicable to the Fund according to the AIF Regulation and the Fund's internal policies are presented below.

A. Financial instruments admitted to trading and traded in the last 30 trading days (working days) on a regulated market or in trading systems other than regulated markets, from an EU Member State, including on an alternative trading system in Romania, and those admitted at the official rate of a stock exchange or an alternative trading system from a non-EU Member State are valued as follows:

a) the shares and transferable securities including derivatives and units issued by UCITS:

1. at the closing price published on the day of calculation by the market section considered the main market, in case of shares admitted to trading on such regulated market from the EU Member State or the stock exchange from the Non-EU Member State; or
2. at the reference price published on the day of calculation, in case of shares traded on the trading systems other than regulated markets, including other alternative trading systems, published by the operator of such trading system for each of the segments of the system;

b) fixed income securities including money market instruments, follow one of the methods below:

1. one of the methods indicated under letter a) above, depending on the trading place of such transferable securities;
2. the method based on the daily recognition of interest and amortization of the discount/premium related to the period elapsed from the acquisition date;
3. the method based on mid-market quotations (calculated as average between the best selling price and the best purchase price), if there are relevant composite price models published by worldwide acknowledged official institutions or private firms (such as NBR, Bloomberg, Reuters);

3.1: If there is no relevant composite price benchmark, the valuation can be performed using BID quotations.

3.2: or, in the absence of any quotation in accordance with the previous points, the method of determining the fair value of the instrument according to internationally valuation techniques, based on a detailed explanatory decision of the Fund Manager;

4. if it is chosen the valuation method from points 3 or 3.1 and there is no relevant price for a fixed income instrument, that instrument shall be valued, as follows:

a) either based on the method provided under point 2 using the net purchase price (in case of newly-issued transferable securities for which there is no relevant composite price model) or the last composite price used in the valuation. When a relevant composite price will become available and this will exist for a period of 30 trading days (the observation period when the relevance of such price is analysed), the fixed income security is valued using mid-market quotations, starting from the working day immediately following the 30-trading day observation period;

b) or based on the method mentioned at point 3.2. When a relevant composite price becomes available which will exist for a trading period of 30 days (the observation period in which the relevance of this price is analysed), the fixed income instrument will be valued based on the valuation method mentioned at point 3, starting with the working day immediately following the 30-trading day observation period.

5. if the composite price model used is not available or becomes irrelevant during a 30-trading day observation period, the method based on the daily recognition of interest and amortization of discount/related premium is used, starting from the working day immediately following the 30-trading day observation period, starting from the last composite price used in the valuation. If, subsequent to the application of the method based on the daily recognition of interest and amortization of discount/related premium, there is a trading history and a relevant composite price model during a 30-trading day observation period, then the mid-market quotations will be applied, starting from the next working day following the 30-trading day observation period;
6. If the Fund Administrator decides to apply the valuation method mentioned at point 3, then it has the obligation to prepare and submit to the FSA, the rules and procedures for determining the relevance of the composite quotations used;

c) money market instruments, similar to the provisions of letter b);

d) derivative financial instruments, similar to the provisions of letter a);

e) the participation titles issued by the UCITS, similar to the provisions of letter a);

f) structured products shall be valued at reference price (related to an individual issuance of structured products, respectively to a trading session) calculated by the market operator where such transferable securities are traded.

In case of a listed security admitted to trading on a regulated market or a multilateral trading system with liquidity considered by AIFM as being irrelevant for the application of the stock exchange market price valuation method, on the basis of a prudent judgement regarding the active market (as defined by International Financial Reporting Standard 13 - Fair value measurement (IFRS 13)), AIFM may decide that the respective holding may be valued based on a valuation report prepared by an authorised valuer. Such valuation method must be applied for a period of at least one calendar year. Also, AIFM should include in the Fund's annual report a detailed explanation of its decision and the detailed analysis of the respective issuer liquidity which led to the conclusion that the stock exchange market price is not relevant.

In case of fixed income instruments for which there is no relevant composite price benchmark, the valuation can be performed using BID quotations.

B. The financial instruments admitted to trading on several regulated markets and/or in alternative trading systems other than regulated markets, from an EU Member State, including alternative trading systems in Romania, traded in the last 30 trading days (working days) are valued at the closing price of the market section considered main market or at the reference price provided in alternative systems having the highest degree of liquidity and frequency of trading of such financial instrument determined by the volume and number of transactions recorded during the previous calendar year.

If the financial instruments are also admitted on alternative stock exchanges or systems from a non-EU Member State, the price of the market with the highest liquidity and frequency of trading is taken into account.

Financial instruments admitted to trading only on several stock exchanges and/or alternative trading system from non-EU Member States are valued at the closing price of the stock exchange or at the reference price provided by the alternative systems with the highest liquidity and frequency of trading of such financial instrument determined by the volume and number of transactions recorded during the last 365 days, corresponding to the day for which the calculation is made. The calculation is performed annually, at the beginning of each calendar year.

In case of a listed security admitted to trading on a regulated market or a multilateral trading system with liquidity considered by AIFM as being irrelevant for the application of the stock exchange market price valuation method, on the basis of a prudent judgement regarding the active market (as defined by International Financial Reporting Standard 13 - Fair value measurement (IFRS 13)), AIFM may decide that the respective holding may be valued based on a valuation report prepared by an authorised valuer. Such valuation method must be applied for a period of at least one calendar year. Also, AIFM should include in the Fund's annual report a detailed explanation of its decision and the detailed analysis of the respective issuer liquidity which led to the conclusion that the stock exchange market price is not relevant.

C. (i) Financial instruments not admitted to trading on a regulated market or on trading systems other than regulated markets, including alternative trading systems in Romania, or Non-EU Member State are valued as follows:

a) shares are valued using:

1. either the shareholders' equity per share, as per latest issuer's annual financial statements, prepared either in accordance with the local accounting standards applicable to the issuer or IFRS, if available. In case of investments in shares of credit institutions, the shareholders' equity taken from the monthly reports submitted to the NBR; or
2. a valuation method according to the international valuation standards (using the fair value principle), approved by the AIFM;

b) fixed income securities money market instruments are valued according to provisions of point A b) 2 and/or b) 3;

c) derivative financial instruments are valued using well-known techniques of the financial markets (e.g. based on the current value of another similar financial instrument, models of cash flow analysis and option valuation, etc.), so as to observe the fair value principle;

d) the units issued by undertakings in collective investments are valued based on the latest available net asset value per share.

e) in case of portfolio companies not admitted to trading within a regulated market or a multilateral trading system, in which the Fund holds over 33% of the share capital, the respective holding is valued exclusively in accordance with international valuation standards based on valuation report, updated at least annually. Such rule is not applicable in case of holdings in portfolio companies under judicial liquidation or other liquidation procedures, in portfolio companies under temporary or final activity termination, or having negative shareholders' equity, such being by default valued at zero. Holdings greater than 33% in portfolio companies under insolvency or reorganization procedures are valued either at zero or at a value calculated with the assistance of an independent valuator.

(ii) The financial instruments admitted to trading on a regulated market, on an alternative system or on trading systems other than regulated markets, from an EU-Member State, including alternative trading systems in Romania, and those admitted at the official rate of a stock exchange or an alternative trading system from a non-EU Member State, but not traded in the last 30 trading days (working days) are valued starting from the 31st non-trading day as follows:

- the shares, transferable securities, derivative financial instruments and units issued by undertakings in collective investments similarly to the valuation methods stipulated under C (i) above;
- the fixed income securities and money market instrument according to point A b) 2 and/or b) 3.

(iii) Cash held in the current bank accounts is valued by taking into account the available balance as at the end of the date for which the NAV calculation is performed (based on transactions value date). Cash amounts held with credit institutions undergoing the bankruptcy proceedings shall be included in the NAV at nil value.

(iv) Bank deposits and depositary receipts are valued based on the daily recognition of the interest income for the period elapsed from the bank deposit starting date.

(v) Structured deposits are valued based on the daily recognition of the minimum guaranteed interest of such structured deposit granted by the bank as bonus. If a minimum interest is not guaranteed, then the valuation will consider the minimum current account interest. Upon maturity, if the evolution of the underlying asset has complied with the conditions required to establish the deposit, the positive difference of interest shall be recognized for the entire period elapsing from the starting date of the deposit. The valuation method must be maintained throughout the entire term of the deposit.

(vi) Deposits with interest paid in advance, regardless of the deposit term, are valued based on the initial deposit amount throughout the entire deposit term. If interest has been received prior to maturity date of the bank deposits, the amounts received shall be deducted from the calculated value.

(vii) Money-market instruments in the form of commercial papers are valued similarly to the calculation method used for fixed income securities.

D. Shares in a portfolio company that is under insolvency or reorganization procedures are included in the net asset from the date on which the notice was published in the Insolvency Procedures Bulletin which can be accessed at the following link: <https://bpiptf.onrc.ro/>, either at zero or at the value calculated with the assistance of an independent valuator by using valuation methods in accordance with international valuation standards (using the fair value).

E. Shares in a portfolio company under judicial liquidation or other liquidation procedures or in a portfolio company which ceased temporary or definitely its activity are valued, from the date on which the notice was published in the Insolvency Procedures Bulletin which can be accessed at the following link: <https://bpiptf.onrc.ro/>, at zero.

Shares in an unlisted or listed but not traded in the last 30 trading days portfolio company having negative shareholders' equity are valued at zero.

F. In case of companies in insolvency or reorganisation, whose shares have been re-admitted to trading on a regulated market or alternative trading system based on a final court decision whereby the appointed receiver confirms the reorganisation plan of the entity and the issuer/market or system operator confirms that it would not challenge by appeal the ruling confirming the reorganisation plan, the shares shall be valued in accordance with point A a) above if the shares have a market price, namely transactions were recorded from the date of their re-admission to trading. If the shares have no market price, they are valued until an available reference price is recorded, according to point C (i) letter a) above.

G. (i) Dividends from portfolio companies and bonus shares received from portfolio companies following their share capital increase shall be recorded in the Fund's portfolio on the first day when the investors purchasing the shares no longer receive dividends or on the first day when investors purchasing the shares may no longer participate in the capital increase.

If, due to lack of information, the dividends for holding shares listed on foreign markets may not be recorded in the assets in accordance with the provisions of the first paragraph, the counter value of such dividends shall be recorded as an asset on the date when the Fund's Director or the Fund's Depositary comes into possession of the information on the ex-dividend date, a fact proven by documents/excerpts/publications.

If the dividends and/or bonus shares are not paid/allocated by portfolio companies within the legal term or the term provided in the GMS resolution, then they shall be included in the NAV at nil value. If the legal term/term provided in the GMS resolution to pay/allocate the dividends falls on a non-working day, then the deadline shall be extended until the end of the first working day.

(ii) The shares of companies not admitted to trading resulting from share capital increases in cash are valued as follows:

- a) until the share capital increase is registered with the Trade Registry, at their subscribed value;
- b) from the date the share capital increase is registered with the Trade Registry, similarly to the rules mentioned under point C above.

H. The shares of companies not admitted to trading resulting from share capital increases with cash contribution will be valued as follows:

- a) until the date on which the share capital increase is registered with the Trade Register, at their subscribed value;
- b) from the date on which the share capital increase is registered with the Trade Register, similar to the rules mentioned under point C above.

(ii) If the share capital is increased with the issuance of pre-emptive rights, such rights will be recorded in the Fund's assets on the first day on which the investors purchasing the shares may no longer participate in the capital increase. Until the first trading day, the valuation of the pre-emption rights shall be made at the theoretical value. Following admission to trading, the pre-emption rights will be valued at the market price (according to point A above) on the day for which the calculation is made.

I. The shares and greenhouse gas emission allowances shall be valued at least annually based on the value determined by applying valuation methods in accordance with the valuation standards in force, according to the law (in which the fair value principle is used).

3 Analysis of the portfolio of the Fund

The Fund's portfolio consists only in investments in Romanian securities. The primary technique for mitigating equity price risk is the diversification across securities and industries, to the possible extent.

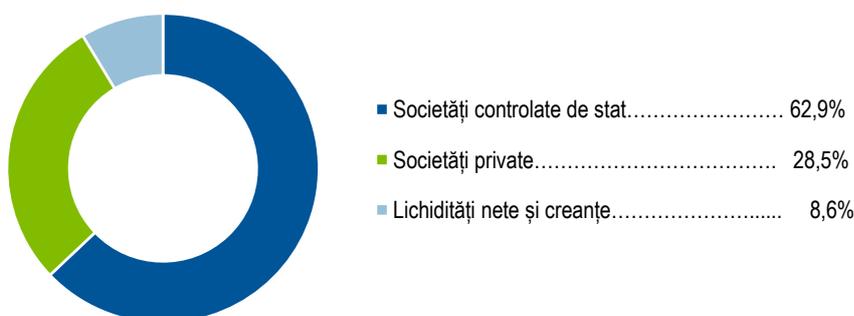
The investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities, including enabling or transitional activities, within the meaning of the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, as may be amended from time to time.

The detailed statement of investments as at 30 June 2021 certified by the Fund's Depositary is included in Annex 1 attached to this Prospectus. Such statement is certified by the Fund's Depositary and published on quarterly basis on the Fund's website at the following link: <https://www.fondulproprietatea.ro/home/investments/situaia-detaliat-a-investitiilor.html>.

The following tables show the breakdown of the Fund's Net Asset Value computed according to NSC Regulation 4/2010 for the month ended 30 June 2021. The calculation of the Net Asset Value is certified by the Depositary. The reports regarding the Net Asset Value and monthly factsheets are published on the Fund's website at the following link: <https://www.fondulproprietatea.ro/home/investments/net-asset-value.html>, without being incorporated by reference into this Prospectus.

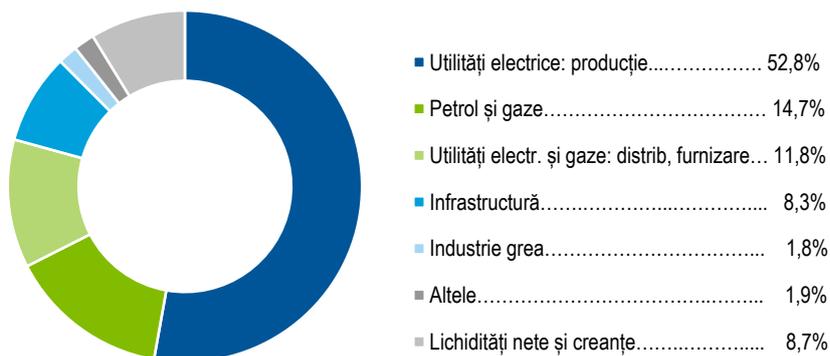
Net asset value breakdown by asset type as at 30 June 2021

Portfolio structure – according to control holdings



- *Net liquidities and receivables include bank deposits, current bank accounts, short-term Government bonds, 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 activity sectors



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

- The portfolio remained significantly concentrated in the electricity, oil and natural gas sectors (approximately 79.3% of NAV), through a number of listed and unlisted Romanian companies.

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

Portfolio structure – by asset type⁴



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

Portfolio structure – unlisted shares

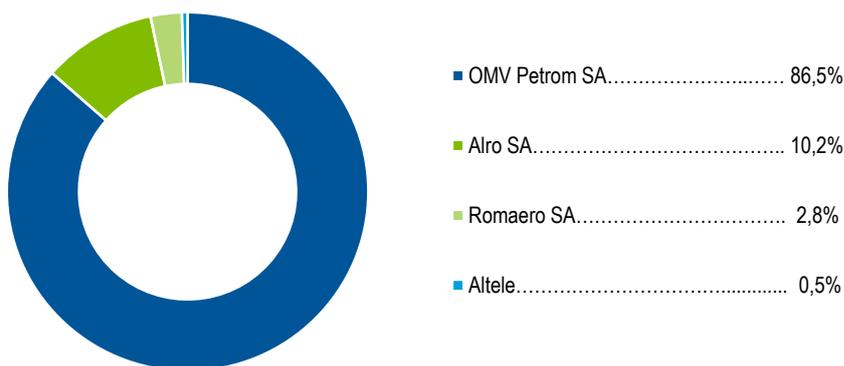


- The largest unlisted company is Hidroelectrica SA (52,8% of NAV)

Source: Fondul Proprietatea, data as at 30 June 2021; the graph reflects the value of companies according to NAV expressed as % of the total value of unlisted equity investments according to NAV

Portfolio structure – listed shares

⁴ Note: the value of listed investments by reference to the total value of the Fund's assets based on NAV was 16.9% as at 30 June 2021



- The largest listed company is OMV Petrom SA (14.74% of NAV)

Source: Fondul Proprietatea, data as at 30 June 2021; the graph reflects the value of companies according to NAV expressed as % of the total value of listed equity investments according to NAV

1. Equity investments

The equity investment portfolio as 30 June 2021 is composed of holdings in 32 companies (6 listed and 26 unlisted), containing a combination of privately held and State-owned entities.

For the details regarding the stakes held by the Fund in each of the listed portfolio companies and the holding values as at 30 June 2021, see Annex 1 *Detailed statement of investments as at 30 June 2021*, attached to this Prospectus. All Fund's listed portfolio companies are incorporated in Romania.

OMV Petrom S.A.

The most significant listed equity investment is the holding in OMV Petrom S.A. The Fund's stake in OMV Petrom's share capital as at 30 June 2021 was 6.99% and represented 14.74 % of the Fund's NAV.

OMV Petrom S.A. is a joint stock company organized and incorporated under Romanian laws with the headquarters in Coralilor Street no. 22, District 1, Bucharest, Romania, registered with the Trade Register under number J40/8302/1997 and unique fiscal registration code 1590082.

The company has as main activities exploration and production of hydrocarbons, sale of natural gas, refining of crude oil, marketing of petroleum products, as well as production and sales of electricity.

According to OMV Petrom's latest financial report, (of February 2021), respectively the preliminary results for 2020, the sales at consolidated level dropped in Q4 2020 by 37% against Q4 2019, being adversely affected by the lower quantities and prices of sold oil products and natural gas, as well as by the lower amounts of sold electricity, which are partially offset by higher electricity prices. The adjusted operating result of RON 467 million in Q4 2020 was by 58% lower than in Q4 2019, mainly due to the negative evolution of the Upstream segment, determined by lower price of crude oil and natural gas and lower refining margins in the Downstream Oil segment, which were partially offset by better market conditions in the energy sector for the Downstream Gas segment.

The net income to be allocated to shareholders for 2020 was RON 1,291 million (2019: RON 3,635 million). For 2020, the executive management proposed a dividend of RON 0.031 per share, the same as in the previous year. This implies a dividend distribution rate of 136%. The management included a number of market restatements in the preliminary report for 2020 in the context of the COVID-19 pandemic, as follows:

- The average Brent oil price estimated at USD 50-55 / barrel for 2021 (2020: USD 41.84 / barrel), slightly higher than estimated in the Q3 2020 report;
- Refining margins estimated at over USD 4 / barrel vs. previous estimate of about \$ 3 / barrel (2020: USD 2.9 / barrel);
- The demand for petroleum products and electricity is estimated to be above the 2020 level, while demand for natural gas is estimated at a level similar to 2020.

OMV Petrom management also announced a revision of the medium and long-term price estimates as follows: the average Brent oil price estimated at USD 60 / barrel for 2022-2023 (from USD 70 / barrel for 2022 and USD 75 / barrel for 2023); for the period 2024-2029, the company estimates a Brent price of oil of USD 65 / barrel (from USD 75 / barrel previously) and USD 60 / barrel until 2035, and USD 60 / barrel for the future period (from USD 75 / barrel).

Consequently, the revision of the price estimates generated net impairment adjustments before non-cash taxation amounting to RON 920 million in Q3 2020. A reversal of the impairment adjustment was also registered related to the Brazi power plant (approximately RON 480 million) as a result of improved prospects.

ii. Unlisted equity investments

For the details regarding the stakes held by the Fund in each of the unlisted portfolio companies and the holding values as at 30 June 2021, see the Annex 1 *Detailed statement of investments as at 30 June 2021*, attached to this Prospectus. All Fund's unlisted portfolio companies are incorporated in Romania.

Hidroelectrica S.A.

WARNING: DESPITE THE REQUIRED ENDEAVORS MADE BY FTIS AS FUND MANAGER IN ORDER TO OBTAIN THE NECESSARY INFORMATION ABOUT HIDROELECTRICA S.A. THE FUND HAS NOT BEEN ABLE TO ACCESS ALL SPECIFIED ITEMS OF INFORMATION IN RELATION TO HIDROELECTRICA S.A, THAT WOULD OTHERWISE BE REQUIRED TO BE INCLUDED IN THIS PROSPECTUS IN ACCORDANCE WITH THE DELEGATED REGULATION 2019/980, CONSIDERING ITS PROPORTION IN THE FUND'S NET ASSET VALUE. THEREFORE, THE INFORMATION SET OUT IN THIS PART 9 PORTFOLIO AND IN ANNEX 2 "INFORMATION ABOUT HIDROELECTRICA S.A." HEREOF PROVIDES A REDUCED LEVEL OF DISCLOSURE REGARDING HIDROELECTRICA AS COMPARED TO THE MINIMUM DISCLOSURE REQUIREMENTS FOR THE REGISTRATION DOCUMENT FOR EQUITY SECURITIES PURSUANT TO THE DELEGATED REGULATION 2019/980.

FURTHERMORE, IN PREPARING THE DISCLOSURE INCLUDED IN THIS PART OF THE PROSPECTUS, THE FUND ASSUMED THAT THE INFORMATION MADE PUBLIC BY HIDROELECTRICA S.A. IS ACCURATE, COMPLETE AND UP-TO-DATE, THE FUND NOT HAVING BEEN ALWAYS IN THE POSITION TO CHECK ALL RELEVANT INFORMATION BY REFERENCE TO THE UNDERLYING DOCUMENTATION.

The most significant unlisted equity investment is the holding in Societatea de Producere a Energiei Electrice în Hidrocentrale Hidroelectrica S.A. ("Hidroelectrica S.A."). The Fund's stake in Hidroelectrica's share capital as at 30 June 2021 was 19.94% and represented 52.84% of the Fund's NAV.

Hidroelectrica S.A. is an unlisted joint stock company organized and incorporated under Romanian laws with its headquarter in Bucharest, 15-17 Ion Mihalache Avenue, 10th -15th floor, District 1, registered with the Trade Register under number J40/7426/2000 and unique fiscal registration code 13267213, having a subscribed and paid up share capital of RON 4,484,474,670. Hidroelectrica S.A. is the top power generator in Romania and the top supplier of ancillary services required for the National Energy System.

A more detailed company profile in relation to Hidroelectrica S.A. is set out under Annex 2 *Information about Hidroelectrica S.A.* of the Prospectus. Please note that despite the necessary endeavors made by FTIS, in its capacity as Fund Manager, to obtain the required information about Hidroelectrica S.A., the Fund has been unable to access specified items of information that would otherwise be required to be included in the Prospectus in relation to Hidroelectrica S.A. and therefore the disclosure under Annex 2 Information about Hidroelectrica S.A. of the Prospectus provides a reduced level of disclosure as compared to the minimum disclosure requirements for the registration document for equity securities pursuant to the Delegated Regulation 2019/980.

Compania Națională Aeroporturi București S.A.

The second largest Fund's unlisted holding is Compania Națională Aeroporturi București S.A. The Fund's stake in this company's share capital as at 30 June 2021 was 20.00% and represented 5.18% of the Fund's NAV.

Compania Națională Aeroporturi București S.A. is an unlisted joint stock company organized and incorporated under Romanian laws with its headquarter in Otopeni, 224 E Calea Bucureștilor, Ilfov County, registered with the Trade Register under number J23/401/2010 and unique fiscal registration code 26490194, having a subscribed and paid up share capital of RON 143,772,150. Compania Națională Aeroporturi București S.A. provides airports

services for passengers, cargo and mail transportation, including administration, investments, maintenance of goods within its patrimony in order to ensure the safety and security of take-off/landing of aircrafts and of the transfer of passengers, cargo and mail within Bucharest airport.

On 26 October 2021 Compañia Nationala Aeroporturi Bucuresti S.A. approved through Extraordinary General Shareholders Meeting (“EGSM”) Resolution no. 15 the increase of the share capital from RON 143,772,150 to RON 4,912,283,610 as a result of the contribution in kind of the Romanian State with the land inside the Băneasa airport, giving Fondul Proprietatea the option to participate by subscribing for 95,370,229 shares with a value of RON 953,702,290 to avoid being diluted – the deadline for participating is 60 calendar days after the shareholders resolution is published in Official Gazette. Fondul Proprietatea filed a claim of annulment against the Bucharest Airports EGSM Resolution no. 15/26 October 2021 and asked for the suspension of share capital increase process. Based on current assumptions we don’t estimate to have the share capital increase effective before end of 2021.

2. Cash and cash equivalents

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.

Current accounts and deposits are held with banks in Romania. The management of the Fund implemented a formal policy regarding bank counterparty risks and limits. The Fund only establishes new deposits with financial institutions where the institution or the institution’s corporate parent has a credit rating “investment grade” (BBB- or better). The counterparty credit risk is also diversified by allocating the cash and cash equivalents across several banks. The selection of financial institutions as deposit takers is made and the exposure limits are decided upon based on their credit ratings.

The Fund places cash into fixed rate bank deposits and short-term Government securities with fixed interest rates and original maturities of up to one year. Any potential reasonable movement in interest rates would have an immaterial effect on the Fund.

The Government securities consist in discount treasury bills and/or coupon Government bonds denominated in RON, issued by the Ministry of Public Finance of Romania.

For the details regarding the cash deposits and Government securities held by the Fund as at 30 June 2021, see Annex 1 *Detailed statement of investments as at 30 June 2021*, attached to this Prospectus.

3. Net liabilities

Net liabilities include all liabilities (including liabilities to shareholders related to dividend distributions and returns of capital) and provisions net of the dividend receivables, as well as of other receivables and assets.

Net asset value breakdown by business sector as at 30 June 2021

The companies in which the Fund holds equity instruments operate in different industries. The Fund has concentrated exposures to the “Power utilities: generation”, “Oil and gas” and “Power and gas utilities: distribution and supply” sectors. The risk factors related to the portfolio companies’ business sector are presented in PART 2 RISK FACTORS of this Prospectus.

Sector breakdown	% of NAV
Power utilities: generation	52.84%
Oil and Gas	14.74%
Power and Gas utilities: distribution, supply	11.79%
Infrastructure	8.27%
Heavy Industry	1.82%
Aluminum	1.73%
Postal services	0.11%
Other sectors	0.11%
Net liquidities and receivables*	8.59%

** Net liquidities 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.*

Source: The Fund's Factsheet as at 30 June 2021

The distribution of the various listed and unlisted equity holdings of the Fund across the main business sectors is further detailed under Section 1 Equity investments above.

The risk factors related to holdings in majority State-owned companies are presented in section Risks relating to the Fund's business activities and operations of PART 2 RISK FACTORS of this Prospectus.

PART 10 MANAGEMENT COMPANY

1 The Sole Director and AIFM General information / Regulatory Status

The alternative investment fund manager (the “AIFM”) of Fondul and its sole director is Franklin Templeton International Services S.à r.l., (“Sole Director” or “FTIS”) organized as a “société à responsabilité limitée” under Luxembourg law, qualifying as an alternative investment fund manager under Article 101-1 of the Luxembourg Act of 17 December 2010 on undertakings for collective investment, as amended (the “2010 Luxembourg Law”) whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 36.979, having the telephone number (352) 46 66 67-1 and the website address <https://www.franklintempleton.lu> (the information on the website of FTIS does not form part of the Prospectus).

FTIS has the following LEI: code549300PVL6CYCWSH9C53.

FTIS is authorized by the Luxembourg competent authority (Commission de Surveillance du Secteur Financier) as an alternative investment fund manager under Article 101 (2), Chapter 15 of the 2010 Luxembourg Law, qualifying as an AIFM under Chapter 2 of the Luxembourg Law of 12 July 2013 on alternative investment fund managers, implementing the AIFM Directive.

FTIS carries out services in Romania on a cross border basis in accordance with Law 74/2015, being registered in the register kept by the FSA under no. PJM07.1AFIASMDLUX0037/10 March 2016, as well as through its branch in Bucharest, registered in the register kept by FSA under no. PJM08AFIASMS / 400001 dated 5 August 2019.

In accordance with the AIFM Directive and Law 74/2015, pursuant to the notification of the Luxembourg financial supervisory authority (Commission de Surveillance du Secteur Financier), FTIS is authorised to carry out services including the management of the Fund (including, without limitation, risk management and portfolio management).

In line with the AIFM Directive as implemented in Romania by means of Law 74/2015, FTIS is supervised by the Luxembourg authority (Commission de Surveillance du Secteur Financier), as its home member state competent authority and by the FSA, as the host-member state authority.

The Sole Director is appointed and revoked by the OGMS of the Fund. The duration of the mandate as the AIFM and Sole Director of the Fund is of 2 years starting with 1 April 2020. The Sole Director issues decisions regularly and whenever necessary for the daily operations of the Fund.

For more detailed information, please also see PART 11 MANAGEMENT SYSTEM and PART 16 MATERIAL CONTRACTS below.

Appointment as Sole Director and AIFM

In June 2009, Franklin Templeton Investment Management Limited United Kingdom was selected to act as the investment manager and sole director of the Fund following an international tender procedure organized by the Fund in accordance with Romanian Government decision no. 1514/2008 on the organization of the international tender for the appointment of the management company of the Fund. Following the completion of the selection process, the Fund and Franklin Templeton Investment Management Limited United Kingdom concluded, on 25 February 2010, an investment management agreement and Franklin Templeton Investment Management Limited United Kingdom was appointed as the fund manager and the sole director of the Fund.

In order to comply with the AIFM Directive, FTIS was appointed as the AIFM and Sole Director of the Fund for a mandate of two years starting 1 April 2016. On 14 February 2018 the shareholders of the Fund approved the renewal of the mandate of FTIS, as the AIFM and Sole Director of the Fund for a new mandate of two years starting 1 April 2018 and on 28 June 2019 the shareholders of the Fund approved the renewal of the mandate of FTIS, as the AIFM and Sole Director of the Fund for a new mandate of two years starting with 1 April 2020 as well as the new Management Agreement. On 28 April 2020, the shareholders approved the continuation of the current mandate of the AIFM and Sole Director of the Fund.

On 29 September 2021, the shareholders approved the renewal of Franklin Templeton International Services S.à r.l.'s mandate as sole director of Fondul Proprietatea, which also exercises the mandate of alternative investment fund manager of Fondul Proprietatea, for a 2 (two)-year term starting with 1 April 2022 ("New Mandate"), as described below. The renewal of Franklin Templeton International Services S.à r.l.'s mandate mentioned above is conditional upon the conclusion of a management agreement regarding the New Mandate between Franklin Templeton International Services S.à r.l. and Fondul Proprietatea before 1 April 2022, based on the following main commercial aspects:

- Base fee per year 0.45%
- Distribution fee 2.50% applied to the value of distributions between 1 April 2022 and 31 March 2023 and 1.75% applied to the value of distributions between 1 April 2023 and 31 March 2024
- The vote on the continuation of the mandate will take place in April 2022, while in April 2023 no vote will take place on the continuation of the mandate, as the negotiation for a new mandate will take place during the same year.

The AIFM takes all the investment decisions on behalf of the Fund, in accordance with the Fund's investment policy, see further details on the Fund's investment policy in PART 8 INVESTMENT POLICY AND OBJECTIVES. Furthermore, the AIFM is responsible for calculating the monthly NAV and NAV per share, in accordance with the applicable law. The AIFM is not responsible for the performance by the Depositary of its safekeeping duties with respect to the Fund's assets.

In the BREXIT context, since 1 December 2020, the portfolio management and administrative activities have been performed by FTIS through its branch in Bucharest whose registered office is in Bucharest, Sr. Buzești 76-80, floor 8, district 1, sole registration code 40198471, Trade Register number J40/16822/2018, registered with FSA under registration number PJM08AFIASMS / 400001 dated 5 August 2019.

The AIFM's experience

The AIFM has a local team of highly qualified professionals including investment analysts, the Fund's portfolio manager, Mr. Johan Meyer, as well as a range of administrative service staff covering accounting, NAV calculation, investor relations, public relations, legal and regulatory compliance matters. Each department is supported by the global resources of the Franklin Templeton Investments Group.

Details regarding the permanent representative of the Sole Director and regarding its experience are included in PART 11 MANAGEMENT SYSTEM of this Prospectus.

Important events in the development of the AIFM's business

As of the date of this Prospectus, there are no important events in the development of the AIFM's business with impact on the Fund.

2 Franklin Templeton Investments Group

FTIS is part of the Franklin Templeton Investments Group.

Franklin Templeton Investments provides global and domestic investment management to retail, institutional and sovereign wealth clients in over 150 countries. Through specialized teams, Franklin Templeton Investments has expertise across all asset classes, including equity, fixed income, alternative and custom solutions. Its more than 600 investment professionals are supported by its integrated, worldwide team of risk management professionals and global trading desk network. With offices in 35 countries, the California based company has more than 65 years of investment experience and \$880.1 billion in assets under management as at 31 December 2014.

In addition to investment management, Franklin Templeton Investments provides services such as fund administration, sales, distribution, shareholder services, transfer agency, trustee, custodial and other fiduciary services, as well as select private banking services. Franklin Templeton Investments can also provide sub-advisory services to investment products sponsored by other companies.

Treating customers fairly is one of the core values of Franklin Templeton Investments. Preferential treatment among clients is strictly prohibited. Aiming to ensure fair treatment to any client or investor, FTI has developed and implemented several policies and procedures.

Both FTIS and FTIML apply FTI global best practices to meet regulatory obligations and comply with laws and regulations.

These include:

- Code of ethics to which all employees are bound;
- Conflicts of interest policy to evidence compliance with conflicts of interest requirements as provided by MiFID II;
- Data protection policy to ensure that business operations comply with the data protection regulations;
- Anti-Bribery policy to ensure that employees of FTIS and FTIML comply with the U.S. Foreign Corrupt Practices Act and applicable anti-bribery and anticorruption regulations of the local jurisdictions where FTIS and FTIML operate;
- Compliance policy and charter, which sets the compliance framework, describing the generic compliance and regulatory requirements and the consequences of failure to comply;
- Personal investments and insider trading policy designed to prevent Franklin Templeton employees from engaging in prohibited insider trading and to fairly disclose non-public information;
- Gifts and entertainment compliance policy, intended to deter providers of gifts or entertainment from seeking or receiving special favours from employees of Franklin Templeton;
- Regular staff training on compliance and related matters;
- Reinforcement of corporate values which focus on acting in the client's best interests, with integrity and confidentiality.

PART 11 MANAGEMENT SYSTEM

1 General information on corporate governance

The Fund has a clear and transparent corporate governance framework dating since 2011 that was updated and enhanced in the subsequent periods in order to meet new demands and opportunities and is compliant with the provisions of the current Corporate Governance Code of the BSE.

The framework is published on the Fund's website and sets out clearly the main aspects of the Fund's corporate governance structure, the respective functions of the Board of Nominees and of the Fund's Sole Director, as well as their powers and responsibilities. The Fund regularly develops and updates its corporate governance framework, in order to meet new demands and opportunities.

The Fund lends great importance to the principles of good corporate governance and, coinciding with its listing at the beginning of 2011, has adhered to the then-applicable BSE Code of Corporate Governance.

In September 2015 BSE issued a new Corporate Governance Code applicable starting 2016. Following the self-assessment conducted, the AIFM informs the shareholders and investors that the Fund is fully compliant with the provisions of the current Corporate Governance Code of the BSE.

In accordance with best corporate governance practice, the Fund is managed in a climate of transparency, based on open discussions between FTIS and the Board of Nominees.

FTIS, its employees and the members of the Board of Nominees have a duty of care and loyalty towards the Fund. Hence, FTIS and the Board of Nominees pass their resolutions as required for the welfare of the Fund, primarily in consideration of the interests of shareholders and investors.

The Fund implemented all recommendations from the Corporate Governance Code of the BSE and has in place the following policies:

- The ACDP;
- The Nomination and Remuneration Policy;
- The Forecast Policy; and
- The Policy regarding Related Parties Transactions.

In addition thereto, FTIS applies global best practices to meet its regulatory and compliance obligations. More details regarding FTIS are included in PART 10 MANAGEMENT COMPANY above.

These include: (i) a code of ethics to which all employees are bound; (ii) a conflicts of interest policy to evidence compliance with the conflicts of interest requirements as set out in MiFID II; (iii) a data protection policy to ensure that its business operations comply with the applicable data protection regulations; (iv) an anti-bribery policy to ensure that employees of FTIS and FTIML comply with the U.S. Foreign Corrupt Practices Act and applicable foreign bribery regulations in local jurisdictions where FTIS and FTIML operate; (v) a compliance policy and charter, which sets the compliance framework, describing the generic compliance and regulatory requirements and the consequences of failure to comply; (vi) regular staff training on compliance and related matters; (vii) reinforcement of corporate values which focus on acting in the client's best interests and with integrity and confidentiality; (viii) gifts and entertainment compliance policy, intended to deter providers of gifts or entertainment from seeking or receiving special favours from employees of Franklin Templeton.

2 Overview of the management structure

In September 2010, a one-tier system of governance was implemented at the Fund's level, as a result of the implementation of the rules established by Romanian legislation in force, in order to allow the appointment of FTIML as fund manager and Sole Director of the Fund.

The Fund is currently administrated under a one-tier system, however the role of the Board of Nominees is similar to the role of a supervisory board in a two-tier system, with a few exceptions.

The Fund has a transparent decision-making process, relying on clear rules which are intended to enhance shareholder confidence. It also contributes to the protection of shareholders' rights, improving the overall performance of the Fund, offering better access to capital and risk mitigation.

The Fund is managed by FTIS including through its branch in Bucharest, as its Sole Director and AIFM. For more details regarding the AIFM, please see PART 10 MANAGEMENT COMPANY of the Prospectus above.

The Board of Nominees, appointed by the shareholders, acts as an oversight body; its role includes, inter alia, monitoring of the activity of FTIS in its capacity as both Sole Director and AIFM and checking the performance of the Management Agreement.

3 The Sole Director and AIFM

Appointment of the Sole Director and AIFM

According to the Constitutive Act, the Fund is managed by FTIS acting as Sole Director of the Fund and AIFM.

The Sole Director and AIFM is appointed and revoked by the OGM for the purpose of managing Fondul. See details on the appointment in PART 10 MANAGEMENT COMPANY.

The agenda of each annual OGMS will allow the shareholders the opportunity to vote on (i) the continuation or termination of the Management Agreement and the AIFM's mandate, any proposed termination ensuring the simultaneous termination of the AIFM's mandate and the Management Agreement and (ii) the procedure for the selection of a new Sole Director and AIFM, in case the shareholders vote for the termination of the Management Agreement and of the AIFM's mandate. Such procedure will be prepared by the AIFM and agreed with the Board of Nominees before its inclusion in the language of the draft resolution of the annual OGMS.

The Sole Director is responsible for the Fund's executive management. FTIS as Sole Director and AIFM, acts in the best interest of the Fund and protects the general interests of the shareholders.

On the date of this Prospectus FTIS does not hold any Shares issued by the Fund.

For details regarding members of the administrative, management or supervisory bodies and senior members, please see section *Permanent representative of the Sole Director* in the Prospectus below.

The main duties of the Sole Director and AIFM

As provided by the Constitutive Act, the Management Agreement and the IPS, the main duties of FTIS are:

- (a) ensuring the management of Fondul by fulfilling the necessary and useful operations to achieve the Fund's business objective, except for the operations reserved by the law for the GMS, having all the obligations attributed to it by the applicable law. In connection with the risk management function, the AIFM must inter alia identify, analyse, quantify, manage and mitigate all risks affecting the Fund, its portfolio and all other risk management functions provided by the AIFM Rules and prepare an annual report for the Fund indicating how risks affecting the Fund have been identified, analysed, quantified, managed or mitigated. Also, the AIFM will establish, implement, regularly (at least annually) review, and as the case may be, adapt such risk management system (including the liquidity management system) which is necessary in order to identify, measure, manage and monitor appropriately all risks (including the liquidity risk) which are relevant to the Fund's investment strategy and to which the Fund is or may be exposed, as well as the risk management duties and obligations to which the Fund Manager is compelled by the AIFM Rules in view of the Fund's specific features. The AIFM will carry out all portfolio management functions provided in the AIFM Rules in consideration of the Fund's specific features;
- (b) establishing a reference date for shareholders entitled to vote within the GMS, under the law, and drafting the text of GMS calling notice, after obtaining the prior approval of the Board of Nominees and after adding to the agenda the matters requested by the Board of Nominees;
- (c) giving responses on the aspects concerning the business of the Fund, upon the written request submitted by any shareholder before the date of the GMS, after obtaining the prior approval of the Board of Nominees;

- (d) ensuring that a copy of or extract of the GMS minutes is given to any shareholder upon his request; making available to shareholders the financial statements of the Fund and the reports of the AIFM and of the financial auditors, after the calling notice of the annual OGM is published;
- (e) preparing the annual financial statements, the annual activity report, the semi-annual report, and the quarterly reports (preparing each of the foregoing in accordance with the law and regulations in force at the applicable time), the performance report, examining the financial auditors' report, presenting all such reports to the Board of Nominees before submitting such documents to the GMS for approval and making proposals on the distribution of the profit to the GMS, after obtaining the prior approval of the Board of Nominees;
- (f) managing the relationship with the Central Depository with regard to its shareholders register functions;
- (g) preparing an annual report on the management and business policy of the Fund, to be presented to the Board of Nominees for approval prior to its submission to the GMS;
- (h) proposing for the prior approval of the Board of Nominees and further, to the GMS for final approval, the annual income and expenditure budget and business plan;
- (i) proposing for the prior approval of the Board of Nominees and further, to the GMS for final approval, the general strategy in accordance with the IPS;
- (j) implementing the IPS in respect of the portfolio and achieving a proper balance between profits and the risks related to the Fondul portfolio;
- (k) informing periodically in accordance with the applicable legislation and clause 11 of the Management Agreement the Board of Nominees on any changes affecting the activities of the Fund and within the structure of the portfolio;
- (l) approving the outsourcing of certain activities, subject to the corporate approvals required under the Constitutive Act, to the observance of all conditions and limitations regarding delegation included in the AIFM Rules and in the Management Agreement and to the prior endorsement of a competent authority, where required by applicable legislation;
- (m) based on the proposal of the Board of Nominees, submitting to the approval of the EGMS the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of the Fund, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of the Fund, less any receivables;
- (n) entering into deeds for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of the Fund, whose value does not exceed, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of the Fund, less any receivables, as well as any other operations permitted by the Constitutive Act and the applicable law, without prior approval of the OGMS or the EGMS;
- (o) subject to the provisions of the Constitutive Act, IPS and applicable legislation, take all decisions at its sole discretion in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of the Fund;
- (p) proposing to the OGM the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees;
- (q) approving the internal audit procedure and the audit plan;
- (r) deciding on the relocation of the registered office, with the prior notification of Board of Nominees, provided that the registered office shall always be registered in Romania;
- (s) making available to the Board of Nominees the reports and other necessary documents for exercising the monitoring duties, as may be required by the Board of Nominees in line with the Constitutive Act and any applicable legislation including, for the avoidance of any doubt, the AIFM Rules;
- (t) informing at once the Board of Nominees of any litigation or infringement of legislation regarding the AIFM, any operation that might represent an infringement to the IPS and about the plans/ correction measures for approaching these matters;

- (u) calling the GMS to decide whenever an issue appears on which the Board of Nominees has a disagreement with the AIFM, which cannot be resolved amicably;
- (v) proposing to the Board of Nominees the recommendation for the EGM for the appointment of the investment firm/ investment bank who shall manage a public offer, as well as its remuneration, when it becomes necessary that such a company is appointed related to the admission to trading of the Fund;
- (w) approving any related party transactions, and, to the extent that related party transactions have a value higher than 0.25% of the net asset value, to seek the approval of the Board of Nominees, and if they have a value higher than 5 % of the net asset value, to fulfil the GMS calling formalities;
- (x) duly notify the FSA or other regulatory authorities in any relevant Member State and inform the shareholders of the Fund according to the provisions of the AIFM Rules of any major holding and control of non-listed companies acquired by the Fund;
- (y) any other responsibilities set according to the Constitutive Act and any applicable legislation.

The Sole Director ensures that the provisions of the relevant European and Romanian capital markets legislation are complied with and implemented by the Fund. The Sole Director ensures the implementation and operation of an accounting, risk management and internal control system which meets the requirements of the Fund.

The AIFM exercises its attributions under the control of the GMS and the monitoring of the Board of Nominees, according to the provisions of the Constitutive Act of the Fund.

The Sole Director is responsible for coordinating the strategy of the Fund. As such, according to the Constitutive Act, the AIFM must propose for the prior approval of the Board of Nominees and further, of the GMS of the Fund, the general strategy in accordance with the investment policy of the Fund and it is responsible for the implementation of the investment policy and for achieving a proper balance between the profits and the risks related to the Fund's portfolio.

Starting from 1 December 2020, FTIS carries out through its Bucharest branch, among others, the following activities:

- (a) portfolio administration:
- (b) Fund administration:
 - (i) legal and accounting services for the fund;
 - (ii) information queries from customers;
 - (iii) tax refunds;
 - (iv) checking compliance with legal provisions;
 - (v) keeping the shareholders' register;
 - (vi) income distribution;
 - (vii) settlement of contracts, including issuance of certificates;
 - (viii) record keeping;
- (c) distribution;
- (d) non-core services including investment advice.

Permanent representative of Sole Director

As at the date of this Prospectus, the legal representation of the Fund at AIFM level is as follows: Mr. Johan Meyer, as permanent representative, who is also the portfolio manager of the Fund.

Johan Meyer is the General Manager of FTIS Branch in Bucharest and the Portfolio Manager of Fondul Proprietatea. He joined Franklin Templeton Investments in 2004. Prior to his role in Romania, he was General Manager of the South Africa office, and the Director of Strategy for Africa within Templeton Emerging Markets

Group. In this capacity, he was responsible for setting the overall strategy for his respective area, providing guidance and thought leadership, coordinating appropriate resources and coverage, and leveraging the group's expertise to add value across products within the strategy. Mr Meyer holds Bachelor of Commerce and Bachelor of Commerce (Honours) degrees both with specialisation in economics from the University of Pretoria. He speaks English and Afrikaans.

As at the date of this Prospectus, Mr Meyer held no Shares issued by the Fund.

There are no family relationships between the permanent representative of the Sole Director and the members of the Board of Nominees.

Remuneration

The remuneration for the AIFM acting as both AIFM and Sole Director is established and calculated pursuant to the Management Agreement. For more details on the computation of the remuneration of the AIFM and Sole Director see section Management Agreement of PART 16 MATERIAL CONTRACTS. Also, additional details regarding the remuneration paid are included in PART 4 SELECTED FINANCIAL INFORMATION and PART 17 RELATED PARTY TRANSACTIONS of the Prospectus.

The Sole Director has not entered into any contracts with the Fund, other than the Management Agreement.

4 Board of Nominees

General information

The Board of Nominees is a body of representatives of the Fund's shareholders, created in accordance with the Constitutive Act and with NSC Regulation 15/2004. The Board of Nominees does not have an equivalent corresponding body in the one-tier system regulated by the Companies Law. The Board of Nominees consists of five members appointed for a period of three years by the shareholders, in accordance with the provisions of the Constitutive Act. Each mandate shall be extended by right until the first GMS after the date of expiry, in order to allow the shareholders to appoint a new member of the Board of Nominees. The Board of Nominees elects a chairman from amongst its members.

The Board of Nominees has sufficient members in order to effectively supervise, scrutinise and evaluate the activity of the Sole Director and the fair treatment of all the shareholders.

The composition of the Board of Nominees is balanced so as to enable it to take well-informed decisions. The decision-making process is a collective responsibility of the Board of Nominees, which remains fully liable for decisions taken within its field of competence.

Any Fund shareholder has the right to make proposals for the appointment of the members of the Board of Nominees, who may also be shareholders of the Fund. The Constitutive Act requires the members of the Board of Nominees have the proper experience and knowledge in order to (i) be able to receive the AIFM reports and of the consultants and, based on the information received, (ii) judge the merits of the management of the Fund within the limits of the objectives and principles set by the investment policy as well as by the applicable laws and regulations and (iii) deciding if the transactions proposed by the AIFM needing the approval of the Board of Nominees are made to the advantage of the shareholders.

In compliance with the requirements of the Code of Corporate Governance of the BSE, the shareholders of the Fund appointed four independent members of the Board of Nominees.

One member of the Board of Nominees will have held this position for nine years during 2022 and as a result, a plan for succession is under way.

Duties of the Board of Nominees

The Board of Nominees supervises the activity of the AIFM and of the Sole Director. The responsibilities of the Board of Nominees and the obligations of its members are set forth under articles 17 and -18 of the Constitutive Act.

Current Members of the Board of Nominees

The structure of the Board of Nominees as at the date of this Prospectus is the following:

Name	Position	First appointment date	Current mandate until
Ms. Ilinca von Derenthal	Chairman	26 November 2020	26 November 2023
Mr Mark Gitenstein	Member	23 April 2013	29 September 2022
Mr. Ciprian Ladunca	Member	16 November 2020	16 November 2023
Mr. Omer Tetik	Member	6 April 2021	6 April 2024
Mr. Nicholas Paris	Member	6 April 2021	6 April 2024

Source: <https://www.fondulproprietatea.ro/ro/despre-fond/despre-fondul-proprietatea/comitetul-reprezentantilor>

Ms. Ilinca von Derenthal is a professional with extensive experience in the financial field, holding executive positions at international level in financial audit, investment banking and property management. Ms. von Derenthal worked in Germany and Romania and she currently works from Vienna, Austria. Her knowledge of the business environment and the establishment of strong personal relationships are based on her experience in Central and Southeastern Europe. Ms. von Derenthal also acts as a non-executive director and holds positions in the supervisory boards of other companies. Ms. von Derenthal is an independent member. At the date of this prospectus, Ms. von Derenthal held 16,900 Shares issued by the Fund.

Mr Mark Gitenstein is a senior counsel in the Government and Global Trade practice in Mayer Brown's Washington DC office. He was appointed in 2009 by President Barack Obama to serve as the United States Ambassador to Romania, completing his term of service at the end of 2012. As US Ambassador to Romania, he worked to strengthen relations with Romania on a variety of issues. He actively promoted deeper development of Romania's equity markets, as well as a fair and transparent business environment for all investors. He also encouraged greater private sector involvement in state owned enterprises, including the introduction of a corporate governance code for state owned enterprises. Before undertaking his ambassadorial role, Mr Mark Gitenstein spent two decades as a partner at Mayer Brown. Additionally, he was a non-resident senior fellow in governance studies at the Brookings Institution, where he specialised in issues related to national security and civil liberties. Before joining Mayer Brown, Mr Mark Gitenstein served for 17 years on the staff of the US Senate Judiciary and Intelligence committees, 13 of those years working for the then Senator Joe Biden. He is the author of award-winning book Matters of Principle, on his experience managing the Judiciary Committee staff during the nomination of Robert Bork to the Supreme Court. Mr Gitenstein serves as President of the Biden Foundation and is founder of a Romanian diaspora organisation in the United States,. The name of this organization is Alianta, and it seeks to improve Romania's image in the United States and strengthen the Romanian-American alliance.

Mr Gitenstein is an independent member.

As at the date of this Prospectus, Mr Gitenstein held 400 GDRs having as support Shares issued by the Fund.

Mr. Ciprian Lăduncă has vast and extensive experience in the financial institutions sector as well as in various other industries, being a supporter for the application of best practices in corporate governance and corporate finance. He is a chartered accountant under Romanian law. Also, Mr. Lăduncă holds the position of consultant and non-executive director in other companies. Mr. Lăduncă is an independent member.

As at the date of this Prospectus, Mr Lăduncă held 160,000 Shares issued by the Fund.

Mr. Ömer Tetik has valuable experience in the banking sector, being the head of the largest bank in Romania. Mr. Tetik has been in Romania since 2000. In his experience, Mr. Tetik has been a supporter of the application of best practices in corporate governance and corporate finance and has encouraged the development of the capital market. Mr. Tetik is an independent member.

At the date of this Prospectus, Mr. Tetik held no Shares issued by the Fund.

Mr. Nicholas Paris has extensive experience in the area of closed-end investment funds, being the Manager and Portfolio Manager of an institutional investor who was a shareholder of the Fund in the past. Mr. Paris is an independent member. At the date of this prospectus, Mr. Paris held no Shares issued by the Fund.

There are no family relationships between any of the members of the Board of Nominees or between any of the members of the Board of Nominees and the permanent representative of the Sole Director.

The conduct of the management bodies in the past five years

At the date of this Prospectus, none of the members of the Board of Nominees, the Sole Director and its permanent representative has at any time within the last five years:

- (a) had any convictions in relation to fraudulent offences;
- (b) act as a member of the administrative, management or supervisory bodies or as a senior manager and has not been associated with any bankruptcy, receiverships or liquidation procedure, nor with any company put into administration; or
- (c) been subject to any official public incrimination and/or sanctions by statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Conflict of interests

There are no conflicts of interest between the obligations and duties assumed by any of the members of the Board of Nominees, the Sole Director and its permanent representative towards the Fund and their private interests and/or other obligations.

FTIS adopted operating solutions suitable to facilitate the identification and adequate handling of any situations in which an employee of FTIS has an actual or potential conflict between the interest of the Fund and his/ her own or on behalf of third parties. FTIS adopts operating solutions suitable for the adequate handling of any issues arising from related party transactions.

As a global investment manager, the Franklin Templeton group is very concerned with conflicts of interest. It is Franklin Templeton's policy to take all reasonable steps to maintain and operate effective organizational and administrative controls to identify and manage potential conflicts of interest.

The Sole Director conducts all business according to the principle that it must manage any conflicts of interest fairly between itself and the Fund. Franklin Templeton organization has group-wide policies for managing conflicts of interest and ensuring the ethical conduct of its entire staff which apply to the Sole Director. These policies were designed to evidence compliance with the conflict of interest requirements as set out in MiFID II and were also submitted to FSA during the Sole Director's licensing application.

All business transactions between the Fund and the Sole Director, as well as with persons or companies closely related to the Sole Director must be in accordance with the normal industry standards and applicable corporate regulations.

The Sole Director has the duty to disclose immediately to the Board of Nominees any material personal interests it may have in the transactions of the Fund as well as all other conflicts of interest.

The Board of Nominees also set strict rules for potential conflicts of interests in its internal regulation.

There are no restrictions agreed by the Sole Director, its permanent representative, or any member of the Board of Nominees on the disposal within a certain period of time of their holdings in the Securities.

There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which the Sole Director, its permanent representative, or any member of the Board of Nominees was selected as a member of the administrative, management or supervisory bodies or member of senior management of the Fund.

PART 12 DESCRIPTION OF THE SHARE CAPITAL

1 General Information

At the date of this Prospectus, the total issued share capital of the Fund amounts to RON 3,334,342,422.84, divided into 6,412,196,967 Shares with a nominal value of RON 0.52 each, among which 6,048,384,617 Shares are fully paid (of which 171,178,125 Shares are held as treasury Shares by the Fund) and 363,812,350 Shares (owned by the Romanian State) are unpaid and are blocked from trading until such time as they are fully paid.

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: The Fund

The Shares are created under Romanian law, are ordinary nominative shares, of equal value, issued in dematerialised form, evidenced in book entry form and granting equal rights to their holders.

The Central Depository, an independent registry company authorised by the FSA, having its headquarters on 34 - 36 Carol I Boulevard 020922, Floors 3, 8 and 9, Bucharest, District 2, Romania, maintains the shareholder register of the Fund.

Share Capital Information	31 October 2021	30 June 2021	31 December 2020	31 December 2019
Issued share capital (RON)	3,334,342,422.84	3,749,282,292.08	3,749,282,292.08	3,959,264,762.44
Paid share capital (RON)	3,145,160,000.84	3,560,099,870.08	3,560,099,870.08	3,770,082,340.44
Number of Shares in issue	6,412,196,967	7,210,158,254	7,210,158,254	7,613,970,697
Number of paid Shares	6,048,384,617	6,846,345,904	6,846,345,904	7,250,158,347
Nominal value per Share	0.52	0.52	0.52	0.52
Treasury Shares	171,178,125	926,896,004	797,961,287	403,812,443

In compliance with the provisions of the Constitutive Act and according to applicable law, the Fund may acquire its own Shares.

No Shares are held on behalf of the Fund by other persons, including the Fund's subsidiaries.

According to the provisions of Law 247/2005, until full payment of the Shares unpaid Shares are blocked in the accounts of the Romanian State with the Central Depository and may not be sold or transferred as compensation. Unpaid Shares are liberated progressively, as the Romanian State transfers to the Fund the relevant contributions, in cash or in kind. Law 247/2005 further notes that any payments made by the Romanian State to the Fund, in cash or in kind, will be deemed to be made with priority to account for the payment obligation in respect of the unpaid Shares. Unpaid Shares may be traded on the Regulated Market of the BSE only after submitting to the FSA evidence of full payment of the Shares, consisting in an ascertaining certificate issued by the Trade Registry and a written confirmation from a FSA-registered financial auditor or valuator. Also, in accordance with Law 247/2005, unpaid Shares are not taken into account for determining the Fund's NAV. In case of liquidation of the Fund, the holder of unpaid Shares is not entitled to receive the proceeds of the liquidation. Furthermore, based on Law 247/2005, unpaid Shares are not taken into account for the purpose of determining the quorum or majority requirements for the Fund's GMS and have no voting rights attached.

The Fund has not issued any convertible securities, exchangeable securities or securities with warrants, nor were there granted any acquisition rights or undertaken any obligations over authorized but unissued capital or obligations to increase the Fund's share capital.

The GDR Facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations.

2 Decrease of the Fund's Share Capital

On 15 November 2019, through EGMS Resolution no. 1 the shareholders approved the eleventh buyback program including authorization of the Sole Director and AIFM to buy-back Shares of the Fund and/or GDRs, via trading on the regular market on which the Shares or the GDRs are listed or public tender offers, in compliance with the applicable law, for a maximum number of 800,000,000 treasury Shares (being in the form of Shares and/or Shares equivalent as described above), starting with 1 January 2020 until 31 December 2020. On 28 April 2021, under EGMS resolution no. 3, the shareholders approved the decrease of the Fund's subscribed share capital from RON 3,749,282,292.08 to RON 3,334,342,422.84 further to the cancellation of a number of 797,961,287 treasury Shares acquired by the Fund under the buy-back program carried out during 2020. The process was completed on 25 October 2021.

According to EGMS Resolution no. 5 of 13 November 2020, the twelfth buy-back programme was approved for the acquisition of a maximum number of 800,000,000 shares and / or the equivalent in GDRs. The period of the twelfth buy-back programme is 1 January – 31 December 2021. The shares purchased under this buy-back programme will be cancelled during 2022.

3 Rights attached to the Shares

The Shares give equal rights to their holders. All shareholders are to be treated equally to other shareholders that own the same type of Shares. Each shareholder must exercise its rights in good faith, by observing the rights and legitimate interests of the Fund and of other shareholders. Save as set out below, the Constitutive Act does not provide for special conditions for the exercise of the shareholders' rights, derogating from the common framework of the applicable laws.

a. Voting right and other rights of the Fund's shareholders

The shareholders' fundamental rights include the right to participate at the general shareholders' meetings and the right to vote. The Constitutive Act provides that each Share represents one voting right.

Other rights of the shareholders, in accordance with the Constitutive Act and with the applicable laws, include the right to elect and to be elected in the management bodies of the Fund. The Constitutive Act expressly indicates, in this respect, that a shareholder may submit proposals with respect to the appointment of the members of the Board of Nominees and that the members of the Board of Nominees may be selected among the shareholders of the Fund.

b. Rights to dividends

Shareholders registered with the Fund's shareholders' registry have the right to receive dividends, if the OGMS of the Fund decides to distribute dividends. According to the Companies Law, dividends may be distributed only if the Fund registers profit determined according to the law. According to the Fund's ACDP dividend distribution is based upon the audited financial statements. According to the Companies Law, in case a loss to the net assets, the subscribed share capital needs to be reduced or re-established before making any profit allocation or distribution.

The Fund's Constitutive Act provides that dividends are distributed proportionally with the Shares held.

The OGMS makes decisions regarding the distribution of the profit of the Fund and determines dividends. The OGMS must also establish the date at which the shareholders entitled to benefit from the dividends distribution or from other rights are identified. Such date may not be established earlier than 10 business days after the date of the OGMS. The OGMS also determines the ex-date, representing the date, as of which the Shares are traded without the rights resulting from such resolution; the ex-date representing that date falling one settlement cycle minus one business day before the registration date, taking into consideration the settlement cycle of T+2 business days.

Once the dividends are fixed, the OGMS shall determine the term on which the dividends shall be paid to the shareholders. This term shall not exceed six months from the date of the relevant decision of the OGMS and no more than 15 business days after the set registration date. If the OGMS does not determine the dividend payment date, as per the description above, the dividends shall become due within 30 days from the date the OGMS decision establishing the dividends is published in the Official Gazette of Romania, Part IV.

The OGMS regarding the determination of dividends must be submitted with the Trade Register Office within 15 days, in order to be mentioned in the register and to be published in the Official Gazette of Romania, Part IV. The decision constitutes a writ of enforcement, on the basis of which the shareholders may commence the enforcement procedures against the company, according to the law.

The payment of dividends is subject to a statute of limitation of three years calculated beginning with the dividend payment date. The statute of limitation operates in favour of the Fund in the sense that no legal action may be taken regarding the payment of dividends after the statute of limitation has passed.

Before dividends are paid, the Fund must publish a current report on the BSE website and send the same to the FSA which details i) the value of the dividend per share; ii) the ex-date; iii) the registration date and iv) the date of payment of the dividends. The Fund must also publish the means of payment of the dividends and the identification of the paying agent.

According to the NBR Regulation no. 4/2005 on the foreign exchange regime, republished, with subsequent amendments and completions, as a rule, the repatriation of net income in the form of dividends from non-resident capital operations can be performed without restrictions.

Information regarding the Fund's dividend policy is included PART 7 DIVIDEND POLICY above of this Prospectus.

c. Preference right

The preference right is a right associated often with a share capital increase operation and offers to all the shareholders listed in the shareholders' register of the Fund, shareholders at the registration date set by the shareholders' meeting approving the share capital increase, the right to primarily subscribe the newly issued shares within a share capital increase, proportional to the share in the share capital, in order to maintain its share in the share capital.

The period for exercising the preference right to subscribe new Shares must be at least one month from the date set by the shareholders' meeting, which cannot be earlier than the registration date set for the respective share capital increase or the date of publication in the Official Gazette of Romania, Part IV, of the extraordinary general shareholders meeting's resolution on the share capital increase. If, after expiry of the term, the new Shares have not been fully subscribed, the new Shares that have not been subscribed may be cancelled or offered to other investors, in accordance with the decisions of the competent statutory body and in compliance with the applicable capital markets regulations.

The preference right may be limited by the EGMS, attended by shareholders representing at least $\frac{3}{4}$ (three quarters) of the subscribed share capital and with the majority of the votes of the present shareholders. By way of derogation, according to the Issuers Law, in the case of a share capital increase by contribution in cash, the withdrawal of the preference right of the shareholders to subscribe for new shares must be decided by the EGMS attended by shareholders representing at least 85% of the Fund's subscribed share capital and based on the vote of shareholders representing at least $\frac{3}{4}$ of the voting rights.

d. Right to information

The shareholders' right to be informed about the activity of the Fund may, in general, be exercised at any time. The shareholders have the right to obtain any information regarding the exercise of voting rights and information regarding the voting results in the general meetings of shareholders. In the context of the calling of a general meeting of shareholders and in advance of such meeting, the shareholders are entitled to request copies of the annual financial statements, of the Sole Director's reports and of the proposal of distribution of dividends, as well as information on the exercise of the voting rights at least with 30 days before the date of the general meeting.

The Fund also has to inform the shareholders about the voting results. At the same time, shareholders have the right to receive information about the Fund's shareholding structure and to consult the Fund's books, such as the one kept for the registration of the Fund's general meeting of shareholders. In addition, the Fund must provide the

shareholders with various information in the event of certain corporate events for the dissemination of this information, benefiting from the technical support provided by the Central Depository.

e. Withdrawal right

According to the Companies Law, the shareholders that did not vote in favour of a certain decision of the EGMS have the right to withdraw from the Fund and to request the Fund to acquire their Shares. This right may be exercised only if the decisions mentioned above refer to: (i) changing the Fund's main object of activity as set out in the Constitutive Act; (ii) relocating the Fund's registered seat to another country, (iii) changing the Fund's legal form or (iv) the Fund's merger or spin off. This right may be exercised within 30 days from the date when the decision of the general meeting of shareholders has been published in the Official Gazette of Romania, Part IV, in the cases provided for in points (i) to (iii) above and from the date when the decision of the general shareholders meeting has been passed, for the situation provided for in point (iv). The price to be paid by the Fund to the shareholder exercising the withdrawal right is established by an independent valuator registered with the FSA and in accordance with the international valuation standards. Such price should be paid within 4 months from the date of receipt of the withdrawal request.

f. Squeeze-out and sell-out rights

The Issuers Law establishes, in favour of any shareholder who launches a public purchase offer addressed to all shareholders for all their holdings, the right to request the shareholders which have not subscribed to the offer to sell to him the respective shares at a fair price, if the respective shareholder meets one of the following requirements:

- (i) it holds shares accounting for at least 95% of the total share capital conferring voting rights and at least 95% of the voting rights which can be actually exercised; or
- (ii) it has acquired within the offer, shares accounting for at least 90% of the total number of shares of the share capital conferring voting rights and at least 90% of the voting rights targeted by the offer.

Such right may be exercised within three months from the closing date of the public purchase offer.

Also, following a public purchase offer addressed to all holders and for all their holdings, a minority shareholder has the right to require the shareholder falling under one of the situations provided under points (i) and (ii) above to buy its shares at a fair price. Such right may be exercised within three months from the closing date of the public purchase offer.

g. Right to challenge the decisions of the general meetings of shareholders

A shareholder who was absent at a general meeting of shareholders or has voted against a certain decision and has requested that its vote against the decision is registered in the minutes of that general meeting of shareholders is entitled to challenge such decision within 15 days as of its publication in the Official Gazette of Romania, Part IV if the respective decision was taken in violation of the provisions of the Constitutive Act or of the legal regulations in force.

Also, claims regarding an absolute nullity of a shareholders' decision may be filed at any time.

The same regime of challenge applies also in respect of decisions of the Sole Director taken in the exercise of the powers delegated to it through EGMS resolutions.

h. Rights in case of liquidation

In the event of the liquidation of the Fund, all of the Fund's remaining assets following payment of all outstanding liabilities will be distributed among the shareholders according to their interest in the share capital (excluding shareholders who did not pay their contributions to the Fund's share capital). A resolution concerning the dissolution of the Fund requires a quorum of at least 50% of the total number of voting rights and a majority of at least two thirds of the voting rights attached to the Shares held by the shareholders attending the meeting in person or by proxy.

i. The right to secure registration and confirmation of the ownership of shares issued by the Fund

The Fund's shareholders' register is held by an independent company, the Central Depository, authorized and supervised by the FSA, to ensure the transparency of the operations with the shares and protection of the shareholders and the securities held by them.

j. Other rights of the shareholders

Certain shareholders' rights are set out in the Constitutive Act and in applicable law only in favour of shareholders holding a minimum percentage of the Fund's share capital:

- (i) shareholders holding individually or together at least 10% of the share capital of the Fund may request the court to appoint an expert for the purpose of investigating matters concerning the management of the Fund;
- (ii) shareholders holding individually or together at least 5% of the share capital of the Fund have the right to request the internal auditors to investigate allegations concerning the Fund;
- (iii) shareholders representing at least 5% of the share capital of the Fund, individually or jointly, may request the Sole Director by a written address signed by the holder(s) to introduce new matters on the agenda of general meetings of the shareholders, within 15 days of the publication of the calling notice;
- (iv) shareholders representing at least 5% of the share capital, individually or jointly, may request in writing that the Sole Director immediately calls a general meeting of shareholders, in the cases where the request includes dispositions that fall under the responsibility of the general meeting of shareholders. In this case, a general meeting of shareholders shall be called within at most 30 calendar days and shall meet within at most 60 calendar days as of the date when the Sole Director received the request of the shareholders;
- (v) if the Sole Director does not call a general meeting of shareholders, the shareholders who requested the general meeting may request the same from the Board of Nominees. Should the Board of Nominees not respond to their request in 10 business days from the receipt, the court may, by summoning the Sole Director, authorise the calling of a general meeting by the shareholders who made the request. The court will also establish the agenda of the meeting, the reference date for the shareholders who are entitled to attend the meeting, the date of the meeting and the person who will chair the meeting; and
- (vi) where a general meeting of shareholders fails to resolve matters dealing with directors, managers or financial auditors having caused losses ("daune") to the Fund by their conduct, shareholders holding, individually or together, as the case may be, at least 5% of the share capital of the Fund have the right to take legal action in this respect. In these cases, such actions are carried out in the name of the claimant shareholder but for the account of the Fund.

Each shareholder may address, in writing, questions regarding the activity of the Fund before the date when the general meeting of shareholders is held. The Sole Director shall answer such questions after obtaining the prior approval of the Board of Nominees. According to the Companies Law such questions shall be answered during the general meeting of shareholders.

The shareholders also have the right to receive Shares free of charge in case of a share capital increase by incorporation of reserves or from other internal sources.

There are no redemption rights attached to the Shares.

k. Obligation to refrain from deliberations

The shareholder that, in a certain operation, has an interest contrary to the Fund, either personal or as a representative of another person, must refrain from deliberations. The shareholder who fails to observe this legal requirement may be held liable for any damages incurred by the Fund if without the vote of such shareholder the required majority for the passing of the respective resolution would not have been met.

l. Obligation to notify

According to the Issuers Law, if a shareholder acquires or disposes of shares in the Fund in a percentage that reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 33%, 50% or 75% of the total voting rights in the Fund, such shareholder must immediately notify the Fund of the percentage of voting rights it holds following the acquisition or disposal in question. Voting rights are calculated based on the total voting right of the shares, even if the exercise of such rights is suspended.

m. Provisions regarding mandatory public offers

Under the Issuers Law, a person owning more than 33% of the voting rights in a company pursuant to its own acquisitions of shares or the acquisition of shares of persons with whom the respective person acts in concert, is

obliged to make a public offer addressed to all securities holders. The public offer shall be in respect of all securities and shall be made as soon as possible, but no later than two months after reaching the 33% threshold.

Until the launch of the aforementioned public offer, the rights underlying the securities which exceed 33% of the voting rights in the company shall be suspended and the respective shareholder and the persons with whom the respective person acts in concert shall not be able to purchase, by any other means, securities issued by the same company.

If the acquisition of Shares representing more than 33% of the voting rights in the Fund is reached unintentionally, the holder of such Shares may either conduct a public takeover offer or dispose of the number of Shares which triggered the obligation. It is presumed that an acquisition of Shares representing more than 33% of the voting rights in the Fund is unintentional if it is the result of an operation such as: a) reduction of the share capital by the Fund by repurchasing its own Shares followed by their cancellation; b) the exercise of the right of preference, subscription or conversion of initially attributed rights, as well as of the conversion of preferential Shares into ordinary Shares; c) merger/division or succession.

The requirement to make a mandatory public offer shall not apply where the threshold of 33% of the voting rights in the company was exceeded pursuant to an exempted transaction, in accordance with the provisions of the Issuers Law. An exempted transaction is one that results in the 33% threshold being exceeded pursuant to:

- (i) a privatisation process;
- (ii) purchasing shares from the Ministry of Public Finance or other legally entitled entities within the procedure of enforcement of budgetary receivables;
- (iii) transfers of shares performed between a parent company and its subsidiaries or between the subsidiaries of the same parent company;
- (iv) a voluntary acquisition public offer addressed to all holders of securities and having as its object all securities held by such; and
- (v) in certain conditions, as provided in Law no. 85/2014 on procedures preventing insolvency and insolvency, securities issued by the insolvent debtor during the insolvency procedure.

According to the Issuers Law, the shareholders may decide in the GMS to apply certain provisions applicable during a public takeover bid for the purpose of frustrating the bid, subject the conditions set out in the law and without prejudice to the other rights and obligations laid down in the national law implementing the relevant EU legislation. During the last financial year and the current financial year, there were no public takeover bids by third parties in respect of the Shares, the only tender bids in respect of the Shares carried out being the ones launched by the Fund within the buy-back programmes referred to in section .

4 Changes in the share capital

Increase in share capital

An EGMS is competent to pass resolutions to issue new Shares.

According to the Constitutive Act, the Fund's share capital may be increased by issuing new Shares in exchange for cash contributions (excluding contributions in kind) or by incorporating reserves (save for legal reserves and reserves created out of the re-evaluation of the patrimony), as well as of benefits and issuing premiums.

The increase in share capital must be decided with a majority of $\frac{2}{3}$ (two thirds) of the voting rights of the shareholders who are present or represented at the EGMS. The quorum needed to pass such a decision is of 50% of the total voting rights, both at the first and at the second calling.

In accordance with the Companies Law, the Fund cannot increase its share capital, nor issue new Shares as long as payment is outstanding in respect of previously issued shares (see section Overview of this PART 12 DESCRIPTION OF THE SHARE CAPITAL of this Prospectus for details on the Shares issued, but unpaid at the date of this Prospectus).

Reduction of share capital

According to the Constitutive Act, the EGMS shall decide on the reduction of the share capital of the Fund. The Constitutive Act further provides that the Fund's share capital may be reduced through (i) decrease in the number of shares; (ii) the decrease of the nominal value of the shares and (iii) by other means provided by law.

According to the applicable law, where it is not motivated by losses, the decrease of the share capital may also be effected by: (i) total or partial write-off of contributions due by the shareholders; (ii) returning to shareholders a part of their contributions, pro rata to the share capital decrease and calculated equally for each share; (iii) other methods set out in law.

Furthermore, the Constitutive Act provides that, if the Sole Director notices that, due to accrued losses, the amount of the net assets (calculated as the difference between the total assets and the total liabilities of the Fund) is less than half of the value of the subscribed share capital, the Sole Director is bound to call an EGMS, which will decide if the Fund must be dissolved. If the EGMS does not approve the dissolution of the Fund, the Fund is bound to undertake, at the latest by the end of the fiscal year following the one in which the losses were registered, a share capital decrease with an amount at least equal to that of the losses which could not be covered by reserves, if in the meantime the net assets of the Fund were not reconstituted up to a value at least equal to half of the share capital.

A share capital decrease shall be performed only after two months as of the publication in the Official Gazette of Romania, Part IV, of the resolution of the EGMS.

The reduction in share capital must be decided with a majority of $\frac{2}{3}$ (two thirds) of the voting rights of the shareholders present or represented at the EGMS. The quorum necessary for a valid decision to reduce the share capital of the Fund is one quarter of the voting rights at the first meeting or one fifth of the voting rights at the second meeting.

5 Acquisition and transfer of Shares

Ownership of Shares may be transferred freely under Romanian law. Transfers of Shares are subject to the regulations of the BSE and the clearing and settlement rules of the Central Depository.

There are no restrictions agreed upon between the Sole Director, its permanent representative or any Board of the Nominees member on the disposal of their holdings in Securities within a certain period of time.

The main rights attached to the existing GDRs are presented in PART 13 DESCRIPTION OF THE GLOBAL DEPOSITARY RECEIPTS of this Prospectus.

PART 13 DESCRIPTION OF THE GLOBAL DEPOSITARY RECEIPTS

This Part 13 DESCRIPTION OF THE DEPOSITARY RECEIPTS provides certain information about the Global Depositary Receipts in accordance with the terms and conditions that apply to the Global Depositary Receipts which have been listed since 29 April 2015 on the LSE – Specialist Fund Market, under ISIN number US34460G1067, with the market symbol “FP.” and that are or will be endorsed on each Global Depositary Receipt certificate (the “GDR Terms and Conditions”). This Part 13 DESCRIPTION OF THE DEPOSITARY RECEIPTS is solely for information purposes, it is not associated to the admission to trading or a public offer of the Global Depositary Receipts and does not amend in any way the existing rights or create any additional rights or obligations to the GDR Holders, the GDR Depositary, GDR Custodian (each as defined below) or the Fund or their agents or delegates in relation to the GDRs or otherwise amend the GDR Terms and Conditions.

Since 29 April 2015, the GDRs have been listed on the LSE – Specialist Fund Market, under ISIN number US34460G1067, with the market symbol “FP.” and are traded in US dollars. The GDR facility is limited to one-third of the Fund’s subscribed share capital under the Romanian securities regulations.

The GDRs are issued in respect of the Shares pursuant to and subject to an agreement dated on 27 April 2015 and made between the Fund and the GDR Depositary (such agreement, as amended from time to time, being hereinafter referred to as the “**GDR Deposit Agreement**”). Pursuant to the provisions of the GDR Deposit Agreement, the GDR Depositary has appointed Raiffeisen Bank S.A., as GDR Custodian to receive and hold on its behalf any relevant documentation respecting the Deposited Shares and all rights, interests and other securities, property and cash deposited with the GDR Custodian which are attributable to the Deposited Shares (together with the Deposited Shares, the Deposited Property). The GDR Depositary holds Deposited Property for the benefit of the GDR Holders (as defined below) as bare trustee (other than any cash comprised in the Deposited Property which is held as banker as set out below) in proportion to their holdings of GDRs.

The rights of GDR Holders in relation with the GDR Depositary are governed by the GDR Terms and Conditions and the GDR Deposit Agreement, which are governed by English law (except that the certifications to be given upon deposit or withdrawal of Shares are governed by the laws of the State of New York).

Relationship with the GDR Depositary. The GDR Holders are not party to the GDR Deposit Agreement and thus, under English Law, have no contractual rights against, or obligations to, the Fund or GDR Depositary. However, if the Fund fails to perform the obligations imposed on it by certain specified provisions of the GDR Deposit Agreement, pursuant to the GDR Terms and Conditions any GDR Holder may enforce the relevant provisions of the GDR Deposit Agreement as if it were a party to the GDR Deposit Agreement and was the “GDR Depositary” in respect of that number of Deposited Shares to which the GDRs of which he is the GDR Holder relate. The GDR Depositary is under no duty to enforce any of the provisions of the GDR Deposit Agreement on behalf of any GDR Holder of a GDR or any other person. GDR Holders have contractual rights against the GDR Depositary under the GDR Terms and Conditions in relation to cash held by the GDR Depositary, and rights against the GDR Depositary under the GDR Terms and Conditions under a bare trust in respect of Deposited Property other than cash deposited with the GDR Depositary under the GDR Deposit Agreement.

Relationship with the GDR Custodian. The GDR Holders do not have any contractual relationship with, or rights enforceable against, the GDR Custodian. All Shares, including the Deposited Shares, are held through the Romanian Clearing-Settlement, Custody, Depository and Registry System managed by the Central Depository. The accounts of RoClear show a global account in the name of, and managed by the GDR Custodian. A sub-account of the GDR Custodian's global account in the name of the GDR Depositary also shows in RoClear's records. The Deposited Shares are held in this sub-account held in the name of the GDR Depositary.

For details on the GDR related risks in case of default or insolvency of the GDR Depositary, the GDR Custodian or the Fund, please see PART 2 RISK FACTORS of this Prospectus.

In this Part 13 DESCRIPTION OF THE GLOBAL DEPOSITARY RECEIPTS, references to the GDR Depositary are to The Bank of New York Mellon and/or any other depository which may from time to time be appointed under the GDR Deposit Agreement, references to the GDR Custodian are to Raiffeisen Bank S.A. or any other custodian from time to time appointed under the GDR Deposit Agreement and references to the Main Office mean, in relation to the relevant GDR Custodian, its head office in the city of Bucharest or such other location of the head office of the GDR Custodian in Romania as may be designated by the GDR Custodian with the approval of the GDR Depositary (if outside the city of Bucharest) or the head office of any other custodian from time to

time appointed under the GDR Deposit Agreement. Further details on the GDRs as per the GDR Deposit Agreement and the GDR Terms and Conditions are set out below.

The GDRs are upon issue represented by interests in a Regulation S Master GDR, (as such term is defined in the GDR Deposit Agreement). The GDRs are exchangeable in the circumstances set out in Summary of the provisions relating to the Global Depositary Receipts whilst in Master Form below for a certificate in definitive registered form in respect of GDRs representing all or part of the interest of the holder in the Master GDR.

1 Withdrawal of Deposited Property and Further Issues of GDRs

1.1. Any GDR Holder may request withdrawal of, and the GDR Depositary shall thereupon relinquish, the Deposited Property attributable to any GDR upon production of such evidence of the entitlement of the GDR Holder to the relative GDR as the GDR Depositary may reasonably require, at the specified office of the GDR Depositary or any Agent accompanied by:

- (a) a duly executed order (in a form approved by the GDR Depositary) requesting the GDR Depositary to cause the Deposited Property being withdrawn to be delivered at the main office of the GDR Custodian, or (at the request, risk and expense of the GDR Holder, and only if permitted by applicable law from time to time) at the specified office located in New York, London or Romania of the GDR Depositary or any Agent, or to the order in writing of, the person or persons designated in such order;
- (b) the payment of such fees, taxes, duties, charges, costs, expenses and governmental charges as may be required under the GDR Terms and Conditions or the GDR Deposit Agreement;
- (c) the surrender (if appropriate) of GDR certificates in definitive registered form properly endorsed in blank or accompanied by proper instruments of transfer satisfactory to the GDR Depositary to which the Deposited Property being withdrawn is attributable; and
- (d) the delivery to the GDR Depositary of a duly executed and completed certificate substantially in the form set out in Part B of Schedule 3 to the GDR Deposit Agreement (or as amended by the GDR Depositary in accordance with the GDR Deposit Agreement and the GDR Terms and Conditions).

The certificate to be provided in the form of Part B of Schedule 3 to the GDR Deposit Agreement certifies, among other things, that the person providing such certificate is located outside the United States and is not a US person, and acquired the GDRs outside the United States in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

1.2. Upon production of such documentation and the making of such payment as aforesaid for withdrawal of the Deposited Property, the GDR Depositary will direct the GDR Custodian, by tested telex, facsimile or SWIFT message, within a reasonable time after receiving such direction from such GDR Holder, to deliver at its main office to, or to the order in writing of, the person or persons designated in the accompanying order, subject to all applicable laws and regulations:

- (a) evidence of a book-entry transfer in respect of the relevant Deposited Shares, registered as directed by the withdrawing GDR Holder; and
- (b) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof; provided however that the GDR Depositary may make delivery at its specified office in New York of any Deposited Property which is in the form of cash;

PROVIDED THAT the GDR Depositary (at the request, risk and expense of any GDR Holder so surrendering a GDR):

- (i) will direct the GDR Custodian to deliver the certificates for, or other instruments of title to, or book-entry transfer in respect of, the relevant Deposited Shares and any document relative thereto and any other documents referred above (together with any other property forming part of the Deposited Property which may be held by the GDR Custodian or its agent and is attributable to such Deposited Shares); and/or

- (ii) will deliver any other property forming part of the Deposited Property which may be held by the GDR Depositary and is attributable to such GDR (accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof);

in each case to the specified office located in New York or London of the GDR Depositary (if permitted by applicable law from time to time) or at the specified office in Romania of any Agent as designated by the surrendering GDR Holder in the order accompanying such GDR.

- 1.3. Delivery by the GDR Depositary, any Agent and the GDR Custodian of all certificates, instruments, dividends, distributions in cash or other property forming part of the Deposited Property as specified in the GDR Terms and Conditions will be made subject to any laws or regulations applicable thereto.
- 1.4. The GDR Depositary may, in accordance with the terms of the GDR Deposit Agreement and upon delivery of a duly executed order (in a form reasonably approved by the GDR Depositary) and a duly executed certificate substantially in the form of Part A of Schedule 3 to the GDR Deposit Agreement (which is described in the following paragraph) (or as amended by the GDR Depositary in accordance with the GDR Deposit Agreement and the GDR Terms and Conditions) by or on behalf of any investor who is to become the beneficial owner of the GDRs from time to time execute and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects (or the same in all respects except for the first dividend payment or other distribution in cash on the Shares represented by such further GDRs) and, subject to the terms of the GDR Deposit Agreement, the GDR Depositary shall accept for deposit any further Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References herein to the GDRs include (unless the context requires otherwise) any further GDRs issued and forming a single series with the already outstanding GDRs.
- 1.5. Any further GDRs issued as described under the paragraph above which (i) represent Shares which have rights (whether dividend rights or otherwise) which are different from the rights attaching to the Shares represented by the outstanding GDRs, or (ii) are otherwise not fungible (or are to be treated as not fungible) with the outstanding GDRs, will be represented by a GDR certificate in definitive form or a separate temporary Master GDR. Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by a GDR (by increasing the total number of GDRs evidenced by the Master GDR by the number of such further GDRs, as applicable).
- 1.6. To the extent a written opinion of Romanian counsel in form and substance reasonably acceptable to both the GDR Depositary and the Fund is received by the GDR Depositary confirming that it is permissible under Romanian law, the GDR Depositary may issue GDRs against rights to receive Shares from the Fund (or any agent of the Fund recording Share ownership).
- 1.7. To the extent a written opinion of Romanian counsel in form and substance reasonably acceptable to both the GDR Depositary and the Fund is received by the GDR Depositary confirming that it is permissible under Romanian law, the GDR Depositary may execute and deliver GDRs or issue interests in the Master GDR, as the case may be, prior to the receipt of Shares (a **“Pre-Release”**). The GDR Depositary may deliver Shares upon the receipt and cancellation of GDRs, which have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the GDR Depositary knows that such GDR has been Pre-Released. The GDR Depositary may receive GDRs in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation and agreement from the person to whom GDRs or Deposited Property are to be delivered (the **“Pre-Releasee”**) that such person, or its customer, (i) owns or represents the owner of the corresponding Deposited Property or GDRs to be remitted (as the case may be), (ii) assigns all beneficial right, title and interest in such Deposited Property or GDRs (as the case may be) to the GDR Depositary in its capacity as such and for the benefit of the GDR Holders, and (iii) will not take any action with respect to such GDRs or Deposited Property (as the case may be) that is inconsistent with the transfer of beneficial ownership (including without the consent of the GDR Depositary, disposing of such GDRs or Deposited Property, as the case may be), other than in satisfaction of such Pre-Release, (b) at all times fully collateralised with cash or such other collateral as the GDR Depositary determines in good faith will provide substantially similar liquidity and security, (c) terminable by the GDR Depositary on not more than five (5) business days' notice, and (d) subject to such further indemnities and credit regulations as the GDR Depositary deems appropriate. The number of GDRs which are outstanding at any time as a result of Pre-Release will not normally represent more than thirty per cent. of the total number of GDRs then outstanding; provided, however, that the GDR Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate and may, with the prior written consent of the Fund, change such limit for the purpose of general application. The GDR Depositary will also set dollar limits with respect to Pre-Release transactions hereunder with any particular Pre-Releasee on a case by case basis

as the GDR Depositary deems appropriate. The collateral referred to in sub-paragraph (b) above shall be held by the GDR Depositary as security for the performance of the Pre-Releasee's obligations in connection thereto, including the Pre-Releasee's obligation to deliver Shares and/or other securities or GDRs upon termination of a Pre-Release transaction (and shall not, for the avoidance of doubt, constitute Deposited Property).

The GDR Depositary may retain for its own account any compensation received by it in connection with the foregoing including, without limitation, earnings on the collateral.

The person to whom any Pre-Release of GDRs or Shares is to be made pursuant to the GDR Terms and Conditions shall be required to deliver to the GDR Depositary a duly executed and completed certificate substantially in the form set out in Part A of Schedule 3 to the GDR Deposit Agreement (or as amended by the GDR Depositary in accordance with the GDR Deposit Agreement and the GDR Terms and Conditions).

- 1.8.** The GDR Depositary may make such amendments to the certificates contained in the Schedule 3 to the GDR Deposit Agreement as it may reasonably determine are required in order for the GDR Depositary to perform its duties under the GDR Deposit Agreement, or to comply with any applicable law or with the rules and regulations of any securities exchange, market or automated quotation system upon which the GDRs may be listed or traded, or to comply with the rules or requirements of any book entry system by which the GDRs may be transferred, or to confirm compliance with any special limitations or restrictions to which any particular GDRs are subject.
- 1.9.** In order to comply with any applicable laws and regulations, the GDR Depositary may from time to time request each GDR Holder to, and each GDR Holder shall upon receipt of such request, provide to the GDR Depositary information relating to: (a) the capacity in which such GDR Holder and/or any owner holds GDRs; (b) the identity of any owners of GDRs or other person or persons then or previously interested in such GDRs; (c) the nature of any such interests in the GDRs; and (d) any other matter where disclosure of such matter is required to enable compliance by the GDR Depositary with applicable laws or the constitutional documents of the Fund.
- 1.10.** In order to comply with any applicable laws and regulations, the GDR Depositary may from time to time request Euroclear and Clearstream to provide the GDR Depositary with details of the accountholders within such settlement systems that hold interests in GDRs and the number of GDRs recorded in the account of each such accountholder, and each GDR Holder or owner of GDRs, or intermediary acting on behalf of such GDR Holder or owner, has authorised each of Euroclear and Clearstream to disclose such information to the GDR Depositary as issuer of the GDRs.

2 Suspension of Issue of GDRs and of Withdrawal of Deposited Property

The GDR Depositary is entitled, at its reasonable discretion, at such times as it shall determine, to suspend the issue or transfer of GDRs (and the deposit of Shares) generally or in respect of particular Shares. In particular, to the extent that it is in its reasonable opinion practicable for it to do so, the GDR Depositary will refuse to accept Shares for deposit, to execute and deliver GDRs or to register transfers of GDRs if it has been notified by the Fund in writing that the Deposited Shares or GDRs or any depositary receipts representing Shares are listed on a U.S. Securities Exchange or quoted on a U.S. automated inter dealer quotation system unless accompanied by evidence satisfactory to the GDR Depositary that any such Shares are eligible for resale pursuant to Rule 144A under Securities Act. Further, the GDR Depositary may suspend the withdrawal of Deposited Property during any period when the register, or the Central Depositary is closed or, generally or in one or more localities, suspend the withdrawal of Deposited Property or deposit of Shares if deemed necessary or desirable or advisable by the GDR Depositary in good faith at any time or from time to time, in order to comply with any applicable law or governmental or stock exchange regulations or any provision of the GDR Deposit Agreement or for any other reason. The GDR Depositary shall (unless otherwise notified by the Fund) restrict the withdrawal of Deposited Shares where the Fund notifies the GDR Depositary in writing that such withdrawal would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Fund's constitutive documents or would otherwise violate any applicable laws.

3 Transfer and Ownership

The GDRs are in registered form. Title to the GDRs passes by registration in the register and accordingly, transfer of title to a GDR is effective only upon such registration. The GDR Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in violation of any applicable

laws. The GDR Holder will (except as otherwise required by law) be treated by the GDR Depositary and the Fund as its beneficial owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or theft or loss of any certificate issued in respect of it) and no person will be liable for so treating the GDR Holder.

4 Cash Distributions

Whenever the GDR Depositary shall receive from the Fund any cash dividend or other cash distribution on or in respect of the Deposited Shares (including any amounts received in the liquidation of the Fund) or otherwise in connection with the Deposited Property, the GDR Depositary shall as soon as practicable, convert the same into United States dollars in accordance with the GDR Terms and Conditions. The GDR Depositary shall, if reasonably practicable in the opinion of the GDR Depositary, give notice to the GDR Holders of its receipt of such payment, specifying the amount per Deposited Share payable in respect of such dividend or distribution and the earliest date, determined by the GDR Depositary, for transmission of such payment to GDR Holders and shall as soon as practicable distribute any such amounts to the GDR Holders in proportion to the number of Deposited Shares represented by the GDRs so held by them respectively, subject to and in accordance with the provisions of paragraphs 9 and 11 below PROVIDED THAT:

- (a) in the event that the GDR Depositary is aware that any Deposited Shares are not entitled, by reason of the date of issue or transfer or otherwise, to such full proportionate amount, the amount so distributed to the relative GDR Holders shall be adjusted accordingly; and
- (b) the GDR Depositary will distribute only such amounts of cash dividends and other distributions as may be distributed without attributing to any GDR a fraction of the lowest integral unit of currency in which the distribution is made by the GDR Depositary, and any balance remaining shall be retained by the GDR Depositary beneficially as an additional fee.

5 Distributions of Shares

Whenever the GDR Depositary shall receive from the Fund any distribution in respect of Deposited Shares which consists of a dividend, any other distribution in cash or free distribution of Shares, the GDR Depositary shall cause to be distributed to the GDR Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, additional GDRs representing an aggregate number of Shares received pursuant to such distribution. Such additional GDRs shall be distributed by an increase in the number of GDRs represented by the Master GDR or by an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the GDR Holders hold their GDRs; **PROVIDED THAT**, if and in so far as the GDR Depositary deems any such distribution to all or any GDR Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Fund, the GDR Custodian or the GDR Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the GDR Depositary shall subject to all applicable laws and regulations, (either by public or private sale and otherwise at its discretion) sell such Shares so received and distribute the net proceeds of such sale as a cash distribution to the GDR Holders entitled thereto.

6 Distributions other than in Cash or Shares

Whenever the GDR Depositary shall receive from the Fund any dividend, other distribution in cash or distribution in securities (other than Shares) or in other property (other than cash) on or in respect of the Deposited Property, the GDR Depositary shall distribute or cause to be distributed such securities or other property to the GDR Holders entitled thereto, in proportion to the number of Deposited Shares represented by the GDRs held by them respectively, in any manner that the GDR Depositary may deem equitable and practicable for effecting such distribution; **PROVIDED THAT**, if and in so far as the GDR Depositary deems any such distribution to all or any GDR Holders not to be reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Fund, the GDR Custodian or the GDR Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the GDR Depositary shall deal with the securities or property so received, or any part thereof, in such way as the GDR Depositary may determine to be equitable and practicable, including, without limitation, by way of sale (either by public or private sale and otherwise at its discretion, subject to all applicable laws and regulations) and shall (in the case of a sale) distribute the resulting net proceeds as a cash distribution to the GDR Holders entitled thereto.

7 Rights Issues

If and whenever the Fund announces its intention to make any offer or invitation to the holders of Shares to subscribe for or to acquire Shares, securities or other assets by way of rights, the GDR Depositary shall as soon as practicable give notice to the GDR Holders of such offer or invitation, specifying, if applicable, the earliest date established for acceptance thereof, the last date established for acceptance thereof and the manner by which and time during which GDR Holders may request the GDR Depositary to exercise such rights as provided below or, if such be the case, specifying details of how the GDR Depositary proposes to distribute the rights or the proceeds of any sale thereof. The GDR Depositary will deal with such rights in the manner described below:

- (a) if and to the extent that the GDR Depositary shall, at its discretion, deem it to be lawful and reasonably practicable, the GDR Depositary shall make arrangements whereby the GDR Holders may, upon payment of the subscription price in Lei or other relevant currency together with such fees, taxes, duties, charges, costs and expenses as may be required under the GDR Deposit Agreement and completion of such undertakings, declarations, certifications and other documents as the GDR Depositary may reasonably require, request the GDR Depositary to exercise such rights on their behalf with respect to the Deposited Shares and to distribute the Shares, securities or other assets so subscribed or acquired to the GDR Holders entitled thereto by an increase in the numbers of GDRs represented by the Master GDR or an issue of certificates in definitive registered form in respect of GDRs, according to the manner in which the GDR Holders hold their GDRs; or
- (b) if and to the extent that the GDR Depositary shall at its discretion, deem it to be lawful and reasonably practicable, the GDR Depositary will distribute such rights to the GDR Holders entitled thereto in such manner as the GDR Depositary may at its discretion determine; or
- (c) if and to the extent that the GDR Depositary deems any such arrangement and distribution as is referred to in paragraphs (a) and (b) above to all or any GDR Holders not to be lawful and reasonably practicable (including, without limitation, due to the fractions which would otherwise result or to any requirement that the Fund, the GDR Custodian or the GDR Depositary withhold an amount on account of taxes or other governmental charges) or to be unlawful, the GDR Depositary (i) will, **PROVIDED THAT** GDR Holders have not taken up rights through the GDR Depositary as provided in (a) above, sell such rights (either by public or private sale and otherwise at its discretion subject to all applicable laws and regulations) or (ii) may, if such rights are not transferable, in its discretion, arrange for such rights to be exercised and the resulting Shares or securities sold and, in each case, distribute the net proceeds of such sale as a cash distribution to the GDR Holders entitled thereto.
 - (i) Notwithstanding the foregoing, in the event that the GDR Depositary offers rights pursuant to paragraph (a) above (the “**Primary GDR Rights Offering**”), if authorised by the Fund to do so, the GDR Depositary may, in its discretion, make arrangements whereby in addition to instructions given by a GDR Holder to the GDR Depositary to exercise rights on its behalf pursuant to paragraph (a) above, such GDR Holder is permitted to instruct the GDR Depositary to subscribe on its behalf for additional rights which are not attributable to the Deposited Shares represented by such GDR Holder's GDRs (“**Additional GDR Rights**”) if at the date and time specified by the GDR Depositary for the conclusion of the Primary GDR Rights Offering (the “**Instruction Date**”) instructions to exercise rights have not been received by the GDR Depositary from the GDR Holders in respect of all their initial entitlements. Any GDR Holder's instructions to subscribe for such Additional GDR Rights (“**Additional GDR Rights Requests**”) shall specify the maximum number of Additional GDR Rights that such GDR Holder is prepared to accept (the “**Maximum Additional Subscription**”) and must be received by the GDR Depositary by the Instruction Date. If by the Instruction Date any rights offered in the Primary GDR Rights Offering have not been subscribed by the GDR Holders initially entitled thereto (“**Unsubscribed Rights**”), subject to paragraph (iii) below and receipt of the relevant subscription price in Lei or other relevant currency, together with such fees, taxes, duties, charges, costs and expenses as it may deem necessary, the GDR Depositary shall make arrangements for the allocation and distribution of Additional GDR Rights in accordance with paragraph (ii) below.
 - (ii) GDR Holders submitting Additional GDR Rights Requests shall be bound to accept the Maximum Additional Subscription specified in such Additional GDR Rights Request but

the GDR Depositary shall not be bound to arrange for a GDR Holder to receive the Maximum Additional Subscription so specified but may make arrangements whereby the Unsubscribed Rights are allocated pro rata on the basis of the extent of the Maximum Additional Subscription specified in each GDR Holder's Additional GDR Rights Request.

- (iii) In order to proceed in the manner contemplated in this paragraph (c), the GDR Depositary shall be entitled to receive such opinions from Romanian counsel and United States counsel as in its reasonable discretion it deems necessary. For the avoidance of doubt, save as provided in the GDR Terms and Conditions and the GDR Deposit Agreement, the GDR Depositary has no liability to the Fund or any GDR Holder in respect of its actions or omissions to act under this paragraph (c) and, in particular, the GDR Depositary will not be regarded as being negligent, fraudulent, or in wilful default if it elects not to make the arrangements referred to in this paragraph (c) (i) above.

The Fund has agreed in the GDR Deposit Agreement that it will, unless prohibited by applicable law or regulation, give its consent to, and if requested use all reasonable endeavours (subject to the next paragraph) to facilitate, any such distribution, sale or subscription by the GDR Depositary or the GDR Holders, as described above (including the obtaining of legal opinions from counsel reasonably satisfactory to the GDR Depositary concerning such matters as the GDR Depositary may reasonably specify).

If the Fund notifies the GDR Depositary that registration is required in any jurisdiction under any applicable law of the rights, securities or other property to be distributed as described above or the securities to which such rights relate in order for the Fund to offer such rights or distribute such securities or other property to the GDR Holders or owners of GDRs and to sell the securities corresponding to such rights, the GDR Depositary will not offer such rights or distribute such securities or other property to the GDR Holders or sell such securities unless and until the Fund procures the receipt by the GDR Depositary of an opinion from counsel reasonably satisfactory to the GDR Depositary that a registration statement is in effect or that the offering and sale of such rights or securities to such GDR Holders or owners of GDRs are exempt from registration under the provisions of such law. Pursuant to the GDR Terms and Conditions, neither the Fund nor the GDR Depositary are liable to register such rights, securities or other property or the securities to which such rights relate and they shall not be liable for any losses, damages or expenses resulting from any failure to do so.

If at the time of the offering of any rights, at its discretion, the GDR Depositary shall be satisfied that it is not lawful or practicable (for reasons outside its control) to dispose of the rights in any manner described above, the GDR Depositary shall permit the rights to lapse. The GDR Depositary will not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to GDR Holders or owners of GDRs in general or to any GDR Holder or owner of a GDR or GDR Holders or owners of GDRs in particular.

8 Conversion of Foreign Currency

Whenever the GDR Depositary shall receive any currency other than United States dollars by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the currency so received can in the judgement of the GDR Depositary be converted on a reasonable basis into United States dollars and distributed to the GDR Holders entitled thereto, the GDR Depositary shall as soon as practicable convert or cause to be converted, by sale or in any other manner that it may reasonably determine, the currency so received into United States dollars. If such conversion or distribution can be effected only with the approval or licence of any government or agency thereof, the GDR Depositary may make reasonable efforts to apply, or procure that an application be made, for such approval or licence, if any, as it may deem desirable. If at any time the GDR Depositary shall determine that in its judgement any currency other than United States dollars is not convertible on a reasonable basis into United States dollars and distributable to the GDR Holders entitled thereto, or if any approval or licence of any government or agency thereof which is required for such conversion is denied or, in the reasonable opinion of the GDR Depositary, is not obtainable, or if any such approval or licence is not obtained within a reasonable period as determined by the GDR Depositary, the GDR Depositary may distribute such other currency received by it (or an appropriate document evidencing the right to receive such other currency) to the GDR Holders entitled thereto to the extent permitted under applicable law, or the GDR Depositary may in its discretion hold such other currency without liability for interest for the benefit of the GDR Holders entitled thereto. If any conversion of any such currency can be effected in whole or in part for distribution to some (but not all) GDR Holders entitled thereto, the GDR Depositary may at its discretion make such conversion and distribution in United States dollars to the extent possible to the GDR Holders entitled thereto and may

distribute the balance of such other currency received by the GDR Depositary to, or hold such balance for the account of, the GDR Holders entitled thereto, and notify the GDR Holders accordingly.

9 Distribution of any Payments

- 9.1.** Any distribution of cash described above will be made by the GDR Depositary to GDR Holders on the record date established by the GDR Depositary for that purpose (such date to be the same as, or to the extent permitted by applicable law as close as is reasonably practicable to the record date set by the relevant general meeting of shareholders of the Fund) and, if practicable in the reasonable opinion of the GDR Depositary, notice shall be given promptly to GDR Holders, in each case subject to any laws or regulations applicable thereto and distributions will be made in United States dollars by cheque drawn upon a bank in New York City or, in the case of the Master GDR, according to usual practice between the GDR Depositary and Clearstream or Euroclear, as the case may be. The GDR Depositary or the Agent, as the case may be, may deduct and retain from all moneys due in respect of such GDR in accordance with the GDR Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the GDR Deposit Agreement or under applicable law or regulation in respect of such GDR or the relative Deposited Property.
- 9.2.** Delivery of any securities or other property or rights other than cash shall be made as soon as practicable to the GDR Holders on the record date established by the GDR Depositary for that purpose (such date to be the same as, or to the extent permitted by applicable law as close as is reasonably practicable to the record date set by the relevant general meeting of shareholders of the Fund), subject to any laws or regulations applicable thereto. If any distribution made by the Fund with respect to the Deposited Property and received by the GDR Depositary shall remain unclaimed at the end of three years from the first date upon which such distribution is made available to GDR Holders in accordance with the GDR Deposit Agreement, all rights of the GDR Holders to such distribution or the proceeds of the sale thereof shall be extinguished and the GDR Depositary shall (except for any distribution upon the liquidation of the Fund when the GDR Depositary shall retain the same) return the same to the Fund for its own use and benefit subject, in all cases, to the provisions of applicable law or regulation.

10 Capital Reorganisation

Upon any sub-division, consolidation or other reclassification of Deposited Shares or any other part of the Deposited Property or upon any reduction of capital, or upon any reorganisation, merger or consolidation of the Fund or to which it is a party (except where the Fund is the continuing corporation), the GDR Depositary shall as soon as practicable give notice of such event to the GDR Holders and at its discretion may treat such event as a distribution and comply with the relevant provisions of the GDR Terms and Conditions with respect thereto, or may execute and deliver additional GDRs in respect of Shares or may require the exchange of existing GDRs for new GDRs which reflect the effect of such change.

11 Withholding Taxes and Applicable Laws

Payments to GDR Holders of dividends or other distributions on or in respect of the Deposited Shares will be subject to deduction of Romanian and other withholding taxes, if any, at the applicable rates.

12 Voting Rights

- 12.1.** GDR Holders have voting rights with respect to the Deposited Shares. The Fund has agreed to notify by electronic mail the GDR Depositary of any resolution to be proposed at a General Meeting of the Shareholders of the Fund and the GDR Depositary will vote or cause to be voted the Deposited Shares in the manner set out in GDR Terms and Conditions and described hereunder.

The Fund has agreed with the GDR Depositary that it will promptly provide to the GDR Depositary electronic copies, (by electronic mail or, upon notification by electronic mail of such to the GDR Depositary on the Fund's website), of notices of meetings of the shareholders of the Fund and the agenda therefor as well as written requests containing voting instructions by which each GDR Holder may give instructions to the GDR Depositary to vote for, against or abstain from voting with respect to each and any resolution specified in the agenda for the meeting, which the GDR Depositary shall send to any person who is a GDR Holder on the record date established by the GDR Depositary for that purpose (which shall be the same as the corresponding record date set by the Fund or, to the extent permitted by applicable law as near as practicable thereto) as soon as practicable after receipt of the same by the GDR Depositary according to the GDR Terms and Conditions, subject to any laws or regulations applicable thereto. On the same conditions as above, the Fund

has also agreed under the GDR Deposit Agreement to provide to the GDR Depositary appropriate proxy forms to enable the GDR Depositary to appoint a representative to attend the relevant meeting and vote on behalf of the GDR Depositary.

- 12.2.** In order for each voting instruction to be valid, the voting instructions form must be completed and duly signed by the respective GDR Holder (or in the case of instructions received from the clearing systems should be received by authenticated SWIFT message) in accordance with the written request containing voting instructions and returned to the GDR Depositary by such record date as the GDR Depositary may specify.
- 12.3.** The GDR Depositary will exercise or cause to be exercised the voting rights in respect of the Deposited Shares so that a portion of the Deposited Shares will be voted for a portion of the Deposited Shares will be voted against and a portion of the Deposited Shares will be abstained from voting on any resolution specified in the agenda for the relevant meeting in accordance with and within the limit of the voting instructions it has received.
- 12.4.** If at any time in the future a change in Romanian law means that the GDR Depositary is no longer permitted to exercise voting rights in respect of Deposited Shares differently (so that a portion of the Deposited Shares may be voted for a resolution and a portion of the Deposited Shares may be voted against or be abstained from voting on a resolution) the GDR Depositary shall, if permissible under Romanian law, calculate from the voting instructions that it has received from all GDR Holders (x) the aggregate number of votes in favour of a particular resolution and (y) the aggregate number of votes opposed to such resolution and cast or cause to be cast in favour of or opposed to such resolution the number of votes representing the net positive difference between such aggregate number of votes in favour of such resolution and such aggregate number of votes opposed to such resolution.
- 12.5.** The GDR Depositary will only endeavour to vote or cause to be voted the votes attaching to Shares in respect of which voting instructions have been received. If no voting instructions are received by the GDR Depositary from a GDR Holder (either because no voting instructions are returned to the GDR Depositary or because the voting instructions are incomplete, illegible or unclear) with respect to any or all of the Deposited Shares represented by such GDR Holder's GDRs on or before the record date specified by the GDR Depositary the GDR Depositary shall not vote in respect of such Deposited Shares of such GDR Holder.
- 12.6.** If it is not permissible under Romanian law or the GDR Depositary determines that it is not reasonably practicable to vote or cause to be voted such Deposited Shares the GDR Depositary shall not vote or cause to be voted such Deposited Shares.
- 12.7.** Where the GDR Depositary is to vote in respect of each and any resolution in the manner described above the GDR Depositary shall notify the AIFM and appoint a person designated by the GDR Depositary as a representative of the GDR Depositary to attend such meeting and vote the Deposited Shares in accordance with the above. The GDR Depositary is entitled to request the Fund to provide to the GDR Depositary, and, where such request has been made reasonably, the GDR Depositary shall not be required to take any action as described above unless it shall have received, an opinion from the Fund's legal counsel (such counsel being reasonably acceptable to the GDR Depositary) at the expense of the Fund to the effect that such voting arrangement is valid and binding on GDR Holders under Romanian law and the statutes of the Fund and that the GDR Depositary is permitted to exercise votes in accordance with the provisions above but that in doing so the GDR Depositary will not be deemed to be exercising voting discretion.
- 12.8.** The GDR Depositary shall not, and the GDR Depositary shall ensure that the GDR Custodian and its nominees do not, vote or attempt to exercise the right to vote that attaches to the Deposited Shares, other than in accordance with and within the limit of instructions given, or deemed given as per the GDR Terms and Conditions.

13 Recovery of Taxes, Duties and Other Charges, and Fees and Expenses due to the GDR Depositary

The GDR Depositary is not liable for any taxes, duties, charges, costs or expenses which may become payable in respect of the Deposited Shares or other Deposited Property or the GDRs, whether under any present or future fiscal or other laws or regulations, and such part thereof as is proportionate or referable to a GDR (the "Charges") shall be payable by the GDR Holder thereof to the GDR Depositary at any time on request or may be deducted from any amount due or becoming due on such GDR in respect of any dividend or other distribution. The GDR Depositary may, subject to all applicable laws and regulations, sell (whether by way of public or private sale and otherwise at its discretion) for the account of the GDR Holder an appropriate number of Deposited Shares or amount of other Deposited Property and will discharge out of the proceeds of

such sale any Charges, and any fees or expenses due to the GDR Depositary from the GDR Holder, and subsequently pay any surplus to the GDR Holder. Any request by the GDR Depositary for the payment of Charges shall be made by giving notice to the GDR Holder according to the GDR Terms and Conditions.

14 Liability

In acting hereunder the GDR Depositary has only those duties, obligations and responsibilities expressly specified in the GDR Deposit Agreement and the GDR Terms and Conditions and, other than holding the Deposited Property for the benefit of GDR Holders as bare trustee (or any cash comprised in the Deposited Property as banker), did not assume any relationship of trust for or with the GDR Holders or owners of GDRs or any other person. All other provisions regarding liability in the GDR Terms and Conditions and the GDR Deposit Agreement continue to apply accordingly.

15 Issue and Delivery of Replacement GDRs

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the GDR Depositary may reasonably require, replacement GDRs will be issued by the GDR Depositary and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of the destruction, loss or theft) at the specified office of the GDR Depositary or (at the request, risk and expense of the GDR Holder) at the specified office of any agent.

16 GDR Depositary's Fees, Costs and Expenses

The GDR Depositary is entitled to charge and to receive remuneration and reimbursement (such remuneration and reimbursement being payable on demand) from the GDR Holders in respect of its services under the GDR Deposit Agreement, such as for the issue of GDRs or the cancellation of GDRs, for issuing GDR certificates in definitive registered form in replacement for mutilated, defaced, lost, stolen or destroyed GDR certificates, for issuing GDR certificates in definitive registered form, for receiving and paying any cash dividend or other cash distribution on or in respect of the Deposited Shares, in respect of any issue of rights or distribution of Shares (whether or not evidenced by GDRs) or other securities or other property (other than cash) upon exercise of any rights, any free distribution, stock dividend or other distribution, for depositary services; for local share registry inspection and related services by the GDR Depositary or the GDR Custodian or their respective agents, and any other charge payable by the GDR Depositary, any of the GDR Depositary's agents, including the GDR Custodian, or the agents of the GDR Depositary's agents, in connection with the servicing of Deposited Shares or other Deposited Property. (which charge shall be assessed against GDR Holders as of the date or dates set by the GDR Depositary and shall be payable at the sole discretion of the GDR Depositary by billing such GDR Holders for such charge or deducting such charge from one or more cash dividends or other cash distributions), together with all expenses (including currency conversion expenses), transfer and registration fees, taxes, duties and charges payable by the GDR Depositary, any Agent or the GDR Custodian, or any of their agents, in connection with any of the above.

17 Agents

GDR Depositary is entitled to appoint one or more agents (the Agents) for the purpose, inter alia, of making distributions to the GDR Holders. Notice of appointment or removal of any Agent or of any change in the specified office of the GDR Depositary or any Agent will be duly given by the GDR Depositary to the GDR Holders.

18 Listing

The Fund has undertaken in the GDR Deposit Agreement to use all reasonable endeavours to maintain, so long as any GDR is outstanding, admission to trading of the GDRs on the Specialist Fund Market of the LSE.

For that purpose the Fund will pay all fees and sign and deliver all undertakings required by the LSE in connection with maintaining such admission to trading. In the event that the admission to trading of the GDRs on the Specialist Fund Market of the LSE is not maintained, the Fund has undertaken in the GDR Deposit Agreement to use all reasonable endeavours with the reasonable assistance of the GDR Depositary (provided at the Fund's expense) to obtain and maintain a listing and/or admission to trading of GDRs on any other internationally recognised stock exchange in Europe.

19 The GDR Custodian

The GDR Depository has agreed with the GDR Custodian that the GDR Custodian will receive and hold (or appoint agents approved by the GDR Depository to receive and hold) all Deposited Property for the account and to the order of the GDR Depository in accordance with the applicable terms of the GDR Deposit Agreement which pursuant and subject to several conditions under the GDR Terms and Conditions include a requirement to segregate the Deposited Property from the other property of, or held by, the GDR Custodian PROVIDED THAT for so long as the GDR Custodian is an authorised credit institution, the GDR Custodian shall not be obliged to segregate cash comprised in the Deposited Property from cash otherwise held by the GDR Custodian. The GDR Custodian shall be responsible solely to the GDR Depository. The GDR Custodian may resign or be removed by the GDR Depository by giving prior notice, except that if a replacement GDR Custodian is appointed which is a branch or affiliate of the GDR Depository, the GDR Custodian's resignation or discharge may take effect immediately on the appointment of such replacement GDR Custodian. Upon the removal of or receiving notice of the resignation of the GDR Custodian, the GDR Depository shall promptly appoint a successor GDR Custodian, which shall, upon acceptance of such appointment, and the expiry of any applicable notice period, become the GDR Custodian. The GDR Depository in its discretion may appoint a substitute or additional custodian or custodians, which shall, upon acceptance of such appointment, become the GDR Custodian under the GDR Deposit Agreement. The GDR Depository shall notify GDR Holders of such change in accordance with the GDR Terms and Conditions. Notwithstanding the foregoing, the GDR Depository may temporarily deposit the Deposited Property in a manner or a place other than as therein specified: PROVIDED THAT, in the case of such temporary deposit in another place, the Fund shall have consented to such deposit, and such consent of the Fund shall have been delivered to the GDR Custodian. In case of transportation of the Deposited Property under this paragraph, the GDR Depository shall obtain appropriate insurance at the expense of the Fund if and to the extent that the obtaining of such insurance is reasonably practicable and the premiums payable are of a reasonable amount.

20 Resignation and Termination of Appointment of the GDR Depository

The Fund may terminate the appointment of the GDR Depository under the GDR Deposit Agreement by giving at least 120 days' prior notice in writing to the GDR Depository and the GDR Custodian, and the GDR Depository may resign as GDR Depository by giving at least 120 days' prior notice in writing to the Fund and the GDR Custodian. Within 30 days after the giving of either such notice, notice thereof shall be duly given by the Depository to the GDR Holders in accordance with the GDR Terms and Conditions. The termination of the appointment or the resignation of the GDR Depository shall take effect on the date specified in such notice; **PROVIDED THAT** no such termination of appointment or resignation shall take effect until the appointment by the Fund of a successor depository under the GDR Deposit Agreement and the acceptance of such appointment to act in accordance with the terms thereof and of the GDR Terms and Conditions, by the successor depository. The Fund has undertaken in the GDR Deposit Agreement to use all reasonable endeavours to procure the appointment of a successor depository with effect from the date of termination specified in such notice as soon as reasonably possible following notice of such termination or resignation. Upon any such appointment and acceptance, notice thereof shall be duly given by the GDR Depository to the GDR Holders in accordance with the GDR Terms and Conditions.

Upon the termination of the appointment or resignation of the GDR Depository and against payment of all fees and expenses due to the GDR Depository from the Fund under the GDR Deposit Agreement, the GDR Depository shall deliver to its successor as depository sufficient information and records to enable such successor efficiently to perform its obligations under the GDR Deposit Agreement and shall deliver and pay to such successor depository all property and cash held by it under the GDR Deposit Agreement. The GDR Deposit Agreement provides that, upon the date when such termination of appointment or resignation takes effect, the GDR Custodian shall be deemed to be the GDR Custodian thereunder for such successor depository, and shall hold the Deposited Property for such successor depository, and the GDR Depository shall thereafter have no obligation under the GDR Deposit Agreement or the GDR Terms and Conditions (other than liabilities accrued prior to the date of termination of appointment or resignation or any liabilities stipulated in relevant laws or regulations). Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the GDR Depository may reasonably require, replacement GDRs will be issued by the GDR Depository and will be delivered in exchange for or replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except

in the case of the destruction, loss or theft) at the specified office of the GDR Depositary or (at the request, risk and expense of the GDR Holder) at the specified office of any Agent.

21 Termination of GDR Deposit Agreement

Either the Fund or the GDR Depositary but, in the case of the GDR Depositary, only if the Fund has failed to appoint a replacement GDR Depositary within 120 days of the date on which the GDR Depositary has given notice that it wishes to resign, may terminate the GDR Deposit Agreement by giving 120 days' prior notice to the other and to the GDR Custodian. Within 30 days after the giving of such notice, notice of such termination shall be duly given by the GDR Depositary to GDR Holders of all GDRs then outstanding according to the GDR Terms and Conditions.

During the period beginning on the date of the giving of such notice by the GDR Depositary to the GDR Holders and ending on the date on which such termination takes effect, each GDR Holder shall be entitled to obtain delivery of the GDR Deposited Property relative to each GDR held by it, subject to the provisions of paragraph 1.1 and upon compliance with the provisions of paragraph 1, payment by the GDR Holder of the charge specified in paragraph 16.1(a) above and the GDR Deposit Agreement for such delivery and surrender, and payment by the GDR Holder of any sums payable by the GDR Depositary and/or any other expenses incurred by the GDR Depositary (together with all amounts which the GDR Depositary is obliged to pay to the GDR Custodian) in connection with such delivery and surrender, and otherwise in accordance with the GDR Deposit Agreement.

If any GDRs remain outstanding after the date of termination, the GDR Depositary shall as soon as reasonably practicable sell, subject to all applicable laws and regulations, the Deposited Property then held by it under the GDR Deposit Agreement and shall not register transfers, shall not pass on dividends or distributions or take any other action, except that it will deliver the net proceeds of any such sale, together with any other cash then held by it under the GDR Deposit Agreement, pro rata to GDR Holders of GDRs which have not previously been so surrendered by reference to that proportion of the Deposited Property which is represented by the GDRs of which they are the GDR Holders. After making such sale, the GDR Depositary shall be discharged from all obligations under the GDR Deposit Agreement and the GDR Terms and Conditions, except its obligation to account to GDR Holders for such net proceeds of sale and other cash comprising the Deposited Property without interest.

22 Amendment of GDR Deposit Agreement and GDR Terms and Conditions

All and any of the provisions of the GDR Deposit Agreement and the GDR Terms and Conditions may at any time and from time to time be amended by written agreement between the Fund and the GDR Depositary in any respect which they may deem necessary or desirable. Notice of any amendment (except to correct a manifest error) shall be duly given to the GDR Holders by the GDR Depositary, and any amendment (except as aforesaid) which shall increase or impose fees payable by GDR Holders or which shall otherwise, in the opinion of the GDR Depositary, be materially prejudicial to the interests of the GDR Holders (as a class) shall not become effective so as to impose any obligation on the GDR Holders until the expiration of 30 calendar days after such notice shall have been given. During such period of 30 calendar days, each GDR Holder shall be entitled to obtain, subject to and upon compliance with the GDR Terms and Conditions, delivery of the Deposited Property relative to each GDR held by it upon surrender thereof, payment of the charge for such delivery and surrender and otherwise in accordance with the GDR Deposit Agreement and the GDR Terms and Conditions.

23 Notices

Any and all notices to be given to any GDR Holder shall be duly given if personally delivered, or sent by mail (if domestic, first class, if overseas, first class airmail) or air courier, or by facsimile transmission confirmed by letter sent by mail or air courier, addressed to such GDR Holder at the address of such GDR Holder as it appears on the transfer books for GDRs of the GDR Depositary, or, if such GDR Holder shall have filed with the GDR Depositary a written request that notices intended for such GDR Holder be mailed to some other address, at the address specified in such request.

Delivery of a notice sent by mail or air courier shall be effective 3 days (in the case of domestic mail or air courier) or 7 days (in the case of overseas mail) after despatch, and any notice sent by facsimile transmission, shall be effective when the intended recipient has confirmed by telephone to the transmitter thereof that the recipient has received such facsimile in complete and legible form. The GDR Depositary or the Fund may,

however, act upon any facsimile transmission received by it from the other or from any GDR Holder, notwithstanding that such facsimile transmission shall not subsequently be confirmed as aforesaid.

24 Governing Law

The GDR Deposit Agreement, the GDRs, and all non-contractual obligations arising from or connected with the GDR Deposit Agreement and the GDRs, are governed by, and shall be construed in accordance with, English law except that the certifications set forth in Schedule 3 to the GDR Deposit Agreement and any provisions relating thereto shall be governed by and construed in accordance with the laws of the State of New York. The rights and obligations attaching to the Deposited Shares will be governed by Romanian law. The Fund has submitted in respect of the GDR Deposit Agreement and the Deed Poll to the jurisdiction of the English courts and the courts of the State of New York and any United States Federal Court sitting in the Borough of Manhattan, New York City. The Fund has also agreed in the GDR Deposit Agreement, and the Deed Poll to allow, respectively, the GDR Depository and the GDR Holders to elect that disputes are resolved by arbitration under the Rules of the London Court of International Arbitration.

The Fund has irrevocably appointed Law Debenture Corporate Services Limited with its offices at Fifth Floor, 100 Wood Street, London EC2V 7EX, as its agent in England to receive service of process in any Proceedings (as defined below) in England based on the Deed Poll and appointed Law Debenture Corporate Services Inc with its offices at 400 Madison Avenue Suite 4D, New York, NY10017 as its agent in New York to receive service of process in any Proceedings in New York. If for any reason the Fund does not have such an agent in England or New York as the case may be, it will promptly appoint a substitute process agent and notify the GDR Holders and the GDR Depository of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

The courts of England are to have jurisdiction to settle any disputes (each a Dispute) which may arise out of or in connection with the GDRs (including any dispute relating to the existence, validity or termination of the GDRs, or any non-contractual obligation arising out of or in connection with the GDRs, or the consequences of the nullity of the GDRs), and accordingly any legal action or proceedings arising out of or in connection with the GDRs (Proceedings) may be brought in such courts. Without prejudice to the foregoing, the GDR Depository agreed that any Proceedings may be brought in any New York State or United States Federal Court sitting in the Borough of Manhattan, New York City. The GDR Depository irrevocably submitted to the non-exclusive jurisdiction of such courts and waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

These submissions were made for the benefit of each of the GDR Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdictions (whether concurrently or not).

In the event that the GDR Depository is made a party to, or is otherwise required to participate in, any litigation, arbitration, or Proceeding (whether judicial or administrative) which arises from or is related to or is based upon any act or failure to act by the Fund, or which contains allegations to such effect, upon notice from the GDR Depository, the Fund has agreed to fully cooperate with the GDR Depository in connection with such litigation, arbitration or Proceeding.

The GDR Depository irrevocably appointed The Bank of New York Mellon, London Branch, (Attention: The Manager) of 49th floor, One Canada Square, London E14 5AL as its agent in England to receive service of process in any Proceedings in England based on any of the GDRs. If for any reason the GDR Depository does not have such an agent in England, it will promptly appoint a substitute process agent and notify the GDR Holders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

To the extent that the Fund may in any jurisdiction claim for itself or its assets or revenues sovereign or other immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such sovereign or other immunity (whether or not claimed) may be attributed in any such jurisdiction to the Fund or its assets or revenues, the Fund has agreed not to claim and irrevocably waives such sovereign or other immunity to the full extent permitted by the laws of such jurisdiction.

25 SUMMARY OF THE PROVISIONS RELATING TO THE GLOBAL DEPOSITARY RECEIPTS WHILST IN MASTER FORM

The GDRs will initially be evidenced by a single Master GDR in registered form. The Master GDR will be deposited with The Bank of New York Depository (Nominees) Limited, as nominee for The Bank of New York Mellon, London Branch, as common depository for Euroclear and Clearstream on the date the GDRs are issued.

The Master GDR contains provisions which apply to the GDRs while they are in master form, some of which modify the effect of the Terms and Conditions of the GDRs set out in this document. The following is a summary of certain of those provisions. Words and expressions given a defined meaning in the GDR Terms and Conditions shall have the same meanings in this section unless otherwise provided in this section.

For risks related to potential future limitations on the exercise of voting and/or dividends rights by a GDR Holder, see **Error! Reference source not found. RISK FACTORS** of the Prospectus.

Exchange

The Master GDR will be exchanged for certificates in definitive registered form representing GDRs only in the circumstances described in (i), (ii) or (iii) below, in whole but not in part. The GDR Depository will irrevocably undertake in the Master GDR to deliver certificates in definitive registered form in exchange for the Master GDR, to GDR holders within 60 calendar days in the event that:

- (i) Euroclear or Clearstream notifies the Fund that it is unwilling or unable to continue as a clearing system and a successor clearing system is not appointed within 90 calendar days; or
- (ii) Euroclear or Clearstream is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and, in each case, no alternative clearing system satisfactory to the GDR Depository is available within 45 calendar days; or
- (iii) the GDR Depository has determined that, on the occasion of the next payment in respect of the Master GDR, the GDR Depository or its Agent would be required to make any deduction or withholding from any payment in respect of the Master GDR which would not be required were the GDRs represented by certificates in definitive registered form, provided that the GDR Depository shall have no obligation to so determine or to attempt to so determine.

Any such exchange shall be at the expense (including printing costs) of the Fund.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through Euroclear or Clearstream, Luxembourg.

Upon any exchange of a Master GDR for certificates in definitive registered form, or any distribution of GDRs pursuant to the GDR Terms and Conditions or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to the GDR Terms and Conditions, the relevant details shall be entered by the GDR Depository on the register maintained by the GDR Depository whereupon the number of GDRs represented by the Master GDR shall be reduced or increased (as the case may be) for all purposes by the number so exchanged and entered on the register. If the number of GDRs represented by a Master GDR is reduced to zero such Master GDR shall continue in existence until the obligations of the Fund under the GDR Deposit Agreement and the obligations of the GDR Depository pursuant to the GDR Deposit Agreement and the GDR Terms and Conditions have terminated.

Payments, Distributions and Voting Rights

Payments of cash dividends and other amounts (including cash distributions) will, in the case of GDRs represented by the Master GDR be made by the GDR Depository through Euroclear and Clearstream, on behalf of persons entitled thereto upon receipt of funds therefor from the Fund. A free distribution or rights issue of Shares to the GDR Depository on behalf of the GDR Holders will result in the record maintained by the GDR Depository being marked up to reflect the enlarged number of GDRs represented by the Master GDR.

GDR Holders of GDRs will have voting rights as set out in the GDR Terms and Conditions.

Surrender of GDRs

Any requirement in the GDR Terms and Conditions relating to the surrender of a GDR to the GDR Depositary shall be satisfied by the production by Euroclear and Clearstream, on behalf of a person entitled to an interest in the Master GDR of such evidence of entitlement of such person as the GDR Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream, as appropriate. The delivery or production of any such evidence shall be sufficient evidence, in favour of the GDR Depositary, any Agent and the GDR Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs.

Notices

For as long as the Master GDR is registered in the name of a nominee for a common depository holding on behalf of Euroclear and Clearstream, notices to GDR Holders may be given by the GDR Depositary by delivery of the relevant notice to Euroclear and Clearstream, for communication to persons entitled thereto in substitution for delivery of notices in accordance with the GDR Terms and Conditions.

Governing Law

The Master GDR, and all non-contractual obligations arising from or connected with the Master GDR, shall be governed by and construed in accordance with English law, except for certain certifications and any provisions relating thereto which shall be governed by and construed in accordance with the laws of the State of New York.

PART 14
PRINCIPAL SHAREHOLDERS

1 Principal shareholders of the Fund

The table below sets forth certain information regarding the Fund's shareholders as at 30 September 2021.

Shareholder type	% of subscribed share capital	% of subscribed and paid-up share capital	% of the voting rights
Romanian institutional shareholders	32.74	34.48	40.06
Romanian private individuals	17.57	18.51	21.50
The Bank of New York Mellon (GDR Depository Bank for GDR based on support shares) of which Fondul Proprietatea held 77,421 GDRs (equivalent to 3,871,050 shares)	15.61	16.44	19.07
Non-resident institutional shareholders	12.87	13.55	15.74
Non-resident private individuals	2.88	3.03	3.52
Romanian State represented by the Ministry of Public Finance	5.14	0.10	0.11
Treasury shares	13.19	13.89	0
Total	100	100	100

Source: Central Depository

Each Share grants equal rights, including voting rights. As at the date of this Prospectus, insofar as is known to the Fund, the following shareholders own more than 5% of the voting rights in the Fund:

Shareholders	Voting rights	Latest disclosure of ownership
NN Group	10.01%	6 March 2020
Silver Point Capital Funds	5.07%	4 May 2021
Fondurile de Pensii Private Allianz-Țiriac	5.05%	1 July 2019

Source: Ownership disclosures submitted by the Fund's shareholders

The Fund is not directly or indirectly owned or controlled by any entity or individual.

There are no arrangements, known to the Fund, the operation of which may at a subsequent date result in a change in control of the Fund.

PART 15 THE DEPOSITARY

General Information

The AIFM must place the assets of the Fund in custody according to the applicable legal provisions, including without limitation the Law 74/2015 and its implementing rules, the AIF Law and AIF Regulation as well as the Management Agreement and the Constitutive Act.

According to the AIF Law, the depositary must be registered with the FSA public registry and comply with the relevant provisions of Law 74/2015 and EU Regulation 231/2013 including the provisions of safekeeping of assets of alternative investment funds.

According to the Management Agreement:

- (a) the depositary is appointed by the AIFM after consultation with the Board of Nominees, with sufficient time in advance, on the identity of the proposed Depositary and the terms and conditions of its appointment.
- (b) the relationship between the Fund (acting through the AIFM) and the depositary is governed by a written depositary agreement and the AIFM must ensure that such agreement includes clauses addressing those matters and imposing those obligations, which are required by the applicable legislation governing the AIFM, the Romanian legislation applicable to the Fund, the Constitutive Act and the IPS.
- (c) all payments due for receipt by the Fund, such as dividends, interests, sale proceeds, or any with other title, shall be paid directly to the depositary bank and in the Fund's account opened at the depositary bank.
- (d) the AIFM is not entitled at any time and in any form to hold cash or other assets from the Fund's portfolio belonging to the Fund in any form.
- (e) the AIFM must liaise as necessary with the depositary to enable the depositary, to fulfil any obligations to disclose shareholdings in companies in which the portfolio of the Fund is invested in accordance with relevant legislation and will provide timely information to the depositary for this purpose.
- (f) the AIFM must communicate whenever necessary or desirable with the depositary to ensure a full flow of information in respect of rights arising in relation to the securities and cash held in the portfolio.

Also, according to the AIF Regulation, the AIFM must send to the depositary all information regarding the operations carried out with unlisted assets of the Fund by 24:00 of the next business day following the completion of such operations at the latest.

The Fund has appointed BRD – Groupe Societe Generale SA as its depositary and custodian (the “**Depositary Bank**” or the “**Depositary**”), to hold and transfer the Fund's assets, and to certify the Fund NAV, and the computation of the AIFM fees through a depositary and custody agreement which entered into force on 20 May 2016, as subsequently amended, for a three-year term and was extended during 2019 for another three years until 20 May 2022 (the “**Depositary and Custody Agreement**”). The Fund and the Depositary concluded on 20 May 2016 the Service Level Agreement (“**SLA**”), as subsequently amended, in order to regulate the provisions of the depositary activities performed by the Depositary to the Fund consisting mainly of : safekeeping of the Fund's assets, calculation and certification of monthly NAV and of the NAV for the dates when changes of Fund's share capital are recorded, proxy voting services, and validation and certification of fees due to the AIFM, with the frequency of invoicing of these fees agreed upon between the Fund and the AIFM in the Management Agreement, with the Depositary acting solely in the interest of and for the benefit of the Fund's investors.

The Depositary is a joint stock company, organised as a credit institution, which was set up by Government decision in December 1990 and incorporated in February 1991 under the laws of Romania. Its registered office is at BRD Tower, 1-7 Ion Mihalache Blvd, Bucharest, District 1, telephone number: 021 200 83 72 and fax number: 021 200 83 73, having the website <https://www.brd.ro/> (the information on the website of the Depositary does not form part of the Prospectus).

The Depositary is registered with the Trade Registry under no. J40/608/1991, with fiscal identification code RO361579, registered with the Romanian Register of Credit Institutions under number RB-PJR-40-

007/18.02.1999 and with the FSA Register under number PJR10DEPR/400007. The Depositary is authorised and regulated by the NBR as a credit institution and by the FSA as a depositary.

At the beginning of 2001, the Depositary's shares were admitted to trading on the regulated market (premium tier) of the BSE and are traded under the symbol "BRD".

The LEI of the Depositary is 5493008QRHH0XCLJ4238.

The Depositary was incorporated for an indefinite period.

Important events in the development of the Depositary's business

As of the date of this Prospectus, there are no important events in the development of the Depositary's business with impact on the Fund.

Class of assets held with the Depositary

According to the Depositary and Custody Agreement, the Depositary provides services in relation to (a) the assets belonging to the Fund which are represented by all the Fund's financial instruments which can be physically delivered or, if this is not the case, registered or held in an account directly or indirectly in the name of the Depositary and are transferable securities including those which embed derivatives, money market instruments or units of collective investment undertakings, (the "Custody Assets"), as well as (b) all assets which do not qualify as Custody Assets and which, in accordance with applicable national law, are only directly registered in the name of the Fund with the issuer itself or its agent, such as a registrar or a transfer agent, based on the documents supplied by the Fund, as well as on external evidence (the "Non-Custody Assets"), the Custody Assets and the Non-Custody Assets being referred to collectively as the "Assets".

The relationship between the Fund and the Depositary is governed by the Depositary and Custody Agreement and the applicable law and there are no other fiduciary or similar relationship between the Fund and the Depositary or any other third party in relation to the Custody Assets.

The main duties of the Depositary

The Depositary has the following obligations under the Depositary and Custody Agreement in place to:

- (a) physically safeguard all the Custody Assets;
- (b) verify the ownership of, and maintain records on the Non-Custody Assets;
- (c) keep in custody the Custody Assets belonging to the Fund, separately from the Depositary's assets or other funds' assets, and register them separately in order for such to be identifiable as the Fund's property;
- (d) settle the transactions with Assets of the Fund in and from the Fund's accounts, according to the instructions received from the Fund and in accordance with the applicable Central Depositary's regulations;
- (e) collect the interests and other income related to the Custody Assets and exercise the rights conferred by such Custody Assets, in accordance with the proper instructions received from the Fund. The Depositary assists the Fund in recovering the difference of tax on dividends withheld by the issuers (in case of investments abroad or in Romania), according to the tax treaties in force;
- (f) certify the net asset calculation method and the value of the net assets per share with the frequency established under the AIF Law based on the documents issued (i) in the case of the Fund's assets under the Depositary's custody, on the basis of the records kept by the Depositary as a depositary bank, (ii) in the case of the Fund's assets which are not under the Depositary's custody, on the basis of information or documents provided by the AIFM, of valuation reports prepared by independent valuers and, where available, on the basis of other external supporting documents (iii) in the case of holdings in securities not admitted to trading, based on issuers reports, the shareholders registry, bond holders' registry, unit funds holders' registry or Trade Register records, as the case may be. The Fund must send to the Depositary all the information regarding the operations carried out with the portfolio securities not admitted to trading, at the latest by 24:00 hours of the working day following the one in which the operations were concluded; and (iv) in case of cash placements, based on the documents received by the Fund from the bank where the investment has been placed, in line with the proper instructions and the

electronic communication requirements. The Depositary shall send to the Fund the certified reports on the net asset value as well as reports on the detailed statement of investments, and AIFM shall forward them to the FSA according to the terms, in the form, under the conditions and according to the frequency established under the laws and FSA regulations issued for their implementation. The Depositary shall certify the calculation of the value of the net assets and the unit value of the net assets performed by the AIFM, having the obligation of permanent compliance with a maximum tolerance limit of calculation error of the Fund's net assets of 0.5% (50 basis points) of the net asset value;

- (g) make the payment of the equivalent value of the financial instruments or participation interests purchased by the Fund, make the payment of all the financial duties, including the payment of interests, taxes, fees and other operational costs of the Fund, make payments for any other purposes, according to the proper instructions received from the Fund;
- (h) transfer the Assets, by executing payments from the Fund's cash account and transferring financial instruments from the securities account of the Fund only upon receipt of proper instructions, after the assessment of the operation as compliant with legal provisions, the provisions of the Constitutive Act and, in connection with the transfer of financial instruments, upon the receipt of the equivalent value of such financial instruments, where applicable;
- (i) validate and certify the calculation made by the AIFM for the fees owed by the Fund to the AIFM;
- (j) provide proxy voting services (in Romania and abroad, as applicable and according to the conditions and legislation of the relevant country) upon request and according to the instructions received from AIFM on behalf of the Fund;
- (k) not transfer, pledge, or guarantee and, generally to not dispose, in any other way, of the Assets for covering or reimbursing any of the Depositary's obligations or of third parties' obligations, except for the case in which the Fund instructed the Depositary, in writing, with express proper instructions. The Assets cannot be subject of enforcement procedures initiated by the Depositary's creditors, cannot be subject of seizure or garnishment of any kind, and are not part of the creditors' table in case of bankruptcy of the Depositary. The Depositary ensures that the registration of the Assets is consistent with the above principles;
- (l) address transactions instructed by the Fund and later cancelled upon the Fund's instruction, as well as transactions that fall out of the straight through process in a timely manner;
- (m) supply to the Fund the periodic reports, in the form, content and frequency set out in the Depositary and Custody Agreement;
- (n) verify if the appointment of the external evaluator was performed in accordance with Article 19 of AIFM Directive, and Article 94 (4) of EU Regulation 231/2013;
- (o) carry out any other activities provided by laws and regulations as part of its responsibility.

Pursuant to the Depositary and Custody Agreement the Depositary has the following liability for the safe keeping of Custody Assets:

- (a) only the Depositary shall be liable in respect of the carrying out of the depositary services as described in the Depositary and Custody Agreement and set out by applicable laws including the AIF Law, considering that the AIFM is prohibited from acting as depositary with respect to the Assets under Article 21 (4) of the AIFM Directive as such was transposed by Article 20 (4) of Law 74/2015;
- (a) in case of loss of a Custody Asset by the Depositary or by a third party to whom the custody was delegated by the Depositary, the Depositary shall be liable to the Fund in the conditions set forth by Article 21 para. (12) and (13) of AIFM Directive as such were transposed by Article 20 (13) and (14) of Law 74/2015, as well as by Articles 100 and 101 of the EU Regulation 231/2013. In such conditions, unless the Depositary proves the existence of an exoneration cause set forth by the EU Regulation 231/2013, the Depositary shall return to the Fund an identical Custody Asset or a Custody Asset with a corresponding value within maximum five business days upon the Fund's or the AIFM's request;
- (b) in case of other damages produced by the Depositary in connection with safe-keeping of Custody Assets other than losses of such Custody Assets, the Depositary shall not be liable towards the Fund for its actions or inactions in relation to these obligations as long as they observe the legal provisions and the

damages are not due to the Depository's negligence, fraud, breach of agreement, bad faith or wilful default.

Pursuant to the Depository and Custody Agreement the Depository has the following liability in case of safe keeping of Non-Custody Assets and other duties of the Depository Bank:

- (a) with respect to all duties other than the safe-keeping of Custody Assets, the Depository shall not be liable towards the Fund for its actions or inactions in relation to these obligations, as long as they observe the legal provisions, and, in addition, the Depository shall not bear any prejudice or expense resulting from such action or inaction, except in the case where these are due to the Depository's negligence, fraud, breach of agreement, bad faith or wilful default;
- (b) the Depository shall not be liable for the incompleteness or illegality of any investment made by third parties on behalf of the Fund's account and received by the Depository from them or in case the investment is no longer valid or is fraudulent, either by reason of invalidity, forgery, falsity, incompleteness or otherwise except in so far as such situation results from the negligence, wilful default, bad faith, breach of agreement or fraud on the part of the Depository;
- (c) the Depository shall not be liable to the Fund or any third party for any indirect consequential or special damages, including loss of profits or business opportunity, arising in connection with the agreement.

The Depository shall be liable for losses of the Fund's shareholders as a result of the Depository's negligence or intentional failure to properly fulfil its obligations under the AIF Law, Law no. 74/2015 or the AIF Regulation.

Except as set out in the agreement concluded with the Fund and applicable law, the Depository expressly disclaims all obligations to the Fund.

Under the Depository and Custody Agreement, the Fund has the following main obligations:

- (a) to make available to the Depository the information required by the latter allowing the Depository to perform its duties of oversight and control according to the Depository and Custody Agreement, including:
 - i. to provide on a timely basis, but no later than ten (10) business days, to the extent such information is available to the Fund, to the Depository upon the latter's request the information necessary for the Depository's carrying out its duties under the Depository and Custody Agreement, including without limitation allowing reasonable access of the Depository to the Fund's books and onsite visits to the Fund's or the AIFM's premises;
 - ii. to inform the Depository with respect to the amendments to the Constitutive Act it envisages to propose to its shareholders for approval (for the avoidance of any doubt, this information will be made to the Depository prior to the publication of the respective summoning notice in the Official Gazette of Romania). If these amendments are approved by the shareholders, the Fund must inform the Depository of any amendments to the Fund's Constitutive Act within 10 (ten) business days as of their endorsement by the FSA;
 - iii. to promptly inform the Depository about the fact that the Depository will provide proxy services for a particular general meeting of shareholders in reasonable time for the Depository to prepare and gather the needed information, to provide the proxy service. Following the information received from the Depository regarding the voting procedures and any particular situation with the respective issuer that must be taken into account, the Fund will reconcile the information received from the Depository with its own data and inform if there are any discrepancies between the two sources;
 - iv. to deliver all instructions and information regarding a cash account opened with a third party to the Depository, so that the Depository may perform its own reconciliation procedures and to ensure that all relevant instructions and information regarding its Assets, which the Depository requires in order to observe its obligations in accordance with the legal provisions, are delivered to the Depository and to ensure that the Depository receives all the relevant information from third parties.
 - v. to reconcile monthly with the Depository the situation of the Non- Custody Assets;
 - vi. to provide proper instructions to the Depository prior to the corporate actions instruction deadlines;

- vii. to ensure that the Depositary is able to perform on-site visits on premises of any service provider appointed by the Fund or the AIFM, such as external valuers (if applicable);
- viii. to pay the Depositary's remuneration for services rendered and its cost that is incurred under Depositary and Custody Agreement.

Termination

The Depositary and Custody Agreement may be terminated in the following situations:

- (a) by the agreement of the Fund and the Depositary;
- (b) by unilateral termination by any of the parties subject to the terms of the Depositary and Custody Agreement (both parties may unilaterally terminate the agreement with a prior written notice of at least 90 days);
- (c) in case the FSA, or the NBR or Romanian competent authorities withdraws notice / operating authorization of either party required to perform their obligations hereunder;
- (d) if the NBR initiates any surveillance or special administration procedures of the Depositary or the Depositary has started the bankruptcy proceedings.

In all cases of termination, the Depositary undertakes to provide all reasonable cooperation and supply all reasonable information required to support the handover of the assets and other arrangements governed by the Depositary and Custody Agreement to any new depositary, subject to compliance with the applicable law and regulations.

Applicable law and choice of jurisdiction

The Depositary and Custody Agreement is governed by Romanian law. Any action or legal proceedings deriving from or related to this agreement shall be settled by the Romanian competent courts.

Fees

The remuneration of the Depositary is established in accordance to the Depositary and Custody Agreement. Information about the fees (accrued / paid) as at 31 December 2020 and 30 June 2021, related to the services performed by the Depositary is included in PART 4 SELECTED FINANCIAL INFORMATION of the Prospectus.

Delegated custody arrangements

The Depositary may transfer the Assets and/or custody activities in connection with the Fund's investments to one or more authorized third parties (named hereinafter "Sub-custodian" which may include branches, offices, subsidiaries or affiliates) in accordance with the terms of the Depositary and Custody Agreement, the Fund's Constitutive Act and according to FSA regulations and the legislation in force. The Depositary shall be liable for all the acts and omissions of such Sub-custodians as if they were its own. The Depositary will not delegate its custody activities to third parties without the written consent of the Fund.

In order to facilitate the settlement of transactions and custody of financial instruments on:

- regulated markets in Romania, the Depositary uses the services and utilities of the systems of the administrators of the authorized regulated markets in Romania, of the local central depositories, and of the financial instruments depository and settlement system (SaFIR) operated by the NBR;
- foreign markets, the Depositary uses the services of global / local custodians or international depositories (e.g. Euroclear / Clearstream) operating on the respective Trading Venues.

Financial instruments admitted to trading on foreign markets will be shown separately from the Depositary's own holdings, in a global account opened in the Depositary's account or in an account in the name of the the Fund, at global / local custodians (e.g. Societe Generale-Paris, France, Societe Generale Spółka Akcyjna Oddział w Polsce - Warsaw, Poland) and / or international depositories (Euroclear / Clearstream), in accordance with the regulations of the respective markets.

Other entities with depository functions

The Fund has not appointed any other entity, except for the Depositary to carry out the depositary and custody activities related in relation to the any of the Fund's assets.

PART 16 MATERIAL CONTRACTS

The following includes a brief description of the selected contracts (other than contracts concluded in the ordinary course of business) entered into by the Fund which are, or may be, material or contain provisions under which the Fund has an obligation or entitlement which is, or may be, material to the Fund as of the date of this Prospectus. These selected contracts are not intended to represent all the contracts of the Fund.

1 The Management Agreement

Responsibilities

The AIFM agrees under the Management Agreement to observe the AIFM Directive, the EU Regulation 231/2013, as well as any binding guideline or other delegated act and regulation issued from time to time by the EU relevant authorities pursuant to any national laws and regulations (such as the Luxembourg Act of 12 July 2013 on alternative investment fund managers for implementing the AIFM Directive (the “**AIFM Act**”) or Law 74/2015 (together the “**AIFM Rules**”), and any national laws and regulations enacted in connection with the implementation of the rules listed above which are applicable to the Management Agreement.

As per the Management Agreement, the AIFM undertakes to perform its duties thereunder in line with the Fund’s or the shareholders of the Fund’ best interest in accordance with the AIFM Rules and the highest standards of professional conduct and integrity, including without limitation with respect to responding to public offerings or other corporate actions relating to the securities in the portfolio, on a non-exclusive basis.

The duties and responsibilities of the AIFM under the Management Agreement are further detailed in PART 11 MANAGEMENT SYSTEM of this Prospectus.

Performance objectives

In accordance with the Management Agreement, the AIFM and Sole Director shall pursue on an uncommitted basis the performance objectives described in section *Investment objectives* of INVESTMENT POLICY AND OBJECTIVES. On each annual GMS held no later than 30 April each year, the Fund’s shareholders will evaluate the annual performance of the AIFM and Sole Director, considering also the Board of Nominees relevant review report, to decide on whether to continue or to terminate the mandate of the AIFM and Sole Director.

Fees until 31 March 2022

The AIFM is entitled to fees for the services provided under the Management Agreement consisting of a base fee (the “**Base Fee**”) and a distribution fee (the “**Distribution Fee**”).

The Base Fee

The Base Fee is equal to Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days during the applicable Calculation Period divided by 365, where:

the “**Base Fee Rate**” = 60 basis points per year;

1 basis point = 0.0001; and

the “**notional amount**” is the market capitalization of the Fund, which is defined as:

- (a) the number of the Fund’s paid shares considered on daily basis, minus
- (b) the weighted average over the applicable Calculation Period of the number of the Fund’s settled own Shares together with the number of the Fund’s equivalent ordinary Shares represented by GDRs, in each case where those Shares or GDRs are held by the Fund as treasury Shares,
- (c) then multiplying the resulting number by the weighted average market price of the Fund’s Shares calculated for the applicable Calculation Period.

The “**weighted average market price**” shall be computed based on the daily average market prices of the Shares and corresponding daily volumes, as published by BSE regular market (REGS) section.

If the number of Shares relevant for the computation of the Base Fee described above in (a) and (b) changes over the Calculation Period, the Base Fee will be an aggregation of the computation for each sub-period.

“**Sub-period**” is defined as the number of days between two trading dates. The calculation in each sub-periods starts on the settlement date of the first transaction (or the beginning of the mandate) and shall end on the date prior to the settlement date of the next transaction (or the end of the mandate).

For each day in a Calculation Period for which the Base Fee is to be calculated, when the Discount is below or equal to 20%, but above 15%, an additional Base Fee Rate of 5 basis points per year shall become payable (i.e. the Base Fee Rate referred to in the calculation above shall become 65 basis points per year for the applicable days in the relevant period).

For each day in a Calculation Period for which the Base Fee is to be calculated, when the Discount is equal or below 15%, a further additional Base Fee Rate of 5 basis points per year shall become payable (i.e. the Base Fee Rate referred to in the calculation above shall become 70 basis points per year for the applicable days in the relevant period).

As the Base Fee (including any additional fee determined under the previous two paragraphs) is computed using the number of days in a calendar year (365 days), the Base Fee Rate used for non-trading days will be the rate applied for the prior trading day.

For the purposes of the Management Agreement:

- (a) the Calculation Period means a calendar quarter, each consisting of a three-month period; the four calendar quarters that make up the year shall be: January, February and March (the first quarter, or Q1); April, May and June (the second quarter, or Q2); July, August and September (the third quarter, or Q3); and October, November and December (the fourth quarter, or Q4).
- (b) The Discount means, in respect of a day, an amount calculated by subtracting the closing price of the Fund's Shares on the BSE on regular market (REGS) for such day from the NAV per Share then most recently published by the AIFM and dividing the result by such most recently published NAV per Share.

The Distribution Fee

The AIFM and Sole Director is additionally entitled to a Distribution Fee in consideration of the Distributions made to the Fund's shareholders. For the purpose of the calculation of the distribution fees, “**Distributions**” are defined in the Management Agreement as: (i) buy-backs of Fund Shares; (ii) buy-backs of Fund GDRs and/or Depositary Interests (“**DI**”); (iii) dividends; and (iv) returns of share capital.

It is recognized that distributions beneficial to shareholders would reduce the notional amount upon which the Base Fee is calculated.

To reward the AIFM for arranging such distributions, a fee shall be calculated as follows (an amount so calculated in respect of a particular period a “**Distribution Fee**”): 100 basis points of distributions made available from 1 April 2020 up to and including 31 March 2022.

The AIFM and Sole Director will compute the Distribution Fee as at the moment when the distributions are available to shareholders (i.e. on the distribution Payment date as defined in the GSM approving such distribution) and shall take into consideration the gross distribution amount available to shareholders on the distribution payment date. In case of a buy-back of own Shares or of GDRs, the calculation of the Distribution Fee shall be made at the date when the own Shares buy-back transactions or GDRs transactions are settled.

For GDRs transactions, the Distribution Fee will be computed taking into account the official exchange rate published by the NBR for the date of settlement of FP GDRs transactions.

Any failure on the part of any shareholder to collect, or to take the necessary steps to facilitate the receipt of the distributions made available will not result in any adjustment of the calculation of the Distribution Fee.

Payments of the Base Fee and Distribution Fee

The Fund will pay the Base Fee and the Distribution Fee to the AIFM and Sole Director quarterly. The Base Fee shall be paid based on the invoices to be issued by the AIFM within twenty (20) business days following the end of the quarter for which payment is to be made and the Distribution Fee shall be paid based on the invoices to be

issued by the AIFM within twenty (20) business days following the end of the quarter for which the Distribution Fee was calculated.

The AIFM submits its invoices for the Base Fee and the Distribution Fee to the Depositary, and the payment will be performed only after the Depositary has verified and certified the correctness of the calculation of the following amounts used in the calculation of those fees: the notional amount, the value of distributions, and all the other items used in calculation of the fees, as well as the methods for determining the fees. Payment is due within 30 business days after receipt of applicable the invoice.

The AIFM provides to the Board of Nominees quarterly and on an annual basis and upon reasonable request a detailed report regarding the fees collected under the Management Agreement, in the form reasonably required by the Board of Nominees.

Information on the amount fees (accrued and paid) to the AIFM and Sole Director as at 31 December 2020 and 30 June 2021 is included in SELECTED FINANCIAL INFORMATION of the Prospectus; information about the fees due to the AIFM and Sole Director between 1 January – 30 June 2021 as well as information about the outstanding liabilities due by the Fund to the AIFM and Sole Director as at 30 June 2021 is included in PART 17 RELATED PARTY TRANSACTIONS.

Fees starting with 1 April 2022

On 29 September 2021 the shareholders of the Fund approved Resolution no. 12 / 29 September 2021 of the Shareholders' Ordinary General Meeting setting a new structure of fees as follows:

- Base fee / year 0.45%
- Distribution fee 2.50% applied to the value of the distributions during 1 April 2022 – 31 March 2023 and 1.75% applied to the value of the distributions during 1 April 2023 – 31 March 2024.

Expenses

Pursuant to the Management Agreement and the applicable regulations, the Fund bears, pays or will reimburse the AIFM the following **expenses** incurred by the AIFM:

- (i) expenses related to the payment of fees owed to the depositary;
- (ii) expenses related to intermediaries and advisors including related to the financial advisory services in connection with the trading, issue, purchase, sale or transfer of listed and unlisted securities or financial instruments from the Fund's portfolio, including fees and commissions due to relevant market operators;
- (iii) expenses related to taxes and fees owed to the FSA or other public authorities, according to applicable legislation, as well as expenses or charges imposed to the Fund by any tax authority related to the expenses in this clause or otherwise applicable to the running of the business of the Fund, including the notary fees, stamp duty tax and other similar tax;
- (iv) expenses related to the financial audit performed on the Fund and any other audits or valuations required by the legislation in force applicable to the Fund (for clarity, these expenses relate to the fair value measurement of the Fund's portfolio for the purpose of IFRS accounting and financial statements preparation and of NAV calculation);
- (v) expenses related to the admission to trading of the financial instruments issued by the Fund, and any subsequent issues or offerings; expenses with intermediaries and professional advisors in relation to arranging and maintaining the listing;
- (vi) expenses related to investor relations and public relations in the interest of the Fund;
- (vii) expenses related to ongoing reporting and disclosure obligations according to legislation in force;
- (viii) expenses related to the organising of any GMS and communications with the shareholders and to the payment of fees for registrar services and services related to distributions to shareholders;
- (ix) expenses related to the payment of taxes and fees owed to the Bucharest Stock Exchange ("BSE"), London Stock Exchange ("LSE") and any other exchange on which the financial instruments of the Fund or global

depository receipts or depository interests corresponding to Shares of the Fund shall be admitted to trading, as well as membership fees;

(x) expenses related to the registration with the Trade Registry or documents issued by the Trade Registry;

(xi) expenses related to the payment of fees owed to the banks for banking services performed for the Fund, including credit facility costs;

(xii) expenses related to appointing legal advisers and other advisors to act in the interest of the Fund;

(xiii) expenses related to contracts with external service providers existing as of execution of the Management Agreement until the expiry or termination of the agreement, including expenses with lease for the headquarter of the Fund;

(xiv) expenses related to remuneration, transport and accommodation of the members of the Board of Nominees (in relation to their services and attendance at meetings, in accordance with the Constitutive Act, the mandate agreements and any applicable internal regulations) and for independent persons (not employees of the AIFM) acting as representatives of the Fund on the corporate bodies of companies in the Portfolio, where appropriate; and

(xv) expenses relating to printing costs for the Fund's documentation.

The Fund doesn't support any expenses related to distribution or advertising within the meaning of art. 49 of the FSA Regulation 7/2020.

Unless otherwise provided in the Management Agreement, the AIFM will incur all the costs and expenses occasioned by the performance of its duties. Save as expressly provided in this Management Agreement, all costs and expenses incurred by the AIFM in the performance of its functions shall not be for the account of the Fund but shall be borne by the AIFM

Save as otherwise provided in the Management Agreement, the AIFM shall be liable for the following out of pocket expenses incurred by it when performing its duties thereunder, including, but not limited to:

- (i) expenses in connection with mailing and telephone, except for letters to the shareholders of the Fund;
- (ii) expenses in connection with business travel and accommodation, except for expenses related to investors relations activities, GMS and meetings of the Board of Nominees;
- (iii) expenses incurred with salaries, bonuses and other remunerations granted to the employees and collaborators of the AIFM or any associated company who acts as a delegate in accordance with the provisions of the Management Agreement);
- (iv) other expenses incurred for the functioning of the AIFM or any associated company who acts as a delegate in accordance with the provisions of the Management Agreement).

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

Amendment and delegation

The parties may amend the Management Agreement in writing, the entry into force of such amendments being subject to the approval of the Fund's OGMS and the endorsement of the competent authority, if required by applicable law.

The AIFM may delegate to an affiliate company of the AIFM the performance on its behalf of the portfolio management functions as well as administration and the marketing activities which the AIFM has agreed to render to the Fund under the Management Agreement. Any such delegation by the AIFM shall not involve any additional cost to the Fund, unless expressly authorised in writing by the Fund, and the appointment of each delegate shall be subject to the prior written approval of the Board of Nominees and the prior endorsement of any regulatory

authority required by applicable legislation the AIFM must ensure that the relevant delegate complies with the AIFM Rules. Performance of the delegated obligations and duties shall be on the terms and be subject to the conditions of the Management Agreement and shall be without prejudice to the obligations and responsibilities of the AIFM to the Fund under the Management Agreement.

The AIFM may not delegate functions so that it is no longer the alternative investment fund manager and to the extent that it becomes a letter-box entity within the meaning of AIFM Rules.

Termination

The Fund may terminate the Management Agreement unilaterally and at its sole discretion, at any time by observing a three-months' prior notice sent to the AIFM, based on an OGMS resolution for approving the simultaneous termination of the mandate and of this Management Agreement. The AIFM will not be entitled to any damages for such termination other than the fees expressly set out in the Management Agreement.

The AIFM and Sole Director may at its turn terminate the Management Agreement unilaterally, observing a six-months' prior written notice and with the requirement to call the OGMS of the Fund to approve the procedure for the appointment of a new sole director and fund manager for the Fund.

In case of unilateral termination of the Management Agreement by the AIFM, the AIFM will carry out its activity until a new fund manager and sole director, or, in the event the Fund becomes an internally managed alternative investment fund, new directors of the Fund being appointed following termination of the Management Agreement. This period may not extend beyond 12 months after the date when the termination notice is served, unless otherwise expressly agreed in writing by the Parties or required by law.

The AIFM may also terminate the Management Agreement with a reasonable prior written notice if:

- (a) the termination has been required by, or as a result of, a binding decision issued by any competent regulatory authority; or
- (b) if material obligations under the Management Agreement can no longer be fulfilled due to changes in the applicable law compared to the date of signing the Management Agreement, provided that the AIFM has used reasonable endeavours to comply with or (if it is not possible for the AIFM to do so) to propose a reasonable alternative arrangement involving an affiliate which would comply with the relevant law, but despite those efforts compliance would not be possible; or
- (c) if the Fund becomes the subject of any definitive winding up order.

The Management Agreement may be terminated by the Fund with full right with immediate prior notice but without any court intervention in case of fraud, negligence or wilful default of the AIFM and Sole Director or of a material breach of its undertakings, which is not remedied within 10 business days after receipt of a notification from the Fund.

If a force majeure event (as defined in the Management Agreement) shall substantially impair the ability of the AIFM to carry out its duties under the Management Agreement, the Fund shall be entitled to appoint a replacement manager until such event is rectified. If the AIFM remains unable to deliver (whether through delegates or outsources or otherwise) substantially all its services under the Management Agreement after three months from the appointment of the relevant replacement manager have elapsed, the Fund may terminate the appointment of the AIFM on immediate notice.

Liability

The AIFM and Sole Director is liable for any damages produced to the Fund as a result of the breach of the applicable legislation or regulations, of the Fund's internal rules (including the investment restrictions under the IPS) and fraud, wilful default, negligence or material breach of the Management Agreement. The AIFM and Sole Director will be liable also for the acts of its employees or delegates - the liability of the AIFM and Sole Director towards the Fund and its investors shall not be affected by any delegation. However, the AIFM and Sole Director will not be liable for the actions of the brokers (not being an associated companies of the AIFM and Sole Director) used for the trades made on behalf of the Fund, except to the extent that the AIFM has acted with negligence in selecting, contacting, monitoring or using such persons.

The AIFM must maintain in place adequate professional liability insurance for an insured amount of at least EUR 50 million and a fidelity bond for failures to account to the Fund for moneys or investments in certain cases set out in the Management Agreement for an insured amount of at least EUR 50 million.

The AIFM agrees to indemnify the Fund, its officers, employees and agents and representatives from and against liabilities to which the latter may become subject under law, including allegations of negligence or breach of fiduciary duty, or otherwise, incurred including in the course of litigations, claims, challenges, legal proceeding or other similar procedures, insofar as such liabilities are caused by, inter alia, wilful default of the AIFM and Sole Director or its delegates or employees, breach of representations, warranties relating to the services provided under the Management Agreement or in respect of any AIFM Rules or of the obligations under the Management Agreement or of the IPS or of the AIFM's fiduciary duties. At its turn, under certain conditions, the Fund will indemnify and hold the AIFM and Sole Director harmless from and against damages incurred by the AIFM and Sole Director as a result of implementing the instructions received from the Fund (including from the Board of Nominees).

No party shall be released from any of its obligations under the Management Agreement as a result of a force majeure event, including, without limitation, the Fund's obligations to any counterparty or broker for any transaction effected by the AIFM and Sole Director pursuant to the Management Agreement, and the Management Agreement shall remain in effect for the duration of the force majeure event.

Applicable law and choice of jurisdiction

The Management Agreement is governed by the law of England & Wales. Disputes under the Management Agreement, if not solved amiably, will be submitted to the London Court of International Arbitration under its Rules of Arbitration.

New Management Agreement as of 1 April 2022

On 29 September 2021, the shareholders approved the renewal of Franklin Templeton International Services S.à r.l.'s mandate as sole director of Fondul Proprietatea which also exercises the mandate of alternative investment fund manager of Fondul Proprietatea, for a 2 (two)-year term as from 1 April 2022 ("New Mandate"), as described below. The renewal of Franklin Templeton International Services S.à r.l.'s mandate mentioned above is conditional upon the conclusion of a management contract regarding the New Mandate between Franklin Templeton International Services S.à r.l. and Fondul Proprietatea before 1 April 2022, based on the following main commercial aspects:

- Base fee per year 0.45%
- A 2.50% Distribution fee applied to the value of distributions between 1 April 2022 and 31 March 2023 and 1.75% applied to the value of distributions between 1 April 2023 and 31 March 2024
- The vote on the continuation of the mandate will take place in April 2022, while in April 2023 no vote will be cast on the continuation of the mandate, as the negotiation for a new mandate will take place during the same year.

2 The Depositary and Custody Agreement

Information about the duties of the Depositary is included in PART 15 THE DEPOSITARY; information about the fees (accrued / paid) as at 31 December 2019 and 31 December 2020, related to the services performed by the Depositary is included in PART 4 SELECTED FINANCIAL INFORMATION of the Prospectus.

PART 17
RELATED PARTY TRANSACTIONS

The following is a summary of transactions with related parties as defined in IAS 24 “Related Parties Disclosure”, in accordance with IFRS since the date of the 2020 Audited Financial Statements. For details of the transactions with related parties as defined in IAS 24 “Related Parties Disclosure” in accordance with IFRS during 2020, see Note 20 of the 2020 Audited Financial Statements.

1 Key management

Board of Nominees

<i>All amounts in RON</i>	30 June 2021	30 June 2020
Total Fund's cost with Board of Nominees remuneration, out of which:	721,392	723,690
Net remuneration paid to the members of the Board of Nominees	581,955	514,548
Related taxes and contributions payable to State Budget	139,437	209,142

Source: Financial Statements as at 30 June 2020 and 30 June 2021

There were no loans to or other transactions between the Fund and the members of the Board of Nominees in 2020. There are no post-employment, long term or termination benefits related to the remuneration of the members of the Board of Nominees.

Sole Director and Investment Manager

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

Transactions (in RON)	Period	
	30 June 2021	30 June 2020
Administration fees	40,911,238	33,620,335

Source: Financial Statements as at 30 June 2020 and 30 June 2021

The transactions carried out between the Fund and FTIS Bucharest branch were as follows:

Transaction (in RON)	Period	
	30 June 2021	30 June 2020
Rent expense charged to the Fund	41,553	-
Operating cost charged to the Fund	13,460	-
Total	55,012	-

Source: Financial Statements as at 30 June 2020 and 30 June 2021

The transactions carried out between the Fund and FTIML Bucharest branch were as follows:

Transactions (RON)	Period	
	30 June 2021	30 June 2020
Rent expense charged to the Fund	-	40,801
Operating cost charged to the Fund	-	13,371
Total	-	54,172

Source: Financial Statements as at 30 June 2020 and 30 June 2021

In the 6-month period ended 30 June 2021, the Fund also recorded RON 80,216 representing expenses made by FTIS Bucharest branch on behalf of the Fund. 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:

<i>Amounts owed (in RON)</i> <i>to:</i>	<i>As at</i>	
	<i>30 June 2021</i>	<i>30 June 2020</i>
<i>FTIS Luxembourg</i>	23,501,605	16,447,827
<i>FTIS sucursala București</i>	-	9,546
Total	23,501,605	16,457,372

Source: Financial Statements as at 30 June 2020 and 30 June 2021

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

2 Subsidiaries

Ownership interest	<i>As at</i>	
	30 June 2021	30 June 2020
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	70%	70%

Source: Annex 1 Detailed statement of investments as at 30 June 2021

In 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 share capital increase in cash of Zirom SA, subscribing 1,000,000 new shares, at a nominal value of RON 10 per action (in total RON 10,000,000).

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

On 30 June 2021 and 31 December 2020, Comsig SA was subject to administrative liquidation proceedings, which are still ongoing at the date of these condensed interim financial statements. In April 2021, the Fund received from Comsig SA, as a result of the liquidation, an amount of RON 62,154. Until the date of these condensed interim financial statements, Comsig SA has not been deregistered from the Trade Register.

During the 6-month period ended as at 30 June 2021 and until the drafting date of this Prospectus, the Fund did not carry out any transaction with its subsidiaries.

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

Fair value (RON)	<i>As at</i>	
	30 June 2021	31 December 2020
Zirom SA	24,884,700	24,884,700
Alcom SA	8,863,429	8,863,429
Comsig SA	-	-
Total	33,748,129	33,748,129

Source: Financial Statements as at 30 June 2020 and 30 June 2021

As at the date of this Prospectus, the Fund has no commitment to provide financial or other support to its subsidiaries, including commitments to assist the subsidiaries in obtaining financial support.

3 Associates

As at the date of this Prospectus the Fund has two associates, both incorporated in Romania:

Ownership interest	<i>As at</i>	
	30 June 2021	30 June 2020
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

Source: Financial Statements as at 30 June 2020 and 30 June 2021

In the first six months of 2021, the Fund recorded a dividend of RON 5,626,066 (first six months of 2020: zero) distributed by Societatea Națională 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 Națională a Sarii SA and Plafar dividends, the payment date is after 30 June 2021 according to the resolution of these companies' shareholders.

Also, on 30 June 2021, Societatea Națională a Sarii SA owed the Fund a balance in amount of RON 7,345 (31 December 2020: RON 7,178) which included the outstanding dividends receivable distributed in 2018 of RON 6,378 (31 December 2020: RON 6,378) and penalties for late payment of dividends of RON 967 (31 December 2020: RON 800). This outstanding balance due by Societatea Națională a Sarii SA to the Fund is totally depreciated.

The Fund did not carry out any transaction with its associates between 30 June 2021 and the date of this Prospectus.

PART 18
LEGAL PROCEEDINGS

In the 12 months period prior to preparing this Prospectus, the Fund was involved in certain litigations, either as defendant or claimant.

According to the requirements of IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*" in accordance with IFRS, the Fund considers that there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Fund is aware) during a period covering at least the previous 12 months prior to the date of the Prospectus, which may have significant effects on the Fund's financial position or profitability.

PART 19 REGULATORY DISCLOSURES

Over the last 12 months until the date of this Prospectus, the Fund has published information in accordance with the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (“**Market Abuse Regulation**”).

Except for the disclosures presented in this Prospectus, the relevant information as the date of the preparation of this Prospectus which has been disclosed under the Market Abuse Regulation over the past 12 months until the date of this Prospectus is briefly summarized below.

1 Buyback programs

Eleventh buy-back programme

During 15 November 2019 EGMS of the Fund approved the eleventh buy-back programme for a maximum number of 800,000,000 Shares and / or equivalent GDRs corresponding to Shares, starting with 1 January 2020 until 31 December 2020, at a price that cannot be lower than RON 0.2 per Share or higher than RON 2 per Share. The Shares repurchased during the buy-back programme will be cancelled. The Fund selected Auerbach-Grayson in consortium with Swiss Capital to provide brokerage services for the programme. The Fund is allowed to buy back daily up to 25% of the average daily volume of the Fund’s Shares (in the form of ordinary Shares or GDRs) on the regulated market on which the purchase is carried out, calculated in accordance with the applicable law.

On 22 January 2020, the FSA approved the Fund’s application for the tender offer within the eleventh buy-back programme aimed at repurchasing up to 200 million Shares from its shareholders, both in the form of Shares and GDRs. The purchase price was RON 1.39 per Share and the USD equivalent of RON 69.50 per GDR and the initial subscription period was from 29 January 2020 until 4 March 2020, and subsequently extended until 13 March 2020. Under the tender offer, the Fund repurchased 200,000,000 Shares (124,478,000 in the form of Shares and 75,522,000 Shares in the form of GDRs, namely 1,510,440 GDRs) at a purchase price of RON 1.39 per Share and the USD equivalent of RON 69.50 per GDR, computed in accordance with the terms and conditions of the offer documentation.

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

The eleventh buy-back program ended on 31 December 2020. At the Extraordinary General Meeting of Shareholders of 28 April 2021, the Sole Director of the Fund proposed and the shareholders approved the cancellation of the 797,961,287 treasury Shares bought back under the eleventh buy-back program. The Fund will take all the legal and regulatory steps necessary to cancel the shares and reduce the share capital accordingly.

Twelfth buy-back programme

According to the EGMS Resolution no. 5 of 13 November 2020, the twelfth buy-back programme was approved for the acquisition of a maximum number of 800,000,000 shares and / or GDRs equivalent. The period of the twelfth buy-back programme is between 1 January and 31 December 2021. The shares purchased under this buy-back programme will be cancelled. The limits of the trading price under this program range between RON 0.2 / Share and RON 2 / Share. The Fund selected Auerbach-Grayson in consortium with Swiss Capital to provide brokerage services for the program. The Fund is allowed to buy-back 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 acquisition is made, as per the applicable law.

On 29 September 2021, the shareholders modified the maximum price limits from RON 2 /Share to RON 2.5/Share. The shareholders resolution will enter into force when is published in Official Gazette.

2 Corporate changes

Changes of the legal representatives of the Fund at the level of the Sole Director and AIFM

Over the last 12 months, there have been several changes of the legal representatives of the Fund at the level of the Sole Director and AIFM. These changes led to the current structure of the executive management as described in PART 11 MANAGEMENT SYSTEM of this Prospectus.

Changes of the members of the Board of Nominees

Following the resignation of Ms. Nicoli and Mr. Van Groningen, the shareholders appointed Ms. Ilinca von Derenthall and Mr. Ciprian Ladunca as members of the Board of Nominees for a 3-year term effective from 26 November 2020 and 16 November 2020, respectively. Following the expiry of Mr. Julian Healy's and Mr. Piotr Rymaszewski's mandate on 5 April 2021, the shareholders appointed Mr. Nicholas Paris and Mr. Omer Tetik as members of the Board of Nominees for a 3-year term starting on 6 April 2021. The current structure of the Board of Nominees is presented in PART 11 MANAGEMENT SYSTEM of this Prospectus.

3 Amendments to the Constitutive Act and the IPS

Over the last 12 months, the Constitutive Act has been subject to several changes. These changes addressed the compliance of the Constitutive Act with the AIF Law and the AIF Regulation.

4 New mandate and new Management Agreement starting on 1 April 2022 and approval for continuance of the AIFM mandate

On 29 September 2021, the shareholders approved the renewal of Franklin Templeton International Services S.à r.l.'s mandate as sole director of Fondul Proprietatea, which also exercises the mandate of alternative investment fund manager of Fondul Proprietatea, for a term of 2 (two) years starting with 1 April 2022 ("New Mandate"), as described below. The renewal of Franklin Templeton International Services S.à r.l.'s mandate mentioned above is conditional upon the conclusion of a management agreement regarding the New Mandate between Franklin Templeton International Services S.à r.l. and Fondul Proprietatea before 1 April 2022, based on the following main commercial aspects:

- A Base fee of 0.45% per year
- A Distribution fee of 2.50% applied to the value of distributions between 1 April 2022 and 31 March 2023 and 1.75% applied to the value of distributions between 1 April 2023 and 31 March 2024
- The vote on the continuation of the mandate will take place in April 2022, while in April 2023 no vote will take place on the continuation of the mandate, as the negotiation for a new mandate will take place during the same year.

5 Amendments to the Depositary and Custody Agreement

On 23 June 2021, the FSA approved the amendments brought to the Depositary and Custody Agreement, which were mainly aimed at updating the Depositary and Custody Agreement in consideration of the amendments brought to the applicable legislation, including in the context of the application of the AIF Law and the amendments occurring after the expiry on 1 December 2020 of the delegation by the AIFM of the investments management and the management services to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch. Further details are included in PART 15 THE DEPOSITARY of this Prospectus.

6. Approval of the Fund's remuneration policy

The Fund's remuneration policy was approved by the Fund's shareholders within the GMS held on 28 April 2021. This mainly reflects the already existing undertakings with the AIFM according to the provisions of Management Agreement. More details are included in PART 16 MATERIAL CONTRACTS of this Prospectus.

6 Distribution of dividends

On 28 April 2020, the shareholders of the Fund approved the distribution of a gross dividend of RON 0.0642 per Share. Regarding the distribution of dividends for the financial year ended as at 31 December 2020, the Sole Director proposed and the shareholders approved within the GMS of 28 April 2021 a cash distribution of RON 0.072 per share corresponding to the undistributed profit for 2016 and 2017. According to the IPS, the Sole Director proposed and the shareholders approved in the GMS of 16.07.2021 the payment of a special dividend with a gross value of 0.07 per share from the undistributed profit for 2017 and 2019. Additional information about the approved distribution of dividends is included in PART 7 DIVIDEND POLICY of the Prospectus.

7 Entry into force of the AIF Law

The AIF Law entered into force on 23 January 2020, repealing, among others, a number of the relevant provisions of Law 247/2005 regulating the Fund. This Prospectus has been prepared in connection with the AIF Authorisation of the Fund, as requested under the AIF Law.

PART 20 TAXATION

Potential purchasers and sellers of the Shares and/or of the GDRs should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Shares and/or the GDRs are transferred or other jurisdictions. Potential investors are advised to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition and sale of the Shares and/or the GDRs. Only these advisers are in a position to duly consider the specific situation of the potential investor.

PART 21 INDEPENDENT AUDITORS

Deloitte Audit SRL (the “Auditor”), as independent auditor, has audited the financial statements of the Fund as of and for the year ended 31 December 2020 and issued unqualified audit reports on these financial statements, as stated in their reports appearing therein.

The Auditor has its headquarters located at 84-98 and 100-102 Calea Griviței, The Mark building, floors 8-9, 1st District, Bucharest, Romania, registered with the Trade Registry under no. J40/6775/1995, having sole registration code 7756924, is member of the Chamber of Financial Auditors of Romania, registered in the Electronic Public Register of the Authority for Public Supervision of the Statutory Audit Activity (“ASPAAS”) with no. FA25.

The Auditor was appointed following a selection process organized by the Fund and overseen by the Audit and Valuation Committee, in accordance with EU and national legislation (i.e. EU Regulation No. 537/2014 on specific requirements regarding statutory audit of public-interest entities, Directive 2014/56/EU amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, Law no. 162/2017 regarding statutory audits of annual accounts and consolidated accounts and FSA Norm no. 27/2015 on the financial audit activity for entities authorized, regulated and supervised by the FSA and FSA Norm 13/2019 on the unitary framework for the statutory audit for entities authorized, regulated and supervised by the FSA).

The appointment of the Auditor for 2017, 2018 and 2019 was approved by OGMS Resolution no. 7 dated 26 October 2017. Also, through Resolution no. 9 / 4 September 2019 of the Fund’s OGMS, the shareholders approved the appointment of the Auditor for the audit of the financial statements of the Fund for 2020 financial year. Further, the Fund’s shareholders approved by OGMS resolution dated 28 April 2020 the appointment of the Auditor as the financial auditor of the Fund also for the financial year ending on 31 December 2021 (setting the duration of the financial audit agreement for the period starting with 31 August 2021 and 30 June 2022). On 19 February 2020, the FSA approved a 2-year extension of the Fund’s maximum audit period of 5 consecutive years by the Auditor.

Regarding the appointment of Auditor Deloitte Audit as financial auditor for the period 1 January 2021 – 31 December 2022, the Fund submitted to the ASF an application for the extension of the maximum 5-year period with another 2 years, which was approved. According to FSA Norm 13/2019, an entity may be audited by the same financial auditor for a period of maximum 5 consecutive years, which can be extended only once for a maximum 2-year period at the request of the audited entity, along with a recommendation from the Authority for Public Supervision of the Statutory Audit Activity.

Given that 2021 is the last year when Deloitte Audit can perform the financial audit of the Fund and considering the applicable legislative requirements, within the GMS of 28 April 2021, the shareholders approved the appointment of Ernst & Young Assurance Services SRL as financial auditor of the Fund for auditing the financial statements of Fondul Proprietatea for financial years 2022, 2023 and 2024.

The responsibilities of the Auditor are those required by the legislation applicable to financial auditors as well as those set out in the audit engagement letter.

According to the audit engagement letter, the Auditor is responsible for auditing the financial statements of the Fund in accordance with the IFRS adopted by the EU and to issue an opinion in accordance with International Standards on Auditing.

PART 22
GENERAL INFORMATION

1 Documents on display

The following documents will be available for inspection in electronic form on the website of the Fund <https://www.fondulproprietatea.ro/>:

- (a) this Prospectus;
- (b) the Fund's Constitutive Act; and
- (c) the 2020 Audited Financial Statements, including the independent Auditor's report thereon.
- (d) the unaudited financial statements for the six-month period ending as at 30 June 2021

2 Incorporation of Certain Information by Reference

This Prospectus incorporates by reference, and should be read and construed in conjunction with, the following information:

- (a) the 2020 Audited Financial Statements, including the independent Auditor's reports thereon;
- (b) the Fund's Constitutive Act.
- (c) the unaudited financial statements for the six-month period ending as at 30 June 2021

The information contained in each document incorporated by reference herein is given as of the date of such document. Such information shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

PART 23 DEFINITIONS

2020 Annual Report	Annual Sole Director's Report for the financial year ended 31 December 2020
2020 Audited Financial Statements	The Fund's audited financial statements as of and for the year ended 31 December 2020
2021 Budget	The Budget of Income, Expenses and Capital Expenditure of the Fund for 2021 approved by OGMS on 13 November 2020
ACDP	The Annual Cash Distribution Policy of the Fund
AIF	Alternative investment fund
AIF Authorisation	The authorisation of Fondul Proprietatea S.A. as a retail alternative investment fund in accordance with the AIF Law and the AIF Regulation
AIF Law	Law no. 243/2019 on the regulation of the alternative investment funds and supplementing certain acts
AIF Regulation	Regulation no. 7/2020 on the authorization and functioning of alternative investment funds issued by the Romanian Financial Supervisory Authority
AIFM	The alternative investment fund manager of the Fund in the meaning of the AIFM Directive
AIFM Act	Luxembourg Act of 12 July 2013 on alternative investment fund managers for implementing the AIFM Directive
AIFM Directive	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010, as subsequently amended
AIFM Rules	The set of rules formed by (a) the AIFM Directive, (b) the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing the AIFM Directive, (c) any binding guideline or other delegated act and regulation issued from time to time by the EU relevant authorities pursuant to any national laws and regulations (such as the AIFM Act or Law 74/2015), and (d) any national laws and regulations enacted in connection with the implementation of the rules listed in paragraphs (a) to (c)
ANRE	National Regulatory Agency in Energy Sector
ASPAAS	Authority for Public Supervision of the Statutory Audit Activity

Auditor	Deloitte Audit SRL, a limited liability company with its headquarters located at 84-98 and 100-102 Calea Grivitei, The Mark building, floors 8-9, 1 st District, Bucharest, Romania, registered with the Trade Register under no. J40/6775/1995, having sole registration code 7756924, is member of the Chamber of Financial Auditors of Romania, registered in the Electronic Public Register of the ASPAAS with no. FA25.
Base Fee	The base fee to which the AIFM is entitled for the services provided under the Management Agreement
Board of Nominees	The supervisory body of the Fund created in accordance with its articles of association and Government Decision no. 1514/2008 on the approval of the regulation organizing an international selection of the management company for the administration of Fondul Proprietatea S.A. and of the tender book
Brexit	The withdrawal of the United Kingdom from the EU
Brussels I Regulation (recast)	Regulation (EU) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) of 12 December 2012
BSE	Bucharest Stock Exchange
CAEN	Statistical classification of economic activities in the European Community
CCS	Current cost of supply
Central Depository	Depozitarul Central S.A., an independent registry company authorised by the FSA, having its headquarters on 34 - 36 Carol I Boulevard 020922, Floors 3, 8 and 9, Bucharest, District 2, Romania
Companies Law	Companies Law no. 31/1990, as subsequently amended and supplemented
Constitutive Act	The articles of association of the Fund, updated at 15 February 2021 and in force as endorsed by FSA endorsement no. 164 dated 22 July 2020 and no. 38 dated 8 February 2021.
Custody Assets	The assets of the Fund which are represented by all the Fund's financial instruments which can be physically delivered or registered or held in an account directly or indirectly in the name of the Depository and are transferable securities including those which embed derivatives, money market instruments or units of collective investment undertakings
DCM/ Discount Control Mechanism	The discount control mechanism provided by the IPS
Delegated Regulation 2019/979	Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 supplementing Regulation (EU)

	2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301
Delegated Regulation 2019/980	Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004
Depository / Depository Bank	The Fund's depository, i.e. BRD – Groupe Societe Generale S.A.
Depository and Custody Agreement	The depository and custody agreement between the Fund and the Depository which entered into force on 20 May 2016 for a three-year term and was extended during 2019 for another three years until 20 May 2022
Deposited Property	Shares corresponding to the GDRs and all rights, interests and other securities, property and cash deposited with the GDR Custodian which are attributable to the Deposited Shares
Deposited Shares	Shares corresponding to the GDRs whose documentation is received and held on behalf of the GDR Depository by the GDR Custodian
Distribution Fee	The distribution fee to which the AIFM is entitled for the services provided under the Management Agreement
EC	European Commission
EGMS	Extraordinary general shareholders meeting
EU	European Union
EU Member State	A member state of the European Union
EU Regulation 231/2013	Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency
Fiscal Code	The Romanian Fiscal Code approved by Law 227/2015, as subsequently amended and supplemented

FY	A financial year
Forecast Policy	The forecast policy issued in 2019 published on the Fund's website, in accordance with the Code of Corporate Governance of the BSE
FSA	Romanian Financial Supervisory Authority
FSA Regulation 9/2014	The FSA Regulation no. 9/2014 on the authorisation and operation of investment management companies, undertakings for collective investment in transferable securities and of the depositaries of undertakings for collective investment in transferable securities
FTIML	Franklin Templeton Investment Management Limited United Kingdom, Sucursala Bucuresti
FTIS / AIFM / Sole Director	Franklin Templeton International Services S.à r.l. a "société à responsabilité limitée" under Luxembourg law, qualifying as an alternative investment fund manager under Article 101-1 of the 2010 Luxembourg Law whose registered office is located at 8A rue Albert Borschette, L-1246 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 36.979, registered to provide cross-border activities in the register kept by the FSA under no. PJM07.1AFIASMDLUX0037/10 March 2016, including through its branch in Bucharest having its registered office in Bucharest, 76-80 Buzești Street, 8th floor, district 1, sole registration code 40198471, Trade Register number J40/16822/2018, registered in the FSA Register under number PJM08AFIASMS / 400001 of 5 August 2019
Fund / FP	Fondul Proprietatea S.A.
GDP	Gross Domestic Product
GDRs	Global Depositary Receipts which represent the Shares
GDR Custodian	Raiffeisen Bank S.A.
GDR Deposit Agreement	An agreement dated on 27 April 2015, made between the Fund and the GDR Depositary
GDR Depositary	The Bank of New York Mellon in its capacity as depositary of the GDRs
GDR Holder(s)	The person or persons registered on the books of the GDR Depositary maintained for such purpose as holders of the GDRs
GMS	General meeting of the shareholders
Hidroelectrica S.A.	Societatea de Producere a Energiei Electrice în Hidrocentrale Hidroelectrica S.A., an unlisted joint stock company organized and incorporated under Romanian laws with headquarters in Bucharest, 15-17

Ion Mihalache Avenue, 10th -15th floor, district 1, 011171, registered with the Trade Register under number J40/7426/2000 and unique fiscal registration code RO13267213

IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
Investment Manager	The Bucharest branch of Franklin Templeton Investment Management Limited United Kingdom, which carried out the investment management activity of the Fund between 1 April 2016 and 30 November 2020, including under the delegation agreement concluded with AIFM
IPS	The Investment Policy Statement of the Fund
Issuers Law	Law no. 24/2017 on issuers of financial instruments and market operations
Law 247/2005	Title VII of Law no. 247/2005 regarding the reforms in the sectors of justice and property as well as certain related measures, with the subsequent amendments
Law 74/2015	Law no. 74/2015 regarding the alternative investment fund managers that implemented in Romania Directive 2011/61/EU on alternative investment fund managers, as subsequently amended
LEI	Legal Entity Identifier
LSE	London Stock Exchange
Lugano Convention	Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters signed on 30 October 2007 by the European Community, along with Denmark, Iceland, Norway and Switzerland and entered into force on 1 January 2010
2010 Luxembourg Law	Luxembourg Act of 17 December 2010 on undertakings for collective investment, as amended
Management Agreement	The management agreement between the Fund and FTIS approved by the OGMS of the Fund on 28 June 2019 and which entered into force on 1 April 2020
Market Abuse Regulation	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC
Master GDR	Master Regulation S Global Depositary Receipt evidencing the Regulation S GDRs

MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
NAV	Net asset value
NBR	National Bank of Romania
Non-Custody Assets	All assets of the Fund which do not qualify as Custody Assets and which, in accordance with applicable national law, are only directly registered in the name of the Fund with the issuer itself or its agent, such as a registrar or a transfer agent, based on the documents supplied by the Fund, as well as on external evidence
Non-Member State	A state which is not a member of the European Union
Non-UCITS	Undertakings for collective investment other than undertakings for collective investment in transferable securities
NSC	National Securities Commission (currently merged into the FSA)
NSC Regulation 15/2004	Regulation no. 15/2004 of NSC on the authorization and functioning of investment management firms, collective investment undertakings and depositories
NSC Regulation 4/2010	Regulation no. 4/2010 of the NSC regarding the registration of the Fund with the NSC the operation of the Fund, and the trading of the Fund's shares, as subsequently amended and supplemented
OGMS	Ordinary general meeting of shareholders
Payment Agent	BRD Groupe Societe Generale S.A.
Performance Fee	The additional Base Fee to which the AIFM is entitled for the services provided under the Management Agreement, if the discount of the Fund Share price to NAV is below or equal to 15% and/ or 20%
Prospectus	This document (including all annexes)
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC
Regulation S	Regulation S of the Securities Act
RON	Romanian Leu/ Lei
Securities	GDRs together with the Shares

Securities Act	U.S. Securities Act of 1933, as amended
Shares	The ordinary shares of the Fund
Sub-Custodian	Third party to which the Depositary may transfer the Assets and/or custody activities in connection with the Fund's investments in accordance with the terms of the Depositary and Custody Agreement, the Fund's Constitutive Act and according to FSA regulations and the legislation in force
Trade Register	The National Trade Register Office, public institution with legal personality, subordinated to the Ministry of Justice, whose activity is regulated by the Law no. 26/1990 on trade register, with headquarters in 74 Unirii Avenue, J3b Building, District 3, Bucharest.
Trading Day	A day in which the Shares are traded on the regulated market operated by the Bucharest Stock Exchange
Trading Venue	A regulated market, multilateral trading facility or organised trading facility
UCITS	Undertakings for Collective Investment in Transferable Securities
UK / United Kingdom	United Kingdom of Great Britain and Northern Ireland
Unaudited Financial Statements as at 30 June 2021	Simplified unaudited interim financial statements for the six-month period ended 30 June 2021
US/ United States	United States of America

LIST OF ANNEXES

- 1. ANNEX 1 – DETAILED STATEMENT OF INVESTMENTS AS AT 30 JUNE 2021**
- 2. ANNEX 2 - INFORMATION ABOUT HIDROELECTRICA S.A.**

FONDUL PROPRIETATEA S.A. acting through

**Franklin Templeton International Services S.a R.L., AIFM and Sole Director of Fondul Proprietatea S.A.
through
Johan MEYER**

Permanent Representative

Fund Administrator: Franklin Templeton International Services S.à r.l.
Administrator Code: PJM07.1AFIASMDLUX0037
Fund: Fondul Proprietatea SA
Fund Code: PJR09SIIR/400006
Reporting date: 30-Jun-21

ANNEX NO. 4 STATEMENT OF ASSETS AND OBLIGATIONS AS AT 30 JUNE 2021

Item	31 December 2020			30 June 2021			Differences		
	% of the net asset	% of the total asset	Currency	Lei	% of the net asset	% of the total asset	Currency	Lei	
I. Total assets	100.5398%	100.0000%		10,322,346,256.28	100.9274%	100.0000%		11,534,654,816.02	1,212,308,559.74
Securities and money market instruments, out of which:*									
1 securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	19.9739%	19.8669%		2,050,713,400.44	17.7214%	17.5586%		2,025,327,255.92	(25,386,144.52)
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:	73.7930%	73.3967%	-	7,576,256,630.47	74.3662%	73.6827%	-	8,499,052,162.53	922,795,532.06
- 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:	6.4282%	6.3937%	-	659,982,573.15	3.6336%	3.6003%	-	415,277,143.33	(244,705,429.82)
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 a non-EU state	-	-	-	-	-	-	-	-	-
5 Derivatives financial instruments traded on a regulated market	-	-	-	-	-	-	-	-	-
5.1. from Romania, on categories;	-	-	-	-	-	-	-	-	-
5.2. Derivatives financial instruments traded on a regulated market from a EU state, on categories;	-	-	-	-	-	-	-	-	-
5.3. Derivatives financial instruments traded on a regulated market from a non-EU state, on categories;	-	-	-	-	-	-	-	-	-
5.4. Derivatives financial instruments traded on a regulated market, on categories of instruments;	-	-	-	-	-	-	-	-	-
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 EUR	0.0000%	0.0000%	EUR	610.18	0.0000%	0.0000%	EUR	397.12	1,956.49
- in USD	0.0010%	0.0010%	USD	25,026.03	0.0006%	0.0006%	USD	15,357.96	63,620.35
- in GBP	0.0000%	0.0000%	GBP	463.12	0.0000%	0.0000%	GBP	312.63	1,793.68
7 Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which:	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
- Treasury bills with original maturities of less than 1 year	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
8 Participation titles of OCIU and/or of UCITS (A.O.P.C./O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	0.0094%	0.0094%	-	963,022.38	4.6325%	4.5898%	-	529,436,717.58	528,473,695.20
- net dividend receivable from Romanian companies	0.0000%	0.0000%	-	-	4.5962%	4.5539%	-	525,281,650.32	525,281,650.32
- guarantee deposited to the broker for the buyback tender offer	-	-	-	-	0.0000%	0.0000%	-	-	-
- receivables related to the cash contributions to the share capital increases performed by portfolio companies	0.0043%	0.0043%	-	445,140.00	0.0008%	0.0007%	-	85,750.00	(359,390.00)
- receivables related to transactions under settlement	-	-	-	-	0.0000%	0.0000%	-	-	-
- tax on dividends to be recovered from the State Budget	0.0034%	0.0034%	-	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%	0.0003%	-	28,384.79	0.0002%	0.0002%	-	28,384.79	-
- other receivables	0.0001%	0.0001%	-	5,180.00	0.0305%	0.0302%	-	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 EUR	-	-	-	-	0.0000%	0.0000%	EUR	-	-
- in USD	-	-	-	-	0.0260%	0.0257%	USD	716,702.22	2,968,938.95
- prepaid expenses	0.0013%	0.0013%	-	135,793.59	0.0047%	0.0046%	-	534,243.52	398,449.93
II. Total liabilities	0.5399%	0.5369%		55,434,352.18	0.9274%	0.9190%		105,999,683.03	50,565,330.85
1 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
2 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
3 Liabilities related to the fees payable to intermediaries	0.0046%	0.0046%	-	475,920.00	0.0000%	0.0000%	-	0.00	(475,920.00)
4 Liabilities related to commissions and other bank services	-	-	-	-	-	-	-	-	-
5 Interest payable	-	-	-	-	-	-	-	-	-
6 Liabilities related to issuance costs	-	-	-	-	-	-	-	-	-
7 Liabilities in relation with the fees/commissions to FSA	0.0076%	0.0075%	-	778,355.05	0.0074%	0.0074%	-	849,445.53	71,090.48
8 Liabilities related to audit fees	0.0018%	0.0018%	-	189,408.19	0.0000%	0.0000%	-	0.00	(189,408.19)
9 Other Liabilities, out of which:	0.3653%	0.3633%	-	37,500,544.86	0.7140%	0.7075%	-	81,604,926.06	44,104,381.20
- short term credit facility	-	-	-	-	-	-	-	0.00	0.00
- liabilities to the Fund's shareholders related to the dividend distribution	0.3334%	0.3316%	-	34,228,490.76	0.5892%	0.5838%	-	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%	-	-	-
- provisions	0.0083%	0.0083%	-	856,247.22	0.0000%	0.0000%	-	-	(856,247.22)
- liabilities related to buybacks under settlement	0.0000%	0.0000%	-	-	0.0148%	0.0146%	-	1,686,169.54	1,686,169.54
- remunerations and related contributions	0.0003%	0.0003%	-	34,857.00	0.0010%	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	0.0109%	0.0109%	-	1,120,599.00	0.1025%	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	0.0000%	0.0000%	EUR	-	0.0000%	0.0000%	EUR	-	-
- in USD	0.0000%	0.0000%	USD	-	0.0000%	0.0000%	USD	-	-
- in GBP	0.0000%	0.0000%	GBP	-	0.0000%	0.0000%	GBP	-	-
III. Net Asset Value (I - II)	100.0000%	99.4630%		10,266,911,904.10	100.0000%	99.0810%		11,428,655,132.99	1,161,743,228.89

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

Fund Administrator: Franklin Templeton International Services S.à r.l.
 Administrator Code: PJM07.1AFIASMDLUX0037
 Fund: Fondul Proprietatea SA
 Fund Code: PJR09SIIR/400006
 Reporting date: 30-Jun-21

Unitary Net Asset Value

Item	30 June 2021	31 December 2020	Differences
Net Asset Value	11,428,655,132.99	10,266,911,904.10	1,161,743,228.89
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
Alro 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
Total						1,938,827,543.64		16.8087%	16.9645%	

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	Valuation 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)
Total						8,863,425.29		0.0768%	0.0776%	

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	Valuation 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
Hidroelectrica 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%	Judicial 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-iun.-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)
Total	174,379,227		4,613,202,769		8,499,052,162.53		73.6827%	74.3662%		

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.

Fund Administrator: Franklin Templeton International Services S.à r.l.
Administrator Code: PJM07.1AFIASMDLUX0037
Fund: Fondul Proprietatea SA
Fund Code: PJR09SIIR/400006
Reporting date: 30-Jun-21

** = 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 accord.
 *** = company resulting from the merger of CN "Aeroportul International Henri Coanda - Bucuresti" S.A. and S.N. "Aeroportul International Bucuresti Baneasa - Aurel Vlaicu" S.A.
 **** = company resulting from the merger of Complexul Energetic Turceni S.A., Complexul Energetic Craiova S.A., Complexul Energetic Rovinari S.A., Societatea Nationala a Lignitului Oltenia S.A.

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

Government bonds

Issuer	ISIN code	No. of instruments	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Cumulated discount/premium	Market price / Reference composite price
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%
Total								2,030,136.99		

Term 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	Valuation 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 Societe Generale	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 Societe Generale	30/Jun/2021	1/Jul/2021	11,902,129.00	115.72	115.72	11,902,244.72	0.1032%	0.1041%	
Total			415,202,129.00			415,277,143.33	3.6003%	3.6336%	

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

ance with the IFRS basis of accounting.

Current value	Stake in FP total assets	Stake in FP net asset	Valuation method
77,636,286.99	0.6731%	0.6793%	Fair value (reference composite price published by Markit, including the cumulated interest)
77,636,286.99	0.6731%	0.6793%	

ANNEX 2

Information about Hidroelectrica S.A.

WARNING: THE FUND HAS BEEN UNABLE TO ACCESS ALL SPECIFIED ITEMS OF INFORMATION IN RELATION TO HIDROELECTRICA S.A., THAT WOULD OTHERWISE BE REQUIRED TO BE INCLUDED IN THIS PROSPECTUS IN ACCORDANCE WITH THE DELEGATED REGULATION 2019/980.

THEREFORE, THE INFORMATION ABOUT OR RELATED TO HIDROELECTRICA S.A. SET OUT IN THIS ANNEX TO THE PROSPECTUS PROVIDES A REDUCED LEVEL OF DISCLOSURE AS COMPARED TO THE MINIMUM DISCLOSURE REQUIREMENTS FOR THE REGISTRATION DOCUMENT FOR EQUITY SECURITIES REQUIRED PURSUANT TO THE DELEGATED REGULATION 2019/980.

FURTHERMORE, IN PREPARING THE DISCLOSURE INCLUDED IN THIS ANNEX, THE FUND ASSUMED THAT THE INFORMATION MADE PUBLIC BY HIDROELECTRICA S.A. IS ACCURATE, COMPLETE AND UP-TO-DATE, THE FUND NOT HAVING BEEN ALWAYS IN THE POSITION TO CHECK ALL RELEVANT INFORMATION BY REFERENCE TO THE UNDERLYING DOCUMENTATION.

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SECTION 1. PERSONS RESPONSIBLE, THIRD-PARTY INFORMATION, EXPERTS' REPORTS AND COMPETENT AUTHORITY APPROVAL

This Annex includes information about Hidroelectrica S.A., considering that the Fund's holding in Hidroelectrica S.A. represents the main holding of unlisted equity in the Fund's portfolio, as further reflected by the description of the portfolio of the Fund included in PART 9 (*Portfolio*) of the Prospectus.

The information about Hidroelectrica S.A. has been sourced exclusively from public sources regarding the company, including the website <https://www.hidroelectrica.ro/> (the content of such website not being included as part of this Prospectus) as further detailed in this Annex below and, as far as the Fund is aware, has been accurately reproduced in this Prospectus, and as far as the Fund is aware and is able to ascertain from the information made public by Hidroelectrica S.A., no facts have been omitted which would render the reproduced information inaccurate or misleading.

Subject to the limitations included in the warning above regarding the limited information available to the Fund, to the best of the Fund's knowledge, the information contained in this Annex is in accordance with the facts (as such are have been made public by Hidroelectrica S.A.) and does not omit anything likely to affect the import of such information.

SECTION 2. RISK FACTORS

The Fund has described the risks specific to Hidroelectrica S.A. that it believes are material based upon the information and risk assessment published by Hidroelectrica S.A., but these risks and uncertainties may not be the only ones relating to the company. Considering the limited information available to the Fund regarding Hidroelectrica S.A., the Fund is not in a position to adequately assess and present all risks related to Hidroelectrica S.A. for the purpose of ordering them in each relevant category depending on their materiality and probability of occurrence.

Additional risks and uncertainties, including those of which the Fund and/or Hidroelectrica S.A. are currently not aware or which the Fund and/or Hidroelectrica S.A. deem immaterial, could also have a material adverse effect on its business, financial condition, results of operations or prospects, and could negatively affect the company's value. The risks mentioned herein could materialise individually or cumulatively.

1. RISKS ASSOCIATED WITH HIDROELECTRICA S.A.'S BUSINESS AND ITS SECTOR OF ACTIVITY

Demand for electricity in Romania is dependent on various factors over which Hidroelectrica S.A. has no control, such as economic, political, climatic conditions

Demand for electricity is subject to a variety of factors over which Hidroelectrica S.A. has no control, including economic and political developments in Romania (and elsewhere), consumer demand (which includes a trend towards renewable energy sources), climatic conditions and the impact of economic and political events. A decrease in demand for electricity could result in lower revenues, which could have an adverse effect on its business, results from operations, financial position and future prospects.

Hidroelectrica S.A.'s assets and/or business could be damaged by natural and man-made acts or disasters

Hidroelectrica S.A.'s operations may be adversely affected by a number of natural and man-made disasters or acts of terrorism, including human error, acts of theft or vandalism, adverse weather conditions, earthquakes or other natural disasters, terrorist attacks and other phenomena of nature that could qualify as *force majeure* or similar events. Any of these could lead to failure of its equipment and systems and could disrupt the electricity production or result in personal injury or damage to property. These risks could result in significant capital expenditures or costs of repairs, which could impact on Hidroelectrica S.A.'s reputation and cause a loss of consumers or otherwise have a material adverse effect on its business, operational results, financial position or development prospects.

Environmental risks

The business operations of Hidroelectrica S.A. are subject to numerous legal provisions regarding the protection of human life and health and the environment, which are becoming increasingly strict. The increase in costs for complying with these environmental provisions (and in particular a failure of Hidroelectrica S.A. to pass on these costs to consumers), possible infringements by Hidroelectrica S.A. and relating sanctions could have a material adverse effect on the net assets, financial position and/or results of operations of Hidroelectrica S.A. and could have considerable negative impact on Hidroelectrica S.A. Moreover, according to Hidroelectrica 2020 Directorate Report, in situations that the increased flows might endanger material assets and human lives, together with the ministerial committee for emergency situations within the Ministry of environment, waters and forests and the county committees for emergency situations, the company contributes to a very important extent in limiting and eliminating these situations. Any such contribution may have a material adverse effect on Hidroelectrica S.A. business, operational results, financial position or prospects. A significant environmental aspect is oil water pollution, which can occur both through own activity and through works performed with third parties. At the hydro-aggregate operation level, other significant environmental aspects are: (a) variation of water level in the lake; (b) management of large waters; (c) accidents at the dam and piers; (d) extra filtration /infiltrations; (e) fire and explosions; (f) faults that may occur at laboratory equipment, electrical installations that may cause fire, explosions, wastes; (g) use, handling and storage of toxic and dangerous substances; (h) generation and storage of hazardous waste; (i) storage and disposal of waste within the hydropower facility; (j) change in land use by third parties; and (k) site organizations executed with third parties.

According to the Hidroelectrica 2020 Directorate Report, Hidroelectrica S.A. is also exposed to environmental risks related to compliance with regulations protecting biodiversity considering that 38 of the hydro-energetic facilities have components (central, dam, hydrotechnical node, energetic socket, secondary sewage, utility roads, etc.) located in sites of community importance and 21 facilities are located in national parks.

Risks arising from the seasonality of the activity

Hidroelectrica S.A. usually has a market share of 25-30% of the national energy produced. Depending on seasonality, such percentage may change drastically one way or another. On one hand, in April 2020, Hidroelectrica S.A. foresaw a decrease of a third of its total production due to lack of rain. On the other hand, in June 2020 Hidroelectrica S.A. provided over 50% of the national production, in the context of heavy rains, but also the planned shutdown of a nuclear reactor in Cernavoda by Nuclearelectrica S.A.

The Romanian State is the major shareholder of Hidroelectrica S.A. and is able to take decisions that could be contradictory to the best interests of the company or of the other shareholders

Past practices show a significant intervention of the Romanian State in the companies in which it holds the majority of the shares.

Some of the measures taken or decisions made by the Romanian State might be contrary to the company's interests and/or to interests of the other shareholders and might have a significant negative impact on the business, financial condition and operational results of Hidroelectrica S.A..

Risk of corruption

The risks of corruption are treated by the company in accordance with the Government Decision no. 599/2018 for the approval of the Standard Methodology for Corruption Risk Assessment within Central Public Authorities and Institutions together with the indicators for estimating the probability of corruption risks to materialize, with the indicators for estimating the impact in case the corruption risks materialize and the format of the corruption risk register, as well as for the approval of the Methodology for assessing integrity incidents within central public authorities and institutions, together with the format of the annual report for assessing integrity incidents.. Failure to implement or delayed implementation of appropriate and efficient measures to fight corruption could have a significant negative effect on the prospects, operational results or financial position of Hidroelectrica S.A.

The risk on the distribution of dividends

There is no guarantee that Hidroelectrica S.A.'s shareholders would approve in the future the distribution of dividends or of other income to shareholders. Currently, the distribution of dividends in Hidroelectrica S.A. is governed by a special regulation, including the Government Ordinance no. 64/2001, as subsequently amended (the "GO 64/2001") on the division of profits in national entities, national companies, and trading companies with full or majority State capital, as well as the autonomous companies, according to which at least 50% of the profit is distributed as dividends to company's shareholders.

2. LEGAL AND REGULATORY RISKS

Risks associated with the regulatory framework

The electric power sector in which Hidroelectrica operates is subject to a wide range of specific laws and regulations, which may undergo significant changes over time. Changes in the socio-economic and political context, or changes in national strategic directions, may lead to political and regulatory changes with a potential significant impact on the company's operations. In this respect, for example, Government Emergency Ordinance no. 114/2018 on setting out certain measures in the area of public investments and certain tax and budgetary measures, the amendment and completion of certain legal enactments and prorogation of certain deadlines (the "GEO 114/2018") introduced an obligation for the electricity producers to sell at regulated prices while Government Emergency Ordinance no. 1/2020 on certain fiscal-budgetary measures and for the amendment of certain regulatory acts ("GEO 1/2020") set the date until which the producers had this obligation, i.e. 31 December 2020. Although the deadline of 31 December 2020 for the fulfilment of above mentioned obligation has been reached and the electricity market has been liberalized starting with January 1, 2021, Law 123/2012 still contains the provisions introduced under GEO 114/2018 and GEO 1/2020. According to Hidroelectrica 2019 Directorate Report, the provisions of GEO 114/2018 had major short-term effects and affected the perception of all participants on the stability of the domestic economic environment, due to the lack coherence and predictability of the legislative framework. Moreover, GEO 114/2018 introduced a 2% tax on turnover for companies in the electricity sector in relation to activities falling under licenses granted by ANRE. Subsequently, the 2% tax was repealed under GEO 1/2020. As a next step in the legislative process, GEO 1/2020 should be approved through a law by the Romanian Parliament. Currently, a draft law rejecting GEO 1/2020 is under Parliamentary debate, more specifically in the committees of Chamber of Deputies, as deciding chamber of the Romanian Parliament within the legislative process. If GEO 1/2020 is rejected by the Parliament or it is declared unconstitutional by the Romanian Constitutional Court, such a decision would produce effects only for the future and would not have retroactive effects. Further, if GEO 1/2020 is rejected or declared unconstitutional in its entirety or in respect to the abolition of the 2% tax, there is a risk that such tax could be imposed again for the future for companies acting in the electricity sector and licensed by ANRE, such as Hidroelectrica S.A.

Moreover, material licenses or approvals, such as the licenses held by Hidroelectrica (*i.e.* for production and supply of electricity), are subject to periodic renewal while their requirements shall be observed continuously. Legislative changes may affect also the licenses and the requirements in order to obtain such licenses. Changes in the regulatory framework may have a material adverse effect on the business, results of operations, financial conditions and the prospects of Hidroelectrica S.A..

In this context, according to the 2020 Directorate Report, Hidroelectrica closely monitors the changes occurring in regulatory policies and has an ongoing and constructive dialogue with the relevant authorities in order to identify optimal solutions for meeting the objectives of all parties, avoiding or minimizing potential adverse effects on the company. However, it is possible that its compliance costs may exceed the amount that Hidroelectrica S.A. has budgeted for in respect of its future capital and operating expenditures. This will be particularly true if any of the laws that materially affect Hidroelectrica S.A.'s operations change or become more stringent in the future or if new laws that materially affect the company's operations are adopted. Hidroelectrica S.A.'s costs of complying with current and future regulatory requirements and any loss of its material operating licences or permits could have an adverse effect on its business, operational results, financial position and prospects.

Also, given the broad, technical and frequently changing regulatory framework, the costs for compliance with laws and regulations might be significant.

Hidroelectrica S.A. may be subject to fines, award of damages or other penalties arising from legal proceedings, contractual claims and disputes, as well as negative publicity arising therefrom with unforeseeable outcome.

In the context of its day-to-day operations, Hidroelectrica S.A. is exposed to litigation risks and is currently involved in various litigation and regulatory proceedings. These proceedings cover material disputes for which the company established provisions to cover for receivables under litigation.

Any material litigation, complaints, contractual claims, or adverse publicity related thereto or in case the company loses the pending lawsuits or in the event that other significant litigation arises could have an important negative effect on the company's business, operating results and financial standing

Information about the most material litigations described by the company in the Hidroelectrica 2020 Directorate Report is included in SECTION 15 (*LITIGATION*) of this Annex of the Prospectus below.

Hidroelectrica SA has the obligation to comply with the legislation on public procurement which could significantly affect the implementation of its investment strategy

Hidroelectrica S.A. has the obligation to comply with the provisions of the public procurement legislation, including Law no. 98/2016 on public procurement and Law 99/2016 on sectorial procurement as well as the related legal regulations, in connection with the conclusion with counterparties of contracts for the acquisition of goods, services and works required to carry out its activity. According to the Hidroelectrica 2020 Directorate Report, very long periods required to carry out and cancel the procurement procedures may have a direct impact on budget execution and the frequent amendment of relevant legislation may affect the achievement of the proposed objectives of Hidroelectrica S.A. including its investment strategy.

The risk associated with the evolution of the cost of treated water

The cost of treated water is one of the main elements of the production cost of Hidroelectrica S.A. During 2020, the Parliament approved several amendments to the Water Law no. 107/1996, these coming into force on 13 July 2020, while the Romanian Government amended the Water Law starting with 31 December 2020 by an emergency ordinance. According to these amendments, all owners of installations or works that are used for surface or groundwater sampling are required to install means for measuring water flows and volumes within 6 months calculated from 13 July 2020. Failure to comply with these provisions, even due to well-justified technical reasons, leads to the obligation to pay to the National Agency for Romanian Waters ("ANAR") the contribution related to the maximum authorized volume level. In order to calculate the volume of water used by hydropower plants owned for electricity production, Hidroelectrica SA used until the end of 2020 an indirect calculation method, based on the volume of electricity produced by each unit. The management of Hidroelectrica SA considers that it is not technically feasible to install the standard means of measuring the flows, as provided by this law, due to the size and variety of technical specifications related to its plants.

Legislative amendments made during 2020 through Law no. 122 and respectively to the Government Emergency Ordinance no. 225 resulted in the following effects with a direct influence on the cost of treated water:

- the annual increase of the tariff for 1000 cubic meters of plant water with the inflation rate, so that in 2020 the tariff for 1000 cubic meters was 1.1 lei / 1000 cubic meters until July and 1.14 lei / 1000 cubic meters starting with July, the tariff for the year 2021 being 1.17 lei / 1000m³, a tariff that according to Law 122/2020 is to be updated annually with the inflation rate;

- payment starting with the year 2021 of a volume of treated water calculated as effective operating time multiplied by the maximum installed flow of the respective hydro unit. This method of calculation causes the paid water volume to exceed the actual one used for the production of electricity, depending on the structure of the production on the arrangements - the water line and the lakes and the hydraulic conditions.

Following the amendments approved in December 2020, new amendments to the Water Law are currently being debated in Parliament, as they have a potential impact on the activity of Hidroelectrica SA.

On 8 February 2021, the Senate, as the first chamber in which the amendments are discussed, approved a change that would allow Hidroelectrica SA to continue using the indirect method for calculating the volume of water, the law then moved to the Chamber of Deputies, which is also decisional chamber. Here, it underwent further changes in the Committee on Agriculture, Forestry, Food Industry and Specific Services which included a fixed level of contribution of 33 RON / MWh. The law is currently being re-evaluated by the same Committee on Agriculture, Forestry, Food Industry and Specific Services in the Chamber of Deputies.

FINANCIAL RISKS RELATED TO HIDROELECTRICA S.A.

Hidroelectrica S.A. is subject to volume and price risks

Price risks presuppose the possibility of financial losses or failure to achieve estimated results due to adverse changes in market prices, or in factors that may influence price changes. Volume risk has similar consequences due to adverse changes in sales volume or of factors that may influence sales volume. Volume and price risk in the electricity business have the greatest influence on the Hidroelectrica S.A.' financial results. Both the price of electricity and the volume of sales are impacted by external factors: climatic (hydrological) and market conditions (volume of demand).

Hidroelectrica S.A. produces electricity through hydroelectric power stations, which are particularly dependent on the water supply and therefore on the weather situation for reaching their planned output. A decrease of available water would cause a decrease in the electricity production of Hidroelectrica S.A. and therefore a decrease in sales. As a result of the low hydroelectric power stations availability and the generation of a lower than planned electricity, Hidroelectrica S.A. may be forced to buy electricity on the markets to cover the electricity demand fixed in its sales contracts. An adverse weather development could, thus, negatively affect Hidroelectrica S.A.'s ability to produce the planned volume of electricity and might have significant adverse effects on the net assets, financial position and/or results of operations of Hidroelectrica S.A.

Hidroelectrica S.A. is subject to price fluctuations on the electricity wholesale and retail market (including as a result of the change in the volume of demand). Hidroelectrica S.A. sells most of its produced electricity on the market linked to prices derived from the electricity exchanges transactions. Therefore, the development of the wholesale prices on the electricity market has a significant influence on Hidroelectrica S.A., because it would be able to sell its produced electricity at lower prices only in case of negative development of the wholesale prices. The development of wholesale electricity prices could therefore have a significant adverse effects on the net assets, financial position and/or results of operations of Hidroelectrica S.A. Prices on trading markets are also impacted by the price of fuels, of support schemes items, or variations in output.

Although according to Hidroelectrica 2020 Directorate Report, Hidroelectrica S.A. addresses this risk by mitigating its exposure to adverse variations, using a mix of measures such as statistical series analysis of hydrological conditions for optimizing production and sales plans, short and medium term forward sales contracts for a significant volume of estimated production along with measures to control and optimize the costs base, so that Hidroelectrica's profitability objectives are met, the manifestation of this risk cannot be excluded.

Credit risk

According to the Hidroelectrica 2020 Directorate Report, in the ordinary course of its business, Hidroelectrica S.A. is exposed to the risk that third parties who owe it money, do not perform their obligations due to insolvency, bankruptcy, lack of liquidity, global or local economic issues, operational failure, political developments or other

reasons. The company is exposed to counterparty credit risk from its operating activities (mainly for trade receivables) and from its financial activities, including the deposits with banks and financial institutions, exchange rate transactions and other financial instruments. In the event of a breach of contractual obligations by a customer or a counterparty to a financial instrument with respect to trade receivables, cash and cash equivalents or bank deposits, such event may have a material adverse effect on the business, operational results, financial position or development prospects of Hidroelectrica S.A..

Hidroelectrica S.A. has established a credit policy according to which each significant customer is analyzed individually in terms of creditworthiness before the conclusion of any contract, so that sale is made to customers with an appropriate creditworthiness. The adjustment for impairment of trade receivables represents the amount of expected losses, calculated on the basis of loss rates.

The following table provides information on the exposure to trade credit risk and expected loss rates as at 31 December 2020:

	Weighted average loss rate	Gross Value	Impairment adjustment	Net trade receivables
Non past-due	0.00%	316,673,869	0	316,673,869
Past due - between 0 and 3 months	0.23%	23,722,823	(53,639)	23,669,184
Past due - between 3 and 6 months	2.62%	13,960,566	(365,654)	13,594,912
Past due – between 6 months and 1 year	96.02%	21,412,832	(20,560,608)	852,224
Past due –more than 1 year	100.00%	71,092,753	(71,092,753)	0
Total		446,862,843	(92,072,654)	354,790,189

Source: *Hidroelectrica 2020 Directorate Report*

Currency risk

Changes in market rates, such as the exchange rate might affect the profit of Hidroelectrica S.A.. The company is exposed to currency risk to the extent that there is an imbalance between the currencies in which it makes sales and purchases and in which the loans are denominated and the functional currency of the company. The company's functional currency is the Romanian Leu ((RON). Although according to the Hidroelectrica 2020 Directorate Report, the currencies in which Hidroelectrica's transactions are denominated are mainly lei, and the company's policy is to use local currency as much as possible in its transactions, certain debts are denominated in foreign currency and involve a currency risk. Hidroelectrica S.A. does not use derivative instruments or hedging instruments to cover this risk.

Any higher-than-expected inflation resulting from the depreciation of the RON could lead to a reduction in customer purchasing power, which may have a material adverse effect on Hidroelectrica S.A.'s business, operational results and financial position.

	31 December 2020			
	<i>(Lei equivalent of each currency)</i>			
	EUR	USD	CHF	HUF
Cash and cash equivalent	371,250	130,929	313,740	200,334
Trade and other payables	(69,930,303)	(158,951)	-	(134)
Bank loans	(26,944,219)	-	-	-
Leasing	(16,059,680)	-	-	-
Net exposure	(112,562,952)	(28,022)	313,740	200,200

Source: *Hidroelectrica 2020 Directorate Report*

3. OTHER RISKS AND UNCERTAINTIES

The outbreak of infectious diseases like COVID-19 could negatively affect the activity of Hidroelectrica S.A.

The large scale spread of the COVID-19 pandemic and the measures taken to limit the spread continue to have a significant impact on global economic activity and it may produce effects for several quarters. According to the

Hidroeléctrica 2020 Directorate Report, Hidroeléctrica S.A operates in a strategic sector, the electricity generating sector which, unlike other economy sectors, has not been significantly affected by the COVID-19 pandemic. Although, according to Hidroeléctrica 2020 Directorate Report, at the end of 2020, the overall impact on Hidroeléctrica S.A. was relatively limited, the same report confirms that in the first part of 2020, due to the significant decline of quotations on the energy market, the crisis caused by the COVID-19 pandemic had an adverse effect on Hidroeléctrica S.A. as well. According to the information and statements recorded in Hidroeléctrica 2020 Consolidated Financial Statements, Hidroeléctrica S.A. does not expect a material adverse impact on its operations due to the COVID-19 pandemic. However, the statements included in Hidroeléctrica 2020 Consolidated Financial Statements are based on the information available at the time of their preparation, and at the date of this Prospectus, the COVID-19 pandemic is ongoing and may evolve in an unforeseen manner. In the event of a crisis similar to the one at the beginning of 2020 or even worse, the negative economic impact including on Hidroeléctrica S.A.'s financial position and results of operations cannot be excluded.

Occupational health and safety risk

In light of the specific nature of Hidroeléctrica's activity, the company is exposed to the risk of work accidents affecting the employees and / or contractors / subcontractors of the company in the perimeters where Hidroeléctrica S.A. carries out its activity, a risk that can entail sanctions (for non-compliance with the relevant legal requirements) and significant damages, with a negative effect on the business and results of Hidroeléctrica S.A. operations, including Hidroeléctrica S.A.'s reputation. According to Hidroeléctrica 2020 Directorate Report, the main priority of Hidroeléctrica S.A. insofar as health and safety at work are concerned, is to avoid any accidents among the staff and the partners operating within the company's perimeters, to act in a sustainable, ethical and environmentally responsible manner and to comply with all relevant legal requirements. The materialization of this risk cannot be excluded, although according to Hidroeléctrica 2020 Directorate Report, Hidroeléctrica S.A. has assessed the occupational safety and health risks and identified the significant environmental issues and ensures the continuous training of employees in occupational safety, environmental protection and emergencies and, given the specifics of the activity and the nature of the production assets it manages, Hidroeléctrica S.A. has implemented contingency plans in case of accidental pollution as well as action plans in case of accidents suffered by dams.

Cyber risk

Against the background of the COVID-19 crisis, during this period Hidroeléctrica S.A. has adopted the *work from home* model, the remote access to the networks of these entities thus becoming a requirement in order to ensure the observance of physical distance. Thus, by eliminating physical interactions between employees, the risk of the SARS-CoV2 virus excessive spread has been reduced, but the risk of exposure to cyber-attacks of the used IT&C infrastructure has increased. A malfunction or breach in Hidroeléctrica's IT systems may have an adverse impact on the operations of Hidroeléctrica S.A. and may damage Hidroeléctrica's reputation. A security breach may cause the loss of important information regarding Hidroeléctrica S.A. and the operations of Hidroeléctrica S.A. In this context, although according to the Hidroeléctrica 2020 Directorate Report, Hidroeléctrica S.A. pays special attention to the management of this risk through a complex system that includes multiple lines of defence such as: hard / soft protection systems, redundancy, specific procedures, awareness training and preventive conduct of users of IT / OT infrastructure, etc. and the security procedures and policies have been adapted and are constantly monitored to maintain an optimal level of cyber security and reduce the risks posed by possible cyber security incidents, the manifestation of this risk cannot be ruled out.

Risk of improper processing of personal data

In the course of its operations, Hidroeléctrica S.A. also acts in capacity of data controller. The risk of improper processing of personal data results from potential violations of the specific legislation in the matter, which result in violations of the rights and freedoms of the individuals whose personal data is improperly processed and may cause material or moral damage (e.g. discrimination, identity theft or fraud, financial loss, reputational damage etc.) to the data subjects and expose Hidroeléctrica SA to financial losses resulting from sanctions imposed by the competent authorities and from potential prejudice and negative reputational effects. Although regulations and compliance requirements have been strengthened, but also in consideration of the increasing exposure to cyber risk due to a higher digitalization, , according to Hidroeléctrica 2020 Directorate Report, Hidroeléctrica S.A. pays particular attention to personal data protection issues including by training the relevant staff, initiating internal rules on personal data protection or cooperating with the supervisory authority. However, the manifestation of this risk cannot be ruled out, with varying probability degrees of materialization and gravity.

Climate change risk

Insofar as Hidroeléctrica S.A. is concerned, the risks associated with climate change result in particular from the uncertainty of long-term hydrological conditions which may adversely affect the electricity generation capacity

and the operations of Hidroelectrica S.A. and implicitly generate financial losses for Hidroelectrica S.A. According to Hidroelectrica 2020 Directorate Report, in order to address this risk, the strategy of Hidroelectrica S.A. provides, among other things, the development and expansion of production capacities to other green energy sources (e.g. wind, solar) so as to create a natural internal hedging to secure production and mitigate imbalances - a significant step in this direction, according to Hidroelectrica 2020 Directorate Report, was the signing of the agreement for the acquisition of the entire Crucea wind farm (108MW) held by Steag GmbH in Constanța County, a transaction concluded in the first quarter of this year. However, given that, inter alia, the effects of climate change may be unpredictable, there is no guarantee that the measures taken by Hidroelectrica S.A. will mitigate the imbalances caused by climate change in a timely and appropriate manner and, implicitly, the potential adverse effects on the financial situation of Hidroelectrica S.A.

Risk regarding the basis of production assets

Production capacities, together with the specialized personnel, represent the fundamental pillar for meeting the long-term objectives of Hidroelectrica S.A. Malfunctions, operation under optimal parameters or technological obsolescence of equipment and production capacities can have a negative effect on the electricity production capacity, operations and financial situation of Hidroelectrica S.A. According to Hidroelectrica 2020 Directorate Report, the strategy applied by Hidroelectrica S.A. is that all the equipment and constructions of the operational units should be gradually upgraded, as the normal service lifetime is gradually reached and according to the same report, the physical integrity and maintenance within optimal operating parameters of the production capacities are ensured by promoting specific policies aimed at assessing the technical condition of equipment and constructions, the development of maintenance programs and monitoring the behaviour of buildings, modernization and refurbishment programs, as well as through the continuing training of specialists, with the main objective of ensuring a new life cycle of equipment, of increasing the degree of operational safety and the reliability and availability of hydro units, and of building modern control systems, without permanent operating personnel. However, failures can occur, and the upgrading operations can be delayed for many reasons, beyond Hidroelectrica S.A.'s control, and there is no guarantee that all production capacities will always operate at optimal parameters.

Human capital risk

Hidroelectrica S.A.'s capacity to meet its objectives depends on the capabilities and performance of the employees, of the management, but also on its ability to attract and develop, to recognize and retain talented employees. Thus, the loss of essential employees may diminish Hidroelectrica S.A.'s capacity to meet its objectives and may adversely affect the financial situation and performance of Hidroelectrica S.A. At the same time, the retention of such persons cannot be guaranteed and their replacement with staff with similar experience and training may not be feasible. The factors that contribute to this risk are: the long-term demographic decline, the general decrease in the appetite for technical, specialized schools, and the geographical dispersion of the company's production assets. According to Hidroelectrica 2020 Directorate Report, in response to these challenges, Hidroelectrica S.A. has a number of programs / initiatives underway such as the organization of vocational training courses and promotion of careers in professions specific to the energy sector, private scholarships to faculties, energy high schools respectively, offered to students and pupils, relocation support, organization of internships, etc. However, the manifestation of this risk cannot be ruled out.

SECTION 3. STATUTORY AUDITORS

According to Hidroelectrica S.A.'s OGMS Resolution no. 8 dated 19.03.2019, KPMG Audit SRL, with the registered office in Bucharest, district 1, Sos. Bucuresti-Ploiesti, Nr. 69-71, Floor P, Apartment 02 was appointed as financial auditor of the company, for the purpose of auditing the individual and consolidated financial statements for the financial years ending at 31 December 2018- 31 December 2020.

According to the financial auditor's report published on Hidroelectrica S.A.'s website, KPMG Audit SRL has audited the individual financial statements of Hidroelectrica for the year ended 31 December 2018, 31 December 2019 and 31 December 2020 and the consolidated financial statements of Hidroelectrica S.A. for the year ended as at 31 December 2018 and 31 December 2020.

According to the website of KPMG Audit SRL (<https://home.kpmg/ro/en/home.html>), the content of this website not being incorporated by reference into this Prospectus), KPMG Audit SRL is a member of the Chamber of Financial Auditors of Romania, registered in the Electronic Public Register of the Authority for Public Supervision of the Statutory Audit Activity (ASPAAS) with no. FA9.

SECTION 4. DESCRIPTION OF HIDROELECTRICA S.A.

Societatea de Producere a Energiei Electrice în Hidrocentrale Hidroelectrica S.A. is a joint stock company, organized and functioning under the laws of Romania established based on Romanian Government's Decision no. 627 dated 13 July 2000, registered in Romania with the Bucharest Trade Register under no. J40/7426/2000, having sole registration code 13267213. According to the public information available to the Fund, the company has LEI code 787200IISRQXO9PRB732¹.

The registered office of the company is in Bucharest, District 1, 15-17 Ion Mihalache Avenue, 10th-15th floor, 011171, the telephone number of its registered office is + 4 021.303.25.00; +4 021.303.25.78 and its website is www.hidroelectrica.ro, it being specified that the information on this website does not form part of the Prospectus unless that information is specifically incorporated by reference into the Prospectus.

The organizational structure of the company consists of 7 branches without legal personality, spread on the territory of the country, namely:

- SH Bistrița - 13 Locotenent Drăghiescu Street, Piatra Neamț;
- SH Cluj - 1 Taberei Street, Cluj Napoca;
- SH Curtea de Argeș - 82-84 Basarabilor Street, Curtea de Argeș;
- SH Hațeg - 23 Nicolae Titulescu Blvd, Hațeg;
- SH Porțile de Fier - 2 I.C. Bibicescu Street, Drobeta Turnu Severin;
- SH Râmnicu Vâlcea - 11 Decebal Street, Râmnicu Vâlcea;
- SH Sebeș - 9 Alunului Street, Sebeș.

Hidroelectrica S.A. is the sole shareholder (holding 100% of the share capital) of Societatea de Servicii Hidroenergetice-Hidroserv S.A., a joint stock company, organized and functioning under the Romanian legislation, registered with the Trade Registry of the Bucharest Tribunal under no. J40/9762/2013, sole registration code RO320697794, having its registered office at 3, Constantin Nacu street, floors 3-5, sector 2, Bucharest, Romania ("**Hidroserv Subsidiary**").

Hidroserv Subsidiary has as main object of activity the provision of maintenance and repair services for hydropower assets and since October 2016 undergoes an insolvency procedure. The management of the activities of Hidroserv Subsidiary is exercised by the judicial administrator, Casa de Insolventa Transilvania SPRL. According to the latest public information available on the courts' internet portal and to Hidroelectrica 2020 Directorate Report, on 26 June 2020, the court confirmed the reorganization plan of the Hidroserv Subsidiary under intermediate court decision No. 1598/ 2020. According to Hidroelectrica 2020 Directorate Report, a special administrator was appointed by shareholders' resolution dated 8 September 2020, to represent the interests of Hidroserv Subsidiary and Hidroelectrica S.A. in order to comply with the reorganization plan.

Following the acquisition completed in March 2021, Hidroelectrica S.A. is the sole shareholder (holding 100% of the share capital) in:

- (i) CRUCEA WIND FARM S.A., a joint stock company, organized and operating under the Romanian legislation, registered with the Trade Registry of the Constanța Tribunal under no. J13/ 620/2009, European Unique Identifier (EUID): ROONRC.J13 / 620/2009, sole registration code (CUI) 25242050, with the registered office in Constanța Municipality, Str. Traian, Nr. 68a, Room No. 2, Floor 6, Constanța County, Romania, with a subscribed, fully paid share capital of lei 119,239,750 ("**Crucea Wind Farm**").

Crucea Wind Farm's main scope of activity is electricity generation (CAEN Code 3511). According to the public information available in the digital database of the National Trade Register Office on 30 July 2021, the company is operating, the company's management is ensured by the general manager (i.e. Gereș Andrei-Dominic) and by a board of directors formed of 3 (three) members (i.e. Tudor Iulian, Saviuc Gheorghe-Daniel and Iovănel Laurențiu-Adrian), and there are no records regarding any arrangements with creditors, dissolution, liquidation and / or insolvency proceedings.

¹ <https://search.gleif.org/#/record/787200IISRQXO9PRB732>

- (ii) **HIDROELECTRICA WIND SERVICES S.R.L.**, a limited liability company, organized and operating under the Romanian legislation, registered at the Trade Registry of Constanța Tribunal under no. J13/247/2014, European Unique Identifier (EUID): ROONRC.J13/247/2014, sole registration code (CUI) 32616204, with its registered office in Constanța Municipality, Traian Street No. 68A, Room 1, Floor 6, Constanța County, Romania, with a subscribed and fully paid share capital of lei 4,276,320 ("**Hidroelectrica Wind Services**").

The main scope of activity of Hidroelectrica Wind Services is the provision of engineering activities and related technical consultancy (CAEN Code 7112). According to the public information available in the digital database of the National Trade Register Office on 30 July 2021, the company is operating, being managed by a sole director (i.e. Vintilă Marius-Ștefan), and no records exist with regard to arrangements with creditors, dissolution, liquidation and / or insolvency proceedings.

As at the date of this Prospectus, Hidroelectrica S.A. together with Hidroserv Subsidiary, Crucea Wind Farm and Hidroelectrica Wind Services form the Hidroelectrica Group.

SECTION 5. BUSINESS OVERVIEW

Company overview

According to the constitutive act of Hidroelectrica S.A., as at 22 December 2020 (“**Hidroelectrica Constitutive Act**”), its main field of activity is NACE code 351 - "*Production, transport and distribution of electricity*", whereas the main activity is NACE code 3511 - "*Production of electricity*".

Hidroelectrica S.A. is the most important producer of electricity among the producing companies on the energy market, providing annually over 25% of the total production and being the main provider of system services at the National Energy System level.

The business carried out by Hidroelectrica S.A. includes inter alia the following:

- electricity production in hydropower plants;
- sale of electricity;
- performing system services for the National Energy System (“**NES**”);
- providing water management services from own accumulations, by providing raw water, flow control, flood protection, flow insurance and other common services for water management
- ensuring navigation on the Danube river by lockage
- carrying out the control and ensuring the attenuation of the flood waves for the transit of the catastrophic flows in the hydropower facilities on the inland rivers under the administration of Hidroelectrica.

According to the specific conditions of Hidroelectrica S.A.’s license for the commercial exploitation of the electricity generation units approved under ANRE Decision no. 1321/2020, the electric installed power of the commercially exploited energy generation units of Hidroelectrica is of 6,280,672 MW²

Hidroelectrica S.A. operates its business based on the licenses granted by ANRE, namely:

- License No. 332 / 2001 for the commercial exploitation of electricity production capacities, as latest updated by ANRE Decision no. 761 / 2020, valid until 24.07.2026.
- The newly issued License No. 2215 / 2020 for the supply of electricity by way of ANRE Decision no. 718 / 2020, valid until 01.06.2030.

The Fund is not aware of any significant new products and / or services launched on the market by Hidroelectrica S.A. or about the development of such new products or services or about their stage of development. Also, based on the publicly available information, the Fund cannot assess the extent to which Hidroelectrica S.A. is dependent on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes.

Important aspects in the development of Hidroelectrica S.A.’s business

Hidroelectrica S.A., together with other companies operating in the energy sector, was established further to a progressive restructuring of the autonomous administrations and of the companies operating on the Romanian electricity market as vertically integrated monopolies.

Before 1990, the Romanian energy industry was operated by means of a state monopoly or controlled monopoly under the supervision of the Ministry of Industry.

Government Decision no. 1199/1990 applied the first measure to restructure the sector by setting up the autonomous company in the electricity field "RENEL". Its main scope of activity was defined as the production, transmission and distribution of electricity, the production and transmission of thermal energy, the maintenance and repair of energy systems, the development of the national energy system and the import and export of electricity.

Until 1998, the Romanian energy industry was represented by RENEL's activity, which operated as an integrated state monopoly organization.

² According to Hidroelectrica 2020 Directorate Report, a number of 187 energy generation units with a power of 6,372.172 MW were being operated in Hidroelectrica installations as at 31 December 2020.

The Romanian Government's privatization strategy for 1998 regarded the reorganization of the energy and thermal industry, through RENEL restructuring, as a first step in structuring the energy industry on a commercial basis through the separation of the main sectoral activities.

Therefore, in 1998, RENEL was reorganized into three companies, which led, among other things, to the establishment of the National Electricity Company - CONEL, a state-owned joint stock company, responsible for the production, transmission, distribution of electricity, the generation and sale of thermal energy, the operation and development of the national energy system.

CONEL was established as a holding entity, being the sole shareholder in three subsidiaries whose scope of activity was correlated with the main activities in the electricity and heat sector, i.e. Hidroelectrica S.A. for hydro-generated electricity, Termoelectrica S.A. for thermally generated energy and heat and Electrica S.A. for the distribution activity, while CONEL performed the transport and dispatch activities.

Subsequently, the restructuring program in the electricity and heat sector continued, the second step in the reorganization of the industry being the reorganization of CONEL, under Government Decision no. 627/2000, according to which CONEL was changed into four companies, as follows:

- Transelectrica S.A. - as a transmission and system operator of the National Electricity Transmission System and a business operator of the wholesale electricity market (through its wholly owned subsidiary OPCOM S.A.);
- Termoelectrica S.A. - as a producer and supplier of thermally generated electricity, heat generator, distributor and supplier;
- Hidroelectrica S.A. - as a producer and supplier of hydro-generated electricity; and
- Electrica S.A.– as an electricity distributor and supplier.

Thus, Hidroelectrica S.A. was established as a joint stock company (its constitutive acts being attached to Government Decision no. 627/2000), wholly owned by the Romanian state, which exercises its rights and obligations as a sole shareholder through the Ministry of Industry and Trade.

The Government's strategy regarding the electricity sector continued, and the proposed corporate decentralization was implemented through the creation, under Government Decision no. 857/2002, of a holding organization through the establishment of territorial branches. Thus, Hidroelectrica S.A. was restructured through the establishment of eight maintenance and repair companies with legal personality, Hidroelectrica S.A. being the sole shareholder in all these companies.

The main purpose of business of the eight companies was the provision of repair services and other services by way of business activities, under the conditions provided by law. They could also carry out other related activities to support the main object of activity, according to the legislation in force and their own bylaws, which are attached to Government Decision no. 857/2002.

On 20 June 2012, Hidroelectrica S.A. went into insolvency to reorganize its business. The report prepared by the judicial administrator identified nine main causes that distorted the company's financial indicators and led to the declaration of insolvency: high investments with a low energy component; disadvantageous contracts for the purchase of electricity concluded with other producers; losses from the sale of energy on the regulated market; very high costs for the maintenance and repair of hydropower equipment; very high labor costs resulting from the application of the collective bargaining agreement; a fourfold increase in the price of industrial water; declining revenues due to drought and poor management.

After almost 5 years, during which the company went through an extensive restructuring process, an attempt was made to renegotiate the business contracts, reorganize expenses and the staff structure, additional revenues were generated from sales made on the markets managed by OPCOM, the insolvency procedure against Hidroelectrica S.A. ended in March 2017.

In 2017, Hidroelectrica S.A. recorded the highest net profit to that date.

Between 2019 and 2020, Hidroelectrica S.A. had to manage the impact of several events that exceeded the standard of foreseeable continuity of Hidroelectrica S.A.'s business, such as a number of legislative changes with negative impact which, for a limited period of time, imposed the obligation to sell part of its electricity through regulated contracts and the COVID-19 pandemic, with major effects on numerous business sectors. The crisis generated by the COVID-19 pandemic meant additional costs incurred by Hidroelectrica S.A. and the need for a

rapid mobilization to ensure continuity in electricity production, its effects on Hidroelectrica S.A. being, according to the Hidroelectrica 2020 Directorate Report, as a whole, relatively limited.

For Hidroelectrica, year 2020 also meant the approval of an updated investment strategy of Hidroelectrica S.A. for the period 2020 - 2025 (according to EGMS resolution no. 8 / 15.06.2020) and the capitalization of the opportunities occurring in the market for the expansion of the electricity supply operations, so that, at the end of the year, Hidroelectrica S.A. won the competitive process for the acquisition of a wind farm with an installed capacity of 108 MW owned by Steag GmbH in Romania, Constanța County. Last but not least, the same year was also marked by the continuation of the actions for listing Hidroelectrica S.A. through the selection of a legal advisor for IPO - Dentons Europe SPARL and the consultant for stock exchange listing - STJ Advisors Group Limited – a process that has been suspended as at the date of this Prospectus due to legislative measures regarding the protection of national interests in economic activities.

General aspects regarding the electricity sector in Romania

The electricity sector in Romania is governed mainly by Law no. 123/2012 on electricity and natural gas (“**Law 123/2012**”). The activity in the electricity sector is regulated and supervised by ANRE, which is established as an autonomous administrative authority by Government Emergency Ordinance no. 33/2007, as subsequently amended and supplemented, and which has, among others, the following responsibilities:

- supervises the observance by the economic operators in the electricity sector of the regulations, obligations provided by the national and EU legislation, of the system of prices and tariffs in force and applies effective, proportional sanctions and with a deterrent effect in case of non-compliance;
- approves the regulations regarding the granting of authorizations and licenses in the electricity sector and establishes the related conditions of validity for the authorizations and licenses granted;
- elaborates and approves the methodologies for calculating the regulated tariffs and prices in the energy sector;
- establishes, in accordance with the law, the framework contracts for the supply and the sale-purchase of electricity on the regulated market, the framework contracts for the transmission, system service and distribution of electricity.

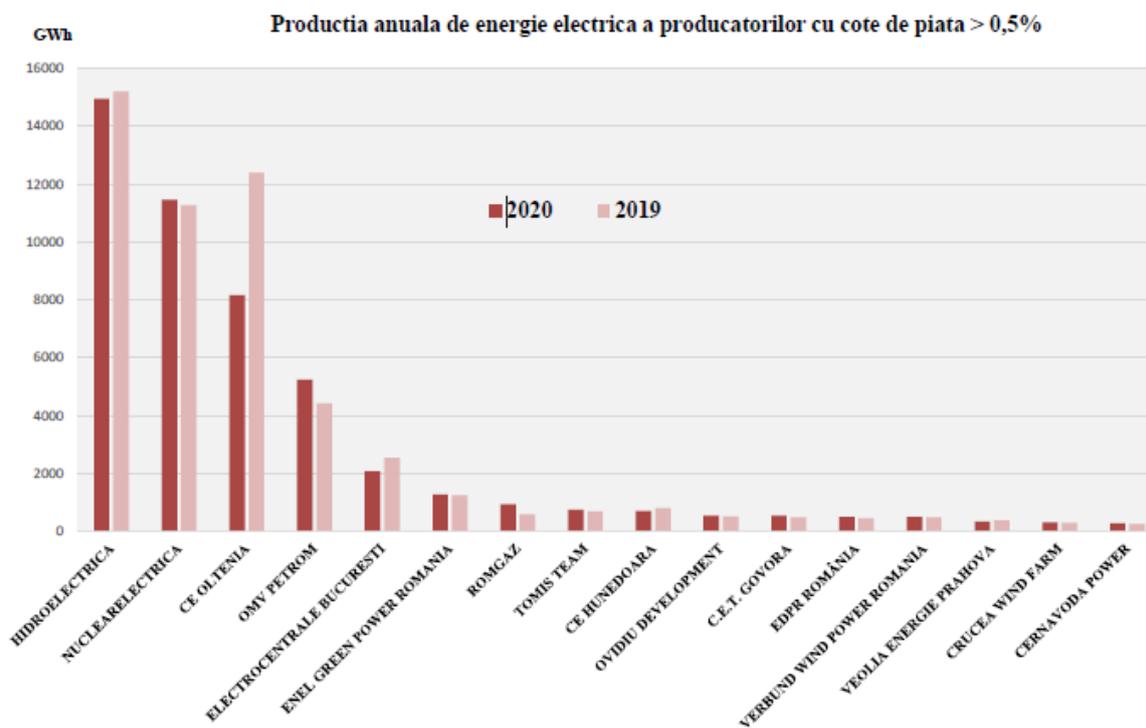
According to the latest annual ANRE report related to the year 2020³, the data collected monthly from the 123 active monitored electricity producers shows that in 2020, the dispatchable units produced an amount of electricity of 53.74 TWh, down by 5.8% compared to the one produced in 2019. Also, the electricity delivered in the networks was of about 50.79 TWh, lower by almost 2.89 TWh compared to the one delivered in the previous year by the same dispatchable producers, mainly caused by the over 30% decrease (approx. 3.8 TWh) of the coal based production compared to 2019.

According to the same source, the 3 electricity producers that have annually dominated the energy generation sector are Hidroelectrica, Nuclearelectrica and Complexul Energetic Oltenia, which provided together over 64% of the electricity produced in dispatchable units in 2020.

Moreover, Hidroelectrica S.A. sold the largest quantities of electricity on the regulated market between 1 January and 30 June 2020, i.e., 1,839,325.067 MWh, followed by Nuclearelectrica SA with 1,086,596.545 MWh. Between 1 July and 31 December 2020, Hidroelectrica S.A. sold 1,315,119.450 MWh, being overtaken during this period by Complexul Energetic Oltenia SA, which sold 1,392,651.051 MWh.

Annual production of electricity of producers with market shares > 0.5%

³ <https://www.anre.ro/download.php?f=fqh8haU%3D&t=vdeyut7dlcecrLbbvbY%3D>



Source: ANRE Report for year 2020

The revenue and expenditure budget of Hidroelectrica S.A. for 2021 approved by Government Decision no. 476/2021 approving the budget of income and expenditure of Hidroelectrica S.A. for 2021 (“**GD 476/2021**”) was made based on an assumption of a production forecast of 14,594,000 MWh, characteristic for one average year estimated from a hydrological point of view, taking into account the hydrology related to the two years preceding its approval.⁴

Electricity sale-purchase contracts

According to the Hidroelectrica 2019 Financial Statements, in the normal course of business, Hidroelectrica S.A. enters into contracts for the sale and purchase of electricity on centralized markets managed by the Romanian electricity and gas market operator (“**OPCOM**”):

- spot contracts: transactions on the day-ahead and intra-day market;
- regulated contracts with on term delivery;
- unregulated contracts with on term delivery: bilateral contracts concluded on the Centralized market for bilateral electricity contracts (“**PCCB**”) and bilateral contracts concluded on the Centralized market with double continuous negotiation (“**OTC**”); and
- spot transactions on the balancing market, settled through Compania Nationala de Transport al Energiei Electrice Transelectrica S.A., the transmission and system services operator.

Regulated sale of electricity

According to Law no. 123/2012, the electricity producers had the obligation to deliver to the suppliers of last resort, until 31 December 2020, the electricity necessary to ensure the consumption of household customers for which regulated tariffs are applied, in accordance with the regulations issued by ANRE.

⁴ Explanatory Memorandum to the Government Decision no. 199/2020 on the approval of the revenue and expenditure budget for 2020 of the Company for Electricity Production in Hydroelectric Plants Hidroelectrica S.A., under the authority of the Ministry of Energy at https://gov.ro/fisiere/subpagini_fisiere/NF_HG_476-2021.pdf

ANRE is the competent authority that establishes the regulated sale-purchase prices of electricity and the quantities of electricity under regulated contracts concluded by producers with suppliers of last resort.

Based on GEO no. 114/2018, ANRE Order no. 10/2019 and ANRE Order no. 216/2019 approving the methodology for setting the prices for electricity sold by producers on the basis of regulated contracts and the quantities of electricity from regulated contracts concluded by producers with suppliers of last resort and for setting out the maximum quantities of electricity that can be imposed as sales obligations on the basis of regulated contracts, as amended and completed (“**ANRE Order 216/2019**”), Hidroelectrica S.A. delivered electricity to electricity suppliers of last resort at a regulated price during the period comprised between 1 March 2019 and 31 December 2020. The energy supply price and the supplied quantity are determined by ANRE, according to its own methodology. According to the explanatory memorandum to the Government Decision no. 199/2020 under which the income and expenditure budget of Hidroelectrica SA for 2020 was approved, the level of income of Hidroelectrica in 2020 was mainly influenced by the application of the provisions of ANRE Order no. 216/2019, as well as of ANRE Decision no. 2215/2019 and of ANRE Decision no. 2216/2019⁵.

Hidroelectrica S.A.’s main activities

Main markets on which Hidroelectrica S.A. operates

Wholesale electricity market

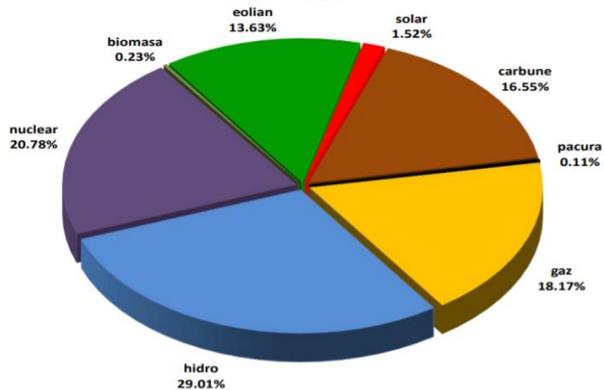
According to the ANRE report on the results of the electricity market monitoring in December 2020, Hidroelectrica S.A. is the only producer of electricity from a hydroelectric source that operates dispatchable production units.

The monitored holders of an electricity production license are the producers who own dispatchable units regulated under Order no. 61/2020 for the approval of the Regulation on the programming of dispatchable production units, dispatchable consumers and dispatchable storage facilities, of the Regulation on the operation and settlement of the balancing market and of the Regulation on the calculation and settlement of imbalances of the parties responsible for balancing.

Production structure of the national energy system by types of resources

⁵ Explanatory Memorandum to the Government Decision no. 199/2020 on the approval of the revenue and expenditure budget for 2020 of Hidroelectrica S.A., under the authority of the Ministry of Economy, Energy and Business Environment - https://gov.ro/fisiere/subpagini_fisiere/NF_HG_199-2020.pdf

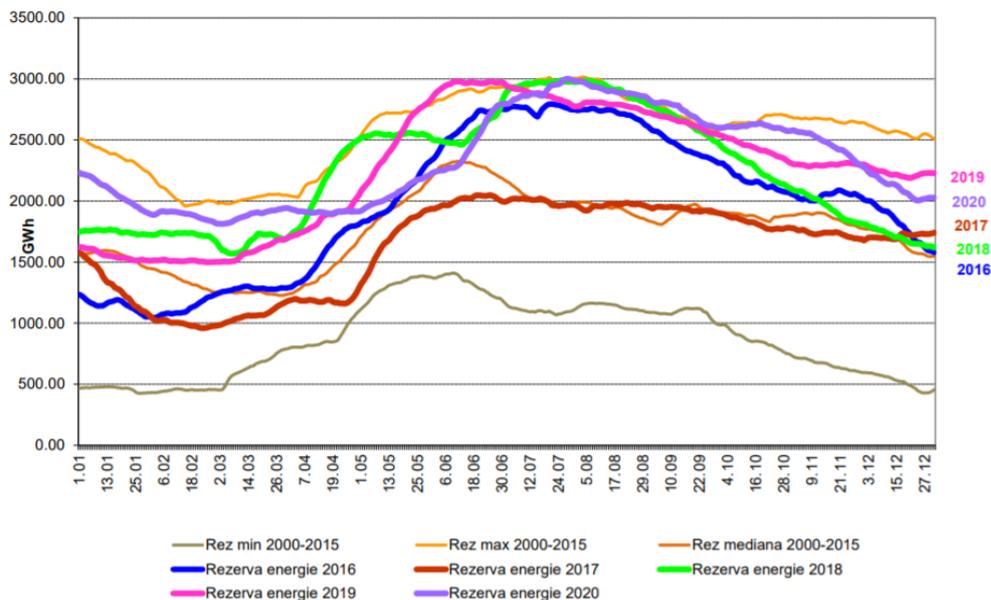
Structura pe tipuri de resurse a energiei electrice livrate in retele de producatorii cu unitati dispecerizabile - 2020-



Source: ANRE REPORT ON THE RESULTS OF MONITORING THE ELECTRICITY MARKET IN DECEMBER 2020

The generation of electricity from a hydro resource is dependent on the energy reserve in the main reservoir lakes, but it also influences it. The evolution of its daily level in 2020, compared to the daily values recorded over the last 4 years and to the minimum, maximum and average value recorded for each day between 2000 and 2015, is presented in the following graph:

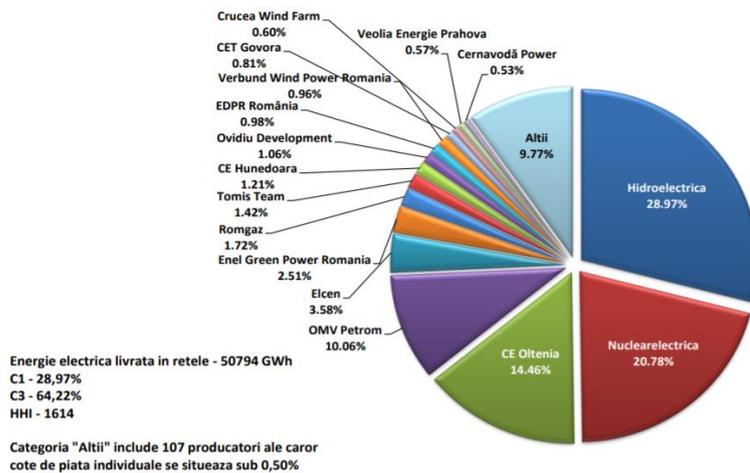
Comparative evolution over a year of the daily energy reserve in the main reservoir lakes



Source: ANRE REPORT REGARDING THE RESULTS OF MONITORING THE ELECTRICITY MARKET IN DECEMBER 2020

The following graph shows the market shares of electricity producers, owners of dispatchable production units, realized on all the wholesale electricity market components, established according to the electricity delivered in the networks.

Market shares of producers with dispatchable units according to the energy delivered in networks in 2020



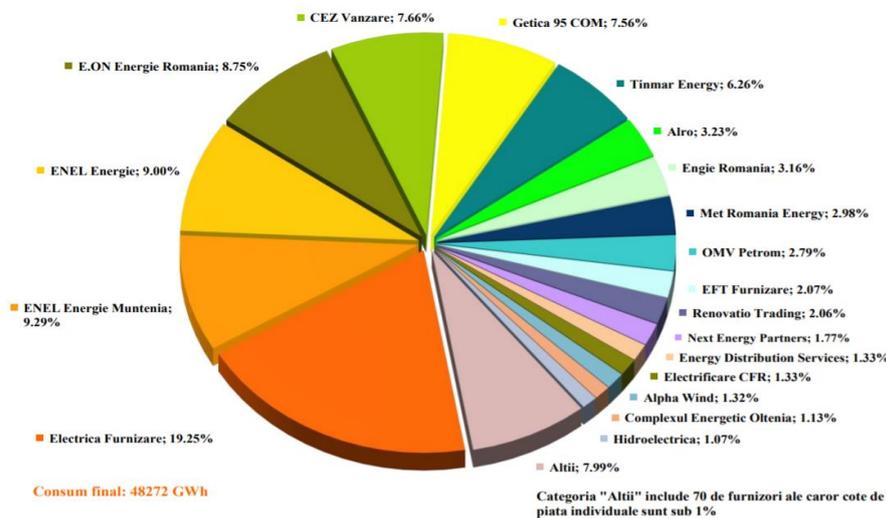
Source: ANRE REPORT REGARDING THE RESULTS OF MONITORING THE ELECTRICITY MARKET IN DECEMBER 2020

Retail electricity market

The following graphs show the market shares of the electricity suppliers on the retail market, determined:

- for all monitored license holders, suppliers and producers operating on the retail electricity market, including suppliers of last resort, based on the energy supplied to regulated final customers, universal service, last resort and inactive customers, as well as the energy supplied to customers who have changed their supplier or negotiated their contract.

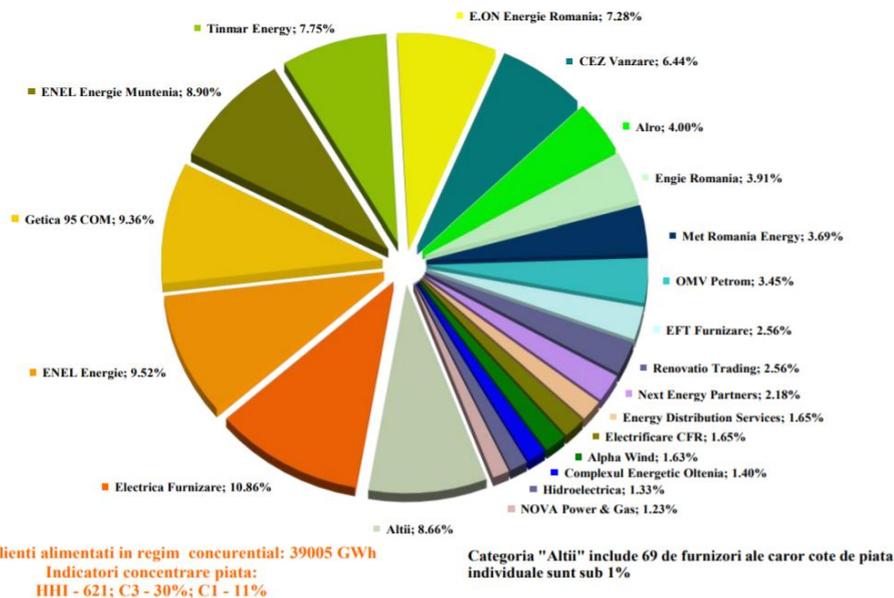
Market shares of electricity suppliers for final customers in 2020



Source: ANRE REPORT REGARDING THE RESULTS OF THE ELECTRICITY MARKET MONITORING IN DECEMBER 2020

- for all monitored license holders, suppliers and producers operating on the competitive retail market segment, including suppliers of last resort - depending on the electricity supplied to customers who have changed their supplier or negotiated their contract.

Suppliers' market shares on the competitive market in 2020



Source: ANRE REPORT REGARDING THE RESULTS OF THE ELECTRICITY MARKET MONITORING IN DECEMBER 2020

Hidroelectrica S.A. and the electricity market

According to information published on the company's website⁶, Hidroelectrica S.A. is currently the main producer of electricity in Romania, as well as the main provider of system technological services.

With a production of over 17 TWh in an average hydrological year generated in branches across the country, Hidroelectrica S.A. provides approx. 30% of the total production of the country, depending on the hydraulicity of the year, while the average volume of system services provided over the last 10 years out of the total required volume of the National Energy System was approx. 70% of the total secondary adjustment service, approx. 84% of the rapid tertiary reserve service and 100% of the reactive energy insurance service debited or absorbed from the network in the secondary voltage adjustment band.

Electricity production market

According to the Hidroelectrica 2020 Consolidated Financial Statements, during 2020, Hidroelectrica S.A. produced 14,966 GWh (2019: 15,205 GWh) and sold a quantity of 15,963 GWh (2019: 15,879 GWh). According to the Hidroelectrica 2020 Directorate Report, the electricity produced by Hidroelectrica S.A. represented 26.65% of the total production of the country. The quota of production realized by Hidroelectrica S.A. compared to the total production of the National Energy System was between 36.8% (June) and 20% (October). According to the same report, the production achieved in 2020 in the hydroelectric power plants under its administration was 1.57% (239 GWh) lower than the production in 2019.

Hidroelectrica 2019 Financial Statements and Hidroelectrica 2019 Directorate Report reveal the following comparable data for 2019. During 2019, Hidroelectrica S.A. produced 15,205 GWh (2018: 17,232 GWh) and sold a quantity of 15,879 GWh (2018: 17,861 GWh). This data is also confirmed by the ANRE National Report on 2019⁷. According to the Hidroelectrica 2019 Directorate Report, the electricity produced by Hidroelectrica S.A. represented 25.54% of the country's overall production (26.65% according to the ANRE National Report for

⁶ <https://www.hidroelectrica.ro/article/7>

⁷ Annual Reports (anre.ro);

2019⁸). The quota of production achieved by Hidroelectrica S.A. compared to the total production of the National Energy System was between 50.6% (June) (48% according to the ANRE Report on 2019) and 16.98% (October) while the production achieved in 2019 in hydroelectric power plants under its management was by 11.76% (2,027 GWh) lower than the 2018 production.

According to ANRE Annual Report for 2020, the main producers of electricity from renewable sources in terms of market share have generally maintained their position in the hierarchy, the value of market shares varying insignificantly compared to 2019.

According to ANRE Annual Report for 2019⁹, Hidroelectrica S.A. maintained the largest market share in terms of electricity produced in 2019, i.e. 26.65%, with a quantity of 15.21 TWh, lower by almost 12% compared to 2018, but higher by over 8% compared to the same indicator calculated for 2017. The decreasing percentages compared to 2018 and increasing percentages compared to 2017 also remain unchanged for the electricity delivered in networks by Hidroelectrica S.A. The tables below reflect the situation of the main dispatchable producers in 2019, 2018 and 2017 according to ANRE's latest annual reports, publicly available as at 30 July 2021. According to ANRE Annual Report for 2018¹⁰, in 2018, both in terms of electricity produced and electricity delivered in networks, Hidroelectrica S.A. had the largest market share (27.8% for energy produced and 29.02% for electricity delivered to the grid). Hidroelectrica S.A. produced over 17.2 TWh in hydropower plants out of a total of 61.97 TWh of electricity produced by dispatchable producers.

Top 5 dispatchable producers according to the electricity produced in their own power plants, in 2019, compared to 2018

Dispatchable Producer	Electricity produced in 2019 (GWh)	Electricity produced in 2018 (GWh)	Evolution 2019/2018 (%)
Hidroelectrica SA	15,205	17,232	▼ 11.8
Complexul Energetic Oltenia SA	12,401	14,143	▼ 12.3
SN Nuclearelectrica SA	11,280	11,377	▼ 0.9
OMV Petrom SA	4,425	4,848	▼ 8.70
Electrocentrale București SA	2,545	2,592	▼ 1.8

Source: Excerpt from ANRE Annual Report for 2019 available at:

<https://www.anre.ro/download.php?f=fqeAiaI%3D&t=vdeyut7dlcecrLbbvY%3D>

Top 5 dispatchable producers according to the electricity produced in their own power plants, in 2018, compared to 2017

Dispatchable Producer	Electricity produced in 2018 (GWh)	Electricity produced in 2017 (GWh)	Evolution 2018/2017 (%)
Hidroelectrica SA	17,232	14,039	▲ 22.7
Complexul Energetic Oltenia SA	14,143	14,933	▼ 5.3
SN Nuclearelectrica SA	11,280	11,377	▼ 0.9
OMV Petrom SA	4,848	3,645	▲ 33.0
Electrocentrale București SA	2,592	2,841	▼ 8.8

Source: Excerpt from ANRE Annual Report for 2019 available at:

⁸ Annual Reports (anre.ro); (page 88 of the ANRE Report for 2019);

⁹ <https://www.anre.ro/download.php?f=fqeAiaI%3D&t=vdeyut7dlcecrLbbvY%3D>

¹⁰ <https://www.anre.ro/download.php?f=hq2Eig%3D%3D&t=vdeyut7dlcecrLbbvY%3D>

<https://www.anre.ro/download.php?f=hq2Eig%3D%3D&t=vdeyut7dlcecrLbbvY%3D>

The market of system technological services

According to the information published on its website¹¹, Hidroelectrica S.A. is the largest system services provider in Romania and, according to the annual reports cited below, it is one of the main factors that contributes to ensuring the operating stability of the National Energy System. The relevant data is shown below.

According to Hidroelectrica 2020 Directorate Report, Hidroelectrica S.A. provided 56.55% of the required secondary adjustment reserve, 72.16% of the required UP rapid tertiary reserve, 64.77% of the required DOWN rapid tertiary reserve, 100% of the service providing reactive energy debited or absorbed from the network in the secondary voltage regulation band, representing one of the main factors which ensures the stability of the National Energy System. According to ANRE Annual Report for 2020, as in previous years, the acquisition from Hidroelectrica for the secondary frequency-power adjustment reserve (RS) (56.7%) and the one corresponding to the rapid tertiary regulation (RTR) (71, 4%) were prevailing. Hidroelectrica contributed the largest amounts of reserves (with over 4.28 TWh on RTR and about 2.15 TWh on RS). On the balancing market (PE), Hidroelectrica was one of the participants with annual market shares of over 20% (for growth and reduction on rapid secondary and tertiary adjustment). Hidroelectrica is a dominant participant (market share > 50%) on the secondary adjustment for growth (56%) and reduction (57%) and on rapid tertiary for reduction (51%).

According to Hidroelectrica 2019 Directorate Report, Hidroelectrica S.A. is the largest provider of system services in Romania. In 2019, Hidroelectrica SA provided 70.97% of the required secondary adjustment reserve, 82.94% of the required rapid tertiary reserve, 100% of the service providing reactive energy debited or absorbed from the network in the secondary voltage regulation band, ensuring the stability of the National Energy System.

According to Hidroelectrica 2018¹² Directorate Report, in 2018 Hidroelectrica SA provided: 76.22% of the secondary adjustment reserve, 82.89% of the rapid tertiary reserve and 100% of the service providing reactive energy debited or absorbed from the network in the secondary voltage regulation band.

Acquisitions on the electricity market

Hidroelectrica S.A. purchases electricity on the centralized markets managed by OPCOM. These acquisitions (made in a transparent and competitive way) allow for the optimization of the production portfolio and meet the financial objectives assumed by the company.

Sale of electricity on the retail market (electricity supply market)

The sale of electricity to end customers on the retail market is carried out within the Supply Service of Hidroelectrica SA. Specific activities are carried out, such as market prospecting, identification of ways to sell electricity and performance of activities on the retail market according to all ANRE regulations. In addition to the sale of electricity, activities related to the production license are also carried out, such as reporting of technological processes, sale of green certificates on the OPCOM platform, reporting and management of electricity exchanges with Transelectrica S.A. and distribution operators.

According to Hidroelectrica 2020 Directorate Report, in 2020 Hidroelectrica S.A. delivered a quantity of electricity of 620 GWh on this segment in Romania.

According to Hidroelectrica 2019 Directorate Report, in 2019 Hidroelectrica S.A. performed electricity supply contracts that resulted in a quantity of sold electricity of 681,381 MWh., respectively an increase of over 70% compared to the previous year, exceeding the 1% threshold of the market share on this segment in Romania. According to the same source, the amount of electricity supplied by Hidroelectrica S.A. in 2018 was 389,500 MWh.

The Regulated Market

GEO 114/2018 amending, inter alia, Law 123/2012, introduced the electricity producers' obligation to sell the amount of electricity required to ensure the consumption of household customers to suppliers of last resort, at

¹¹ <https://www.hidroelectrica.ro/article/20>

¹² https://cdn.hidroelectrica.ro/cdn/rapoarte_anuale/Raport_anual_2018_RO.pdf

regulated prices, until 31 December 2020 (date established under GEO 1/2020).

In May 2020, the Romanian Government amended Energy Law no. 123/2012 under GEO no. 74/2020. This emergency ordinance maintains the regulated market until 31 December 2020 and sets forth that the obligation to deliver to the suppliers of last resort the electricity necessary to ensure the consumption of household customers for whom regulated tariffs apply until 31 December 2020, shall apply to the producers who operate dispatchable production units, except for production units benefiting from support schemes, in ascending order of prices set by the competent authority, for the entire amount of electricity necessary for household consumers to which regulated tariffs apply, so that the regulated tariffs should not exceed the levels established at the time the GEO no. 74/2020 entered into force.

As of 1 January 2021, the electricity market has been fully liberalized, and electricity is currently supplied in a competitive regime, also to the category of household consumers who benefited from regulated tariffs between 1 July and 31 December 2020. Therefore, the prices for energy supply to household consumers are no longer set by ANRE, they are freely established on a supply and demand basis. Through the complete liberalization of the market as from 1 January 2021, Romania fully complies with the European legislation, i.e. Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity ("**Regulation 2019/943**"), which provides that "prices are set according to supply and demand" (for more details, see Section 8 - Regulatory framework, Subsection 2.1 - regulated market) below.

According to ANRE Decision no. 2215/2019, for the first semester of 2020, Hidroelectrica S.A. had to deliver an electricity quantity of 1.8 TWh at the regulated price of RON 102.5/MWh. Under the conditions and terms provided by the Methodology setting out the regulated tariffs and prices applied by suppliers of last resort to final customers in the period 1 July - 31 December 2020, approved under ANRE Order no. 88/2020 and according to ANRE Decision 2216/2019 and ANRE Decision 1075/2020, between 1 July and 31 December 2020, Hidroelectrica S.A. had to supply an electricity quantity of 1,315,119.450 MWh under regulated contracts at a regulated price of RON 115.99/MWh¹³.

Evolution of quantities sold on the regulated market between 2018 and 2020

Indicator	2020	2019	2018
Energy sold by Hidroelectrica (GWh)	3.154	1.637	-
Quota of Hidroelectrica's production sold on the regulated market	19.76	11.07	-
Hidroelectrica's total quota on the regulated market	44.94	37.91	-

Source: Report of Hidroelectrica's Supervisory Board 2020

Green certificates

According to the Hidroelectrica 2020 Directorate Report, in 2020 a number of 17 plants were accredited (including those postponed from accreditation) in order to benefit from green certificates. Basically, 10 power plants benefited from green certificates (Zervești for 11 months, Bistrița Prislop, Godeanu2, HPP Vălenii de Munte, MHC Vălenii de Munte, Zăbala 4A, Fughiu, Obrejii de Căpâlna, Cugir, CHEMP Râul Alb). A number of 7 power plants had their accreditation suspended in 2020 (Vicov, Cernavoda, Chiojd 2, Greșu, Boia1, Leșu, Vulcan2), such being unavailable.

According to the same report, in the 2020 reporting year, Hidroelectrica received a number of 84,068 green certificates for the energy produced and delivered in 2020 by the accredited plants (the energy that benefited from green certificates was of 30,185.929 MWh) and 19,728 green certificates were returned (of those deferred since 2013). Hidroelectrica benefited from a number of 103,796 green certificates for trading to cover the mandatory quota of green certificates corresponding to the sale of energy to the final customer, amounting to RON 3,674,310.

According to the Hidroelectrica 2019 Directorate Report¹⁴, the monthly documentation regarding the procurement of green certificates was prepared and sent to Transelectrica S.A. by its accredited hydropower plants:

Year	Estimated certificates	Certificates for trading	Deferred certificates
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¹⁴ https://cdn.hidroelectrica.ro/cdn/aga/2020/raport_directorat_31,12,2019.pdf

In addition, 1,644 green certificates were approved by Transelectrica S.A. for monthly trading (19,728 green certificates for 2019) representing deferred green certificates starting July 2013.

According to Hidroelectrica S.A.'s report for 2018¹⁵, in 2018 Hidroelectrica S.A. had a total of 17 accredited plants (including those whose accreditation had been postponed) in order to receive green certificates. Of these, 10 power plants benefited from green certificates: Zervesti, Bistrita Prislop, Godeanu2, Valenii de Munte, Valenii de Munte, Zabala 4A, Fughiu, Obreii de Capalna, Cugir, Raul Crisul Alb) and 7 power plants - Vicov, Cernavoda, Chiojd 2, Gresu, Boial, Lesu, Vulcan 2 had their accreditation suspended, being unavailable in 2018.

In 2018, Hidroelectrica S.A. received a number of 123,258 green certificates for the energy produced and delivered by the accredited power plants, and a number of 19,728 certificates (from among those deferred in 2013) were returned. Basically, in 2018, Hidroelectrica S.A. had 142,986 green certificates available for trading. The energy that benefited from green certificates in 2018 was of 43,783.965 MWh.

Electricity sale-purchase contracts

According to Hidroelectrica 2020 Consolidated Financial Statements, in the normal course of its business, Hidroelectrica S.A. concludes contracts for the sale and purchase of electricity on the centralized markets managed by OPCOM S.A., the Romanian operator of the electricity and natural gas market:

- spot contracts: transactions on the next day market (PZU) and on the intra-day market;
- regulated contracts with on-time delivery;
- unregulated contracts with on time delivery: bilateral contracts concluded on the centralized market (PCCB) and bilateral contracts concluded on the centralized market with double continuous negotiation (OTC); and
- spot transactions on the balancing market, settled through Transelectrica S.A., the transmission and system services operator.

Structure of sales on the electricity markets in 2020 and 2019

Sales by type	2020				2019			
	Quantity (MWh)	% of total sales	Average price with TG (RON/MWh)	Income from sales with TG included (RON)	Quantity (MWh)	% of total sales	Average price with TG (RON/MWh)	Income from sales with TG included (RON)
Sales on the regulated market +TG	3,154,445	19.75	109.45	345,245,875	1,636,532	10.3	112.7	184,584,399
Sales under forward contracts (PCCB-LE, PCCB-NC, PCSU, PC-OTC)	9,924,505	62.15	233.18	2,314,172,798	10,301,744	64.9	223.4	2,301,842,713
Sales on PZU	1,765,206	11.05	222.33	392,450,340	2,625,440	16.5	258.5	678,891,547
Intraday sales	983	0.01	418.81	411,736	2,299	0.01	255.8	588,219
Balancing sales + imbalances	498,086	3.12	413.59	206,005,405	631,607	3.9	487.1	307,679,273
Supply	619,830	3.92	261.71	162,215,709	681,381	4.1	245.6	167,401,561
TOTAL sales	15,963,054	-	214.28	3,420,501,863	15,879,001	-	229.3	3,640,987,713
TOTAL sales STS (hMW)	6,437,217	-	-	336,063,263	7,447,063	-	-	445,711,327

Source: Hidroelectrica 2020 Supervisory Board Report; Hidroelectrica 2019 Supervisory Board Report

¹⁵ https://cdn.hidroelectrica.ro/cdn/rapoarte_anuale/Raport_anual_2018_RO.pdf

Sales structure on electricity markets in 2018

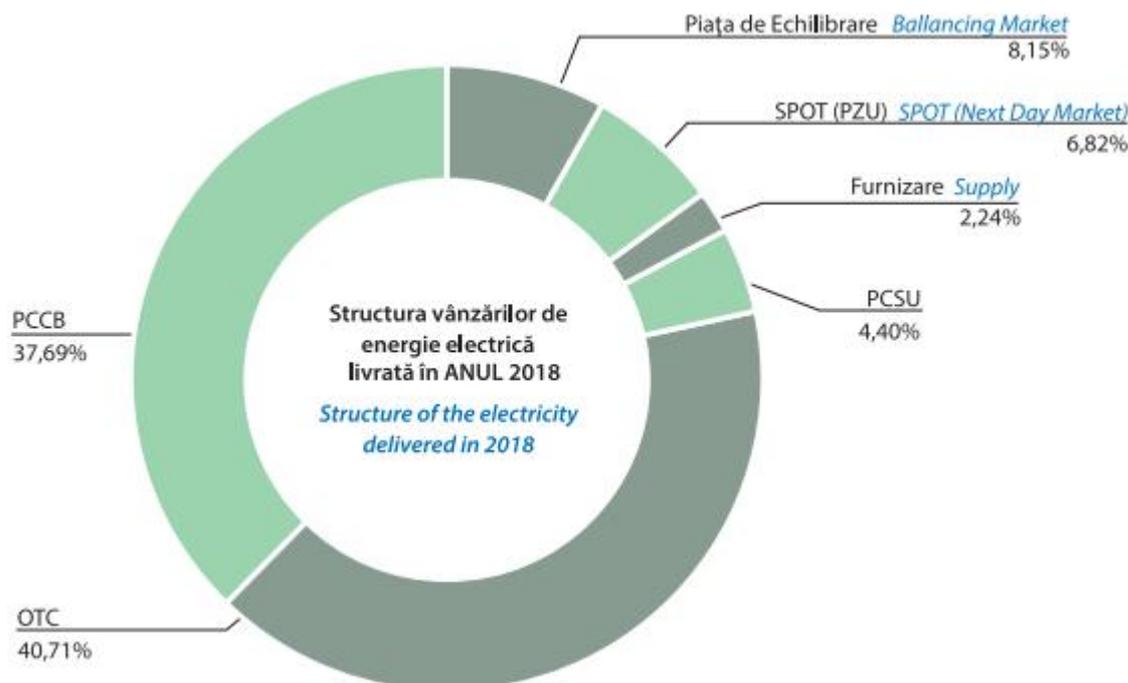
Compared to the types of markets on which electricity was traded during 01.01.2018-31.12.2018, the sales structure is as follows:

Market	2018	
	Quantity (MWh)	Value (Lei)
OTC	7,273,010.000	1,464,105,058.35
PCCB-LE	5,332,495.000	981,703,264.02
PCCB-NC	1,401,084.110	278,721,739.28
Regulated	0.000	0.00
PCSU (centralized market for universal service)	785,245.000	182,406,936.50
BALANCING AND POSITIVE IMBALANCES	1,456,718.186	516,677,552.27
NEXT DAY MARKET	1,218,406.100	270,360,871.89
INTRADAY	741.500	184,091.50
SUPPLY	399,417.860	68,530,000.00
TOTAL	17,867,117.756	3,762,689,513.81

Source: Hidroelectrica 2018 Annual Report

At the date of this Prospectus, Fondul Proprietatea is not aware of any other information on the breakdown of Hidroelectrica S.A.'s total revenues by activity segments, the only financial information available being that from Hidroelectrica 2018 Financial Statements, Hidroelectrica 2019 Financial Statements, Hidroelectrica 2020 Individual Financial Statements and Hidroelectrica 2020 Consolidated Financial Statements.

During 2018, 85% of the energy delivered between 01.01.2018 and 31.12.2018 by Hidroelectrica S.A. was on the competitive market under forward contracts (PCCB-LE, PCCB-NC, OTC, PCSU and end users), while 15% was delivered in Spot (PZU), Intra-day (PI), on the balancing market, as shown below:



Source: Hidroelectrica S.A. 2018 Annual Report

The information above is mainly based on publicly available data provided by ANRE as a regulatory authority or by Hidroelectrica S.A. Apart from the ANRE reports and public information provided by Hidroelectrica S.A., the Fund has not examined any documents to verify the above information and the Fund is not in a position to confirm the above or to express a separate opinion regarding Hidroelectrica S.A.'s position on market.

Hidroelectrica S.A.'s strategy and objectives

According to Hidroelectrica S.A.'s Management Plan for the period 2019-2023, Hidroelectrica's main objectives that support the increase of the company's value are:

- cost base optimization and operational optimization
- optimization of the production capacities operation
- realization of profitable investments
- regional expansion
- company's listing on the stock exchange.

Hidroelectrica's investment strategy

According to EGMS resolution no. 8 / 15.06.2020, Hidroelectrica S.A.'s shareholders approved the updated investment strategy of Hidroelectrica S.A. for the period 2020 – 2025 (“**Hidroelectrica Investment Strategy**”). According to this document, by implementing the investment strategy, Hidroelectrica aims to:

- **consolidate its leading position on the Romanian energy market.** By securing its portfolio objectives through investments, it will lay a solid foundation for the company's success and will create the premises for sustainable development, including for a potential regional expansion;
- **develop its current production and sales business.** Hidroelectrica aims to increase its own capacity for electricity production, mainly by developing the national hydropower potential. The opportunities offered by pumped electricity storage projects are also analyzed. In addition, the company is also looking to other sections of the energy value chain, especially towards supply / distribution;
- **diversify the production portfolio** by developing new energy generating units based on other renewable energy sources: onshore and offshore wind, photovoltaics, biomass, hydrogen-based energy production;
- **diversify its business to activities related to the main object of activity** (eg. e-Mobility);
- **optimize its operation** by implementing the latest and most modern technologies, to carry out research and development activities.

Regarding Hidroelectrica S.A.'s intention to pursue other areas of the energy value chain, namely the supply of electricity, according to Hidroelectrica 2020 Directorate Report, by decision no. 69 / 28.10.2020, the Supervisory Board of Hidroelectrica approved the strategy for the development of Hidroelectrica's supply activity during 2021-2025, which, however, is not public at the date of this Prospectus.

Proceedings in view of initial public offering (IPO) and listing of Hidroelectrica S.A.

Listing Hidroelectrica S.A. is one of the objectives of Hidroelectrica S.A. established in the Management Plan of Hidroelectrica S.A. for the period 2019-2023 and the corresponding initial public offering is one of the means for financing the investment projects provided in Hidroelectrica's Investment Strategy.

The decision to list 10% of the shares of Hidroelectrica S.A. was taken by Government Decision no. 1066 / 2013 for the approval of the privatization strategy of Hidroelectrica S.A., as subsequently amended by Government Decision no. 897/2017 (“**GD 1066/2013**”).

On 6 May 2020, Hidroelectrica S.A. signed the contract having as object the acquisition of “*legal consulting and legal assistance services provided by an international legal consultant who will take all necessary measures in order to meet the requirements imposed on capital markets in connection with the public bidding procedure provided in GD no. 1066/2013*”. The contract was awarded to Dentons Europe SPARL, which bid EUR 429,000, as compared to an estimated contract value of EUR 700,000.

Another step towards the listing of Hidroelectrica S.A. was the signing on 19 May 2020 of the contract for the provision of capital markets consulting services between Hidroelectrica S.A. and STJ Advisors Group Limited acting as equity advisor. The services offered by STJ Advisors Group Limited cover the drafting and assistance in carrying out the initial public offering for Hidroelectrica S.A.. The contract was awarded following a public

procurement procedure in which three operators participated, the winning bid amounting to EUR 950,000 euros, as compared to an estimated contract value of EUR 1,752,500.

On 16 August 2020, Law no. 173/2020 on certain measures for the protection of national interests in economic activities entered into force, as amended by Government Emergency Ordinance 166/2020 amending Law 173/2020 ("**Law 173/2020**"), which prohibits the alienation over the next two years of the shares held by the Romanian state in national companies, credit institutions or any other companies in which the state is a shareholder, regardless of the percentage of ownership. The transfers of property that began before the entry into force of the law were suspended for a two-year period. According to Hidroelectrica 2020 Directorate Report, the preparation of the listing process, at the end of which the authorized intermediary was to be hired, was suspended.

Investments

According to Hidroelectrica 2020 Directorate Report and to Hidroelectrica 2019 Directorate Report, the value of the main investments made by the company in the period 2018-2020 structured by categories, is presented in the table below.

Thousand lei	2018	2019	2020
Development	63,976	41,538	38,566
Refurbishment	116,117	42,558	84,382
Maintenance with capitalization	28,075	47,487	51,375
Fittings	7,215	9,219	13,348
Total	215,383	140,802	187,671

According to Hidroelectrica's Investment Strategy, the strategic investment projects for this period include the following categories:

- (i) new hydropower projects in progress;
- (ii) refurbishment and modernization projects; and
- (iii) new projects to diversify the business portfolio including construction of solar, on-shore and offshore wind farms, the development of electric car charging networks (e-mobility), the construction of hydro-energetic buildings on the Danube River, the construction of a hydrogen production station by electrolysis, *etc.*

According to the minutes of the EGMS meeting of 15.06.2020 regarding Hidroelectrica Investment Strategy, the executive management has the responsibility to prepare the preliminary analysis, develop the impact and feasibility studies based on which the need for and opportunity of investments will be based, the expected positive effects, the optimal technical-economic scenarios for the development of investments and for updating Hidroelectrica's investment strategy according to the conclusions of the analysis / studies performed and the investment financing solutions.

The approved investment strategy of Hidroelectrica S.A. is available on the website of Hidroelectrica S. A. at https://cdn.hidroelectrica.ro/cdn/aga/2020/Strategia_investitionala_HE.pdf, the content of such website not being incorporated by reference into the Prospectus.

According to the Hidroelectrica Investment Strategy, the investment budget required for the contemplated investments amounts to RON 26.04 billion, contemplated to be sourced out of own sources, non-reimbursable European funds and various support schemes, as well as bank and bond financing.

The below aims to present only a summary of the various types of investments contemplated by Hidroelectrica S.A. according to Hidroelectrica Investment Strategy. Considering the available public sources, the Fund is not able to present in more detail the investment works carried out by Hidroelectrica S.A. in connection with such investment projects during the period lapsed since the publication of Hidroelectrica 2020 Consolidated Financial Statements. Also, based on the Hidroelectrica Investment Strategy, in the case of some of the investment projects approved through the Hidroelectrica Investment Strategy there has been no information about any implementation actions in their regard until the date of this Prospectus.

I. Hidroelectrica Investment Strategy on new hydropower projects

Hidroelectrica S.A. plans to perform new hydropower projects with a total estimated value of RON 17,933 billion for a total installed capacity of 713.62 MW which can ensure an average annual production of 3,396.79 GWh / year.

Such projects include a) projects for increasing the production capacity by completing hydropower facilities which are in progress in various levels of execution, most of which having works suspended dependent on various regulatory steps being taken, b) other projects increasing the hydropower potential by new hydropower arrangement (“HEA”) such as HEA Islaz, HEA Buzau and the new facilities on the Danube river briefly described below and c) projects aimed at increasing the operational safety in the company’s hydropower facilities.

a) Projects to increase the production capacity by completing ongoing HEAs

Jiu River HEA on the Livezeni - Bumbesti sector

The cancellation by the Bucharest Court of Appeal of the building permits for the remaining works of the investment objective led to the stalling of the project.

According to the Annex to Hidroelectrica Investment Strategy, the total estimated value of the investment is RON 94,743,000, being financed from own sources. The estimated commissioning time limit is 2022.

HEA Răstolița

The investment has 2 stages, and in order to complete it, certain Government decisions need to be adopted and certain approvals need to be obtained from the competent public authorities. HEA Răstolița is an objective with complex functions, as in addition to producing energy, the facility ensures the supply of drinking and industrial water to Târgu Mureș municipality at a flow of 6.6 m³ /s.

According to the Annex to Hidroelectrica Investment Strategy, the total estimated value of the investment for stage I is RON 92,708,000 and RON 99,600,000 for stage II, being financed from own sources. The estimated commissioning time limit for stage I is year 2022, 2027 for stage II respectively.

HEA Surduc-Siriu. Surduc - Nehoiășu Step

This project will bring an additional electricity production of over 171.8 GWh per year to NES. At the end of 2019, the contract for the completion of the remaining works was signed. In order to complete the project, a Government decision needs to be adopted.

According to the Annex to Hidroelectrica Investment Strategy, the total estimated value of the investment is RON 185,530,000, being financed from own sources. The estimated commissioning time limit is 2023.

HEA of the Bistra - Poiana Mărului river. Bistra secondary adduction

The completion of the project will ensure an energy input of 20.03 GWh in an average hydrological year in NES. The "turnkey" contract for the completion of the works was signed in 2019.

According to the Annex to Hidroelectrica Investment Strategy, the total estimated value of the investment is RON 78,027,000, being financed from own sources. Currently, the execution of this project has been blocked by the measures ordered by the National Environmental Guard, which prohibits the inception of the execution works, invoking the absence of a regulatory act issued by the Environmental Protection Agency. The estimated commissioning time limit is 2022.

According to Hidroelectrica 2020 Directorate Report, the value of the works for the HEA of the Bistra - Poiana Mărului river that were accepted and which were put into operation in 2020 was of RON 105,844,686.

HEA Pașcani

The commissioning of the facility will bring an additional energy input in NES of approx. 24.90 GWh per year. In order to continue the works, certain Government decisions need to be adopted. The objective has complex functions and involves, in addition to the energy component, the following:

- water source for irrigating an area of 46,000 ha in Iași and Neamț counties;
- a flow of 1 m³ / s of industrial water for the regional supply of Falticeni, Târgu Frumos and other objectives from the Bahlui river basin, Iași county;
- the energy recovery of the fall made by the Pașcani dam through a hydroelectric power plant with an energy production in an average hydrological year of 24.9 GWh;
- the transit of a 4.4 m³ / s flow in the Bahlui basin which results from the returns of the industrial units from Suceava municipality, thus ensuring the water source for another 30,000 ha irrigated in Iași county.

According to the Annex to Hidroelectrica Investment Strategy, the total estimated value of the investment is RON 228,938,000, being financed from own sources. The estimated commissioning time limit is 2023.

HEA Cerna Belareca

The completion of this objective will ensure the introduction in NES of an electricity production capacity of 14.70 MW, which will generate an energy of about 45.10 GWh in an average hydrological year. The performance of works requires the adoption of a Government decision. The objective meets two functions:

- energy use, representing 75.75% of the total investment value;
- ensuring the flow at Baile Herculane resort, representing 24.25% of the total value of the investment.

According to the Annex to Hidroelectrica Investment Strategy, the total estimated value of the investment is of RON 210,500,000, being financed from own sources. The estimated commissioning time limit is 2027.

HEA of the Olt river on the Cornetu-Avrig sector. Căineni step, Racovița and Lotrioara step

The commissioning of the Căineni and Lotrioara steps is aimed at introducing new electricity generation capacities of 55.9 MW in NES in 2025, which will generate about 105.5 GWh annually. In order to carry out the works, certain Government decisions need to be adopted. The facility fulfills the following functions:

- the electricity production represents 75% of the total initial value of the investment.
- the remaining 25% of the amounts will cover the diversion, uplift and protection of roads and ancillary works.

According to the Annex to Hidroelectrica Investment Strategy, the total estimated value of the investment is of RON 167,383,000 for the Căineni Step, RON 170,100,000 for the Lotrioara Step and RON 41,003,000 for the Racovița Step, being financed from own sources. The estimated commissioning time limit is 2022 for Racovița Step, 2024 for Căineni Step and 2026 for Lotrioara.

b) Projects to increase the hydropower potential through new hydropower capacities.

HEA Islaz

This hydropower arrangement with multiple purposes will complete the lower Olt waterfall, with many benefits both for the electricity production and other fields, with an estimated installed power of 29 MW and an average annual production of 100 GWh/year. The completion of HEA Islaz will ensure the possibility to pump water from the Danube upstream, through the 6 reservoirs, which will result in:

- additional production of electricity in the 6 power plants resulting from pumping (5 refurbished HPPs + Islaz HPP);
- the possibility to irrigate 121.1 ha, by activating the 8 existing irrigation outlets in the dams of the reservoirs on the Ipotești - Izbiceni sector, outlets in the exploitation of S.I.F.s (investment companies);
- the possibility to change the Slatina-Danube sector into a navigable sector, by activating the locks in the hydrotechnical nodes.

According to Hidroelectrica Investment Strategy and its annex, Hidroelectrica S.A. plans to finance the project from its own sources and by attracting non-reimbursable European funds of up to 50% of the total value of the investment. The estimated commissioning time limit is 2028.

HEA Buzău

This project includes the arrangements of two sectors, namely HEC Cirilesti-Cislau (located on the middle course of the Buzau River) and HPP Rusavat – Ojasca (the Rușavăț-Ojasca sector continues the arrangement of the Buzău river from the last hydrotechnical node HPP Cislau to the Candești reservoir), with an estimated installed power of 50.96 MW and an average annual production of 207.8 GWh/year, the time limit for putting into service both projects being 2026. Hidroelectrica Investment Strategy does not contain specific information on the financing sources of this project and no other public information exists in this regard.

New facilities on the Danube river

On the Danube river, downstream of the Portile de Fier II Hydropower and Navigation System, the aim is to develop certain facilities, estimated at this moment between 380 and 610 MW installed power, respectively 2,300 – 3,450 GW/ year electricity production, depending on the location.

Hidroelectrica S.A. plans to reconsider the technically feasible alternatives, also aiming to develop a hydrotechnical complex on the sector exclusively related to Romania (downstream of Călărași), and secondarily, a common project carried out through a partnership with Bulgaria (e.g. Islaz- Somovit).

According to Hidroelectrica Investment Strategy, the feasibility study which Hidroelectrica S.A. intends to carry out in 2021-2022 will consider the financing of the project by attracting non-reimbursable European funds of up to 50% of the total investment value. According to Hidroelectrica Investment Strategy, the feasibility study will

also verify alternative options, such as the Islaz - Somovit sector, which requires a collaboration with Bulgaria, given that the Danube River borders both countries.

The projects, which are aimed at increasing the operational safety, include projects aimed *inter alia* at the safe operation of hydropower plants, compliance with the legal framework on hydropower constructions and the high degree of risk involved in their management, ensuring occupational health and safety conditions for operating personnel, reducing risk factors for the environment and civil society. According to the annex to Hidroelectrica Investment Strategy, the projects for increasing the operational safety will be financed from Hidroelectrica's own sources.

Among the most important such projects, there are:

- (i) Measures of additional protection of the sink of the overflow dam Portile de Fier I with a budget of RON 72,754,000 and an estimated completion date in 2025. This refurbishment project was approved specifically through the resolution of the EGMS of Hidroelectrica S.A. dated 15 June 2020.
- (ii) HPP Vânători – Measures of modernization and safety of the tunnel delivery with a budget of RON 69,694,000 and an estimated completion in 2024;
- (iii) Modernization of electric facilities related to hydro-mechanical equipment and hydraulic action installation related to the overflow dam Porțile de Fier I with a budget of RON 77,621,486 and an estimated completion date in 2026; according to publicly available information, through calling notice no. 85412 / 14.08.2020 for the organization of the extraordinary general meeting of shareholders of 18 September 2020, Hidroelectrica S.A.'s shareholders were informed about the approval of the initiation of the procurement project “Modernization of electrical installations for the hydromechanical equipment and hydraulic action installation related to the Portile de Fier I overflow dam” for a total estimated value of RON 65,889,159 (excluding VAT) representing the estimated value of works at RON 65,236,791 (excluding VAT) to which various and unforeseen expenses will be added amounting to RON 652,368 (excluding VAT), according to the purchase requisition, preliminary study and value estimation and after the completion of the project, approval for the signing of the contract;
- (iv) Modernization of electric facilities related to the hydro-mechanical equipment and hydraulic action installation related to the overflow dam Gogoșu with a budget of RON 50,202,810 and an estimated completion in 2028.

According to the Hidroelectrica Investment Strategy there are several factors that may constrain and limit the implementation of new hydropower projects, such as (i) very long periods required to carry out the procurement procedures, (ii) declaring protected areas and sites of community interest following the approval of investments of national interest, which overlap on the sites of ongoing investment objectives, (iii) excessive bureaucracy and lack of unitary practices on interpretation of relevant law, (iv) frequent amendments to environmental legislation, (v) uncertain patrimonial situations of the local authorities which delay the implementation of the measures on expropriation and land transfers, etc. More details regarding the risks related to the business of Hidroelectrica S.A. are included in SECTION 2 (*RISK FACTORS*) of this Annex to the Prospectus.

II. Hidroelectrica Investment Strategy on refurbishment and modernization projects

Hidroelectrica S.A. plans to invest in refurbishment and modernization projects with a total estimated value of RON 3 billion, covering a total installed capacity of 1,969.40 MW and aimed at ensuring an average annual production of 4,651 GWh / year.

The below is mainly aimed at presenting a summary of the new investment projects, as well as the investment projects from such category in respect of which new contracts were entered into by Hidroelectrica S.A. according to the Hidroelectrica Investment Strategy.

1. SH - Bistrița - HPP Dimitrie Leonida - Stejaru

HPP Dimitrie Leonida - Stejaru is located in Pângărați commune, Neamț County. The main objectives pursued by the refurbishment of HPP Dimitrie Leonida - Stejaru are, among others:

- (i) increasing the yield of hydro aggregates;
- (ii) minimizing the unavailability period of the plant;
- (iii) ensuring compliance with environmental protection requirements.

The contract for these refurbishment works was signed on 8 May 2015, being in progress on the date of approval of Hidroelectrica Investment Strategy, and the total value of the investment is RON 439,859.25 thousand without VAT. Hidroelectrica Investment Strategy does not expressly mention the financing sources for this project.

According to Hidroelectrica Investment Strategy and the information available on the Hidroelectrica website¹⁶, during 2020, Hidroelectrica completed the refurbishment of hydro aggregate (HA) no. 6 at HPP Dimitrie Leonida (Stejaru) which was put into operation on 5 March 2020 with a power of 55 MW compared to 50 MW, the initial power. According to Hidroelectrica 2020 Directorate Report, the value of the related works accepted and put into operation in 2020 was of RON 65,283,674.

2. *SH Curtea de Argeş – HEA Vidraru Refurbishment*

The refurbishment of Vidraru hydropower facility has as main objectives, among others:

- (i) the preparation of the equipment and installations from the Vidraru plant and from the other objects of the facility for a new operation cycle, of minimum 30 years;
- (ii) increasing the reliability, maintainability, availability and operational safety of all equipment and installations of the facility;
- (iii) increasing the yields of hydro-aggregates and implicitly the overall efficiency of the facility.

The total value of the investment is RON 529,956,730 without VAT, and according to the annex to the Hidroelectrica Investment Strategy, the investment is financed from own funds. The completion date of the investment is about 80 months from the date of signing the contract and obtaining the necessary endorsements and approvals. This refurbishment project was approved specifically through the resolution of the EGMS of Hidroelectrica S.A. dated 15 June 2020 following the update of the feasibility study as presented in the Hidroelectrica Investment Strategy.

According to publicly available information, through calling notice no. 85412 / 14.08.2020 for the organization of the extraordinary general meeting of shareholders on 18 September 2020, Hidroelectrica S.A.'s shareholders were informed about the approval by Hydroelectrica Supervisory Board of the initiation of the procurement project "Refurbishment of HEA Vidraru", based on the purchase requisition, preliminary study report and a value estimate of the procurement at EUR 87,598,550 (excluding VAT), of which C + M: EUR 22,444,715 (excluding VAT), and 2 respectively and RON 424,160,941 (excluding VAT), of which C + M: RON 108,679,556 (excluding VAT) and, after the completion of the procurement, the signing of the contract for the approval of the application of the competitive negotiation award procedure for the procurement whose scope is "Refurbishment of HEA Vidraru".

3. *SH Cluj - HPP Mărişelu Refurbishment*

The Mărişelu hydroelectric power plant is a high-fall underground power plant, located at approx. 300 m upstream of the confluence of the Leşu brook with Someşul Cald, in the area that separates the Gilău Mountains from the Vlădeasa Mountains, upstream of the Cluj-Napoca municipality. The HPP Mărişelu hydroelectric power plant has an installed capacity of 220.5 MW and has an electricity production in an average hydrological year of 390 GWh / year.

The actions for obtaining the water management permit and the environmental permit started in 2019, and are ongoing at the date when Hidroelectrica Investment Strategy was approved; Hidroelectrica obtained the urban planning certificate on 10 April 2019 with a 20-month validity. The total value of the investment is RON 285,035,067 without VAT, and according to the annex to Hidroelectrica Investment Strategy, it is financed from Hidroelectrica S.A.'s own sources.

4. *SH Haţeg HPP Râul Mare Retezat Refurbishment*

The refurbishment of HPP Râul Mare Retezat is aimed, among others, at:

- (i) increasing the availability at hydro-aggregate and power plant level and meeting at least the parameters of the initial project;
- (ii) reducing maintenance costs.

The total value of the investment is RON 417,284,214 without VAT, and according to the annex to the Hidroelectrica Investment Strategy, it is financed from own funds. The completion date of the investment is about 77 months from the date of signing the contract and obtaining the necessary endorsements and approvals. This refurbishment project was approved specifically through the resolution of the EGMS of Hidroelectrica S.A. dated 15 June 2020.

According to Hidroelectrica 2020 Directorate Report, the value of the works accepted and commissioned in 2020 for HPP Râul Mare Retezat was of RON 134,917,852.

¹⁶ <https://www.hidroelectrica.ro/article/15>

5. *SH Râmnicu Vâlcea –HPP Brădişor Refurbishment*

The development of Brădişor is part of the complex development scheme of the Lotru river. The main objectives of Brădişor HPP refurbishment are, among others:

- (i) the safe operation of Brădişor HPP and of the other objects of the facility for a 30-year cycle;
- (ii) increase the yield of the hydro aggregate by at least 2% compared to the yield indicated in the original design.

The total investment value is approximately RON 167,859,000 excluding VAT, and according to the annex to Hidroelectrica Investment Strategy, it is financed from Hidroelectrica's own sources. The completion date of the investment is approximately 56 months after obtaining the necessary approvals and permits.

In the extraordinary general meeting of 4 March 2021, Hidroelectrica S.A.'s shareholders approved the execution of the investment objective "HPP Bradisor Refurbishment", with the corresponding technical-economic indicators, having an estimated total value of: RON 170,372,656.00, of which C + M: RON 40,595,680.00 (excluding VAT).

6. *SH Râmnicu Vâlcea – HA2 HPP Dăeşti Upgrade*

The reservoir and HPP Dăeşti are part of the hydropower development plan of the Olt River, on the Calimăneşti - Dăeşti sector and is located downstream of HPP Calimăneşti and upstream of HPP Rm. Vâlcea. The development of the modernization project has as objectives, among others:

- (i) increasing operational safety;
- (ii) increasing the degree of automation of the facility;
- (iii) increasing the reliability and the life of installations with at least one new life cycle.

Current stage of investment: Modernization Services Agreement no. 17-200.13/04.03.2020 with Hidroserv S.A. in progress, completion 2021. Agreement value: RON 24,851,428 without VAT and according to the annex to Hidroelectrica Investment Strategy, it is financed from own funds.

7. *SH Râmnicu Vâlcea - Upgrading of HA1 from HPP Slatina*

Slatina facility is located on the Olt river, Drăgăşani - Slatina sector, in the major riverbed, being bordered upstream by the Arceşti facility and downstream by the Ipoteşti facility. The objectives pursued through the development of the upgrading project are, among others:

- (i) a new operating cycle of at least 20 years;
- (ii) diminution of certain operating costs.

The works execution contract was in progress at the date when Hidroelectrica Investment Strategy was approved, with completion in 2020.

The value of the contract is RON 25,694,491.40 excluding VAT, and according to the annex to Hidroelectrica Investment Strategy, it is financed from Hidroelectrica S.A.'s own sources.

8. *SH Bistriţa - Upgrading of HPP Vaduri: HA no. 2, 110 kV station and mechanical and electrical equipment, plant and dam*

HPP Vaduri is part of the Bistriţa river development plan, being located between the Pângăraţi power plant, upstream and Pietra Neamţ power plant, downstream. The objectives of the upgrading project are among others:

- (i) to increase the availability of the hydro aggregate and of the plant and to meet at least the initially designed parameters;
- (ii) to reduce the maintenance costs;

- (iii) to ensure the technical performance conditions in order to qualify the group for the performance of system technological services.

The total value of the investment is approximately RON 36,089,198 excluding VAT, being financed from Hidroelectrica's own sources. The completion of the investment is approximately 24 months after the signing of the contract and after obtaining the necessary approvals and permits.

According to publicly available information, through calling notice no. 85412 / 14.08.2020 for the organization of the extraordinary general meeting of shareholders on 18 September 2020, Hidroelectrica S.A.'s shareholders were informed about the approval given for the initiation of the procurement project "Upgrading of HPP Vaduri: HA no. 2, 110kV Station and Mechanical and Electrical Equipment Plant and Dam", based on the purchase

requisition, preliminary study report and value estimate at a total estimated value of lei 34,761,757 (excluding VAT) representing an estimated value of the works of lei 34,112,751 (excluding VAT) to which various and unforeseen expenses are added amounting to lei 649,006 (excluding VAT) and, after the completion of the procurement, the execution of the contract and approval of the direct award of the contract “Upgrading of HPP Vaduri: HA no. 2, 110kV Station and Mechanical and Electrical Equipment Plant and Dam to Hidroserv SA Branch.

9. *SH Cluj - Level 4 (LN 4) works and upgrading of HA2 from HPP Remeți*

HPP Remeți is part of HEA Drăgan - Iad and is located on Valea Bisericii in Remeți, Bihor County. The objectives of the upgrading project are, among others:

- (i) to increase availability of the hydro aggregate and of the plant and meet at least the initially designed parameters;
- (ii) to reduce maintenance costs.

The total value of the investment is approximately RON 51,300,265 excluding VAT, and according to the annex to the Hidroelectrica Investment Strategy, it is financed from Hidroelectrica S.A.'s own sources. The completion date of the investment is approximately 36 months after the execution of the contract and after obtaining the necessary approvals and permits.

III. Strategy on new projects for diversification of the business portfolio

The investment plans of Hidroelectrica S.A, according to the Hidroelectrica Investment Strategy include new projects for diversification with a total estimated value of approximately RON 5,104 billion, which allow commissioning of new production capacities with a total installed capacity of over 655 MW and an average annual production of about 1,763.92 GWh / year which will be financed from Hidroelectrica S.A.'s own sources. and from European non-reimbursable funds.

Such projects concern the production of electricity using wind, solar and biomass energy sources, as follows:

- (i) onshore wind power production facilities with a total installed power ranging between 300 MW and 500 MW, depending on the various feasibility studies to be commissioned by Hidroelectrica S.A. The project has an estimated budget of approximately RON 1.872 billion (for an installed power of 300MW), with an estimated average electricity production of approximately 683.28 GWh/year and the estimated completion time in 2025. Hidroelectrica's Investment Strategy does not expressly mention the geographical location of this project.
- (ii) offshore wind power production facilities with a total installed power ranging between 300 MW and 500 MW, depending on the various feasibility studies to be commissioned by Hidroelectrica S.A. The project has an estimated value of approximately RON 2.880 billion (for an installed power of 300MW), with an estimated average electricity production of approximately 998.64 GWh/year, and the estimated completion time in 2026. The offshore wind project will start based on the results of a study regarding the possibilities of wind energy production through the development of dedicated parks installed in the Romanian Black Sea sector.
- (iii) Photovoltaic power production facilities with a total installed power ranging between 50 MW and 100 MW, depending on the various feasibility studies to be commissioned by Hidroelectrica S.A. The project has an estimated value of approximately RON 193,500,000 (for an installed power of 50MW), with an estimated average electricity production of approximately 80 GWh/year and the estimated completion time in 2023. Hidroelectrica's Investment Strategy does not expressly mention the geographical location of this project.

Also, Hidroelectrica S.A. contemplates to invest in some new biomass power production facilities, in order to harness certain synergies with its existing facilities. According to Hidroelectrica Investment Strategy, the location of the project is near the power plant at Portile de Fier I and its estimated value is of approximately RON 81,600,000 with estimated completion time in 2023.

Finally, the Hidroelectrica Investment Strategy includes also other types of investment projects for the diversification of the portfolio of the company, including a mobility project (E-mobility) based on green energy, consisting in the development of a national network of charging stations for electric cars as well as other research and development projects related to its business. The project involves the construction of recharging stations in the country, which will be located in the TEN-T corridor, thus supporting the development of ecological transport and interconnection with the rest of Europe, in the proximity of hydropower plants and branches, as well as in Bucharest and cities located on the corridor.

Projects to diversify the business portfolio (for the application of Hidroelectrica S.A.'s Management Plan for the period 2019-2023 and Hidroelectrica Investment Strategy)

Acquisition of shares in Crucea Wind Farm S.A. and STEAG Energie România S.R.L.

On 23 December 2020, Hidroelectrica S.A. and STEAG GmbH signed the agreement for the sale of the Romanian subsidiaries Crucea Wind Farm S.A. and STEAG Energie România S.R.L. to Hidroelectrica S.A. The acquisition was fully financed through a bank loan with repayment in 7 years. Developed by STEAG and put into commercial operation on 1 October 2014, Crucea wind farm has a capacity of 108 MW and Vestas turbines. STEAG Energie Romania is an operation, maintenance (O&M) and administration entity that offers its services exclusively to Crucea Wind Farm. According to the agreement between the parties, Hidroelectrica S.A. acquired 100% of the shares in Crucea Wind Farm S.A. and STEAG Energie România S.R.L. for which payment was made in March 2021. The total price of this acquisition was EUR 130 million, consisting of EUR 51.1 million for the shares transferred and EUR 78.9 million for the loans owed by Crucea Wind Farm SA to the former shareholders, which were taken over by Hidroelectrica S.A., without any other contingent payments. The control over these two companies was obtained on 11 March 2021.

According to the Hidroelectrica 2020 Directorate Report, by acquiring the wind farm from Crucea Nord, Hidroelectrica S.A. made the first major acquisition of private companies by a company with majority state shareholder, a first step that marks the strategic direction towards the diversification of the production portfolio and a step forward for Hidroelectrica's positioning in the context of the European Green Deal and the decarbonization objectives of the energy sector.

„Green Hydrogen @ Blue Danube”

In the extraordinary general meeting of 29 March 2021, Hidroelectrica S.A.'s shareholders approved the conclusion of a Memorandum of Understanding with Verbund AG regarding the joint development of the “*Green Hydrogen @ Blue Danube*” project for the production, transmission and sale of green hydrogen. According to the explanatory memorandum addressed to the general meeting of shareholders regarding this project, “*Green Hydrogen @ Blue Danube*” is meant to be an important project of common European interest - IPCEI (*Important Project of Common European Interest*), jointly and voluntarily co-financed by EU Member States up to 100% of the funding gap.

According to the same explanatory memorandum, briefly, this project involves:

- hydrogen production by large-scale water electrolysis in Romania, using off-grid and hydro-on-grid wind energy;
- hydrogen transportation on the Danube to users from the countries of the Danube Transnational Program Interreg;
- implementation of the necessary infrastructure for the use of hydrogen in the participating Member States, along the Trans-European Transport Network (TEN-T) Corridors.

The estimated timetable of the collaboration with Verbund AG presupposes the establishment of the consortium and the completion of the feasibility study in 2021, pre-notification and notification of the European Commission in order to establish the project eligibility in IPCEI format by Q1 2022 and implementation (subject to permission by the European Commission) by Q3 2030.

Environmental aspects that may affect the use by Hidroelectrica S.A. of its tangible assets

As the activity carried out by Hidroelectrica S.A. involves the use of an essential natural resource represented by water, the environmental issues (involving, inter alia, the obligation to obtain, maintain the validity of and comply with environmental and water management permits, monitoring and reporting obligations, preparation and establishment of plans to combat accidental pollution) are an important component inherent to the company's activity.

The use by Hidroelectrica S.A. of fixed assets is generally subject to compliance with this regulatory framework and the environmental protection requirements.

In this respect, according to the Hidroelectrica 2020 Directorate Report, environmental protection is a priority area for Hidroelectrica SA, whose strategy is aimed at increasing the company's value by optimizing the operation of its production capacities and operational control, by making profitable investments and achieving a regional expansion, while complying with the applicable environmental legislation and having the main objective of using resources in a rational and responsible manner, in order to prevent and reduce the environmental impact.

The company has an environmental management system according to ISO 14001: 2015, certified by SRAC under Certificate no. 95 valid until 21.06.2021 and, according to Hidroelectrica 2020 Directorate Report, in order to meet the standards in line with the international environmental protection requirements, the environmental component of the integrated management system had the following directions of action:

- a) increased environmental responsibility through direct involvement, training and continuous training of all staff in the environmental protection area;
- b) prevention and control of water and soil pollution through measures related to the operation and maintenance of equipment, in a first stage and through technological changes in the future;
- c) application of environmentally compatible solutions as part of new investment works, upgrading works, refurbishments and restoration of the natural environment after the completion of works;
- d) efficient management of waste resulting from own activity;
- e) initiation and development of partnerships with all parties concerned with environmental protection;
- f) improvement of communication with the interested public by increasing transparency and encouraging dialogue.
- g) continuous improvement of the environmental component of Hidroelectrica's Integrated Management System.

Regarding the authorizations and approvals obtained in 2020 and the specific works related to environmental protection, Hidroelectrica 2020 Directorate Report indicates the following:

- a) at the end of 2020, Hidroelectrica held a number of 196 environmental permits for hydropower objectives that needed to be authorized, of which a number of 23 objectives were in the process of renewing their authorizations.
- b) actions have been taken with an environmental protection component in order to comply with legal obligations and keep significant environmental issues under control; in 2020, the cost of these actions amounted to RON 2,464 thousand (including the taxes paid for obtaining regulatory documents) representing 22.5% compared to the cost paid in 2019 for the same types of works; the main category of works were flood prevention works, mainly consisting in cleaning grills and clearings, mainly in SH Bistrița, SH Cluj and SH Curtea de Argeș, representing 27.5% of the total value of environmental protection works. Other types of works performed referred to: waste management actions (generated from Hidroelectrica S.A.'s own activity and waste collected from retention fronts and water intakes) and works performed for the prevention of water pollution and for water treatment;
- c) no environmental events were registered in 2020.

According to Hidroelectrica 2020 Directorate Report:

- a) all environmental permits for Hidroelectrica S.A. facilities are issued without conformity programs and the imposed operating conditions refer to the monitoring of environmental factors and to the compliance with the environmental legislation applicable to the activity carried out;
- b) during 2020, no legal limits of the measured indicators were exceeded, and no environmental events were recorded.

In the absence of a complete, accurate, updated public database on regulatory acts and authorization procedures before the Romanian environmental protection agencies or of any other environment related information in Romania, the Fund may not confirm or otherwise provide updated information on the current status of any of the above.

According to Hidroelectrica 2020 Directorate Report, the key performance indicators for environmental issues are:

- number of Accidental Pollution Prevention and Control Plans that must be developed or revised / number of Accidental Pollution Prevention and Control Plans planned to be developed or revised = 1;
- number of facilities holding the environmental permit required to be approved / number of permits obtained / year = 1
- number of requirements implemented, monitored and reported / number of requirements of the regulatory act to be implemented, monitored and reported = 1

Hidroelectrica 2020 Directorate Report further identifies certain environmental risks and the appropriate way in which they are managed by the company, as follows:

- a) the major environmental risk is the risk of water oil pollution, which may arise both from Hidroelectrica S.A.'s own activity, and from works performed with third parties. In order to avoid such situations and to limit their consequences when they occur, numerous actions are taken at the workplace: the supply of absorbent materials, prophylactic checks, staff training, etc.;
- b) the location of many assets in protected natural areas, as a result of the development (in recent years) of the network of protected natural areas in Romania; for example, according to Hidroelectrica 2020 Directorate Report, a number of 52 power plants have work units located in Special Protection Areas, 38 hydropower installations have component parts (power plants, dams, hydrotechnical nodes, energy outlets, secondary sewerage, utility roads, etc.) located in Sites of Community Importance, and 21 facilities are located in National Parks.
Hidroelectrica SA manages the potential risks resulting from the location of its assets in the protected areas above, by operating and maintaining the facilities, in permanent consultation with the administrators of the relevant protected natural areas and in line with biodiversity conservation requirements, detailed in the regulations specific to each protected area.
- c) some other significant environmental aspects for the hydro-aggregate exploitation: (i) reservoir water level variance; (ii) high water management; (iii) accidents at dams and dykes; (iv) exfiltration / infiltration; (v) fires and explosions; (v) laboratory equipment malfunctions, electrical installations that may cause fires, explosions, waste; (vi) use, handling and storage of toxic and dangerous substances; (vii) hazardous waste generation and storage; (viii) waste storage and disposal on the premises of hydroelectric power facilities; (ix) change of land use by third parties; (x) construction site layouts carried out with third parties.
The above are managed mainly by issuing internal regulations and ensuring compliance with both internal regulations and regulatory requirements: (i) internal procedures, such as those regarding waste management or those regarding emergency situations drills; (ii) programs for the organization and preventive maintenance of installations; (iii) operating regulations, daily operating schedule; (iv) various plans, such as: flood protection plan, fire protection plan, accidental pollution prevention and control; (v) monitoring planning, UCCH special programs, prophylactic controls; (vi) regulations on annual training, on-site training, including simulations, regarding procedural requirements, etc.; (vii) internal working instructions; (viii) requirements specified in the applicable regulatory or environmental legislation.
- d) disassembly and restoration of the site; according to Hidroelectrica 2020 Directorate Report, it is estimated that the likelihood of situations requiring the post-use or abandonment of public domain assets or hydroelectric power plants owned by the company is low, given the long-life cycle of dams, which can be significantly extended for over 100 years through maintenance and improvements.

According to Hidroelectrica 2020 Directorate Report, workshops and awareness raising sessions were initiated in addition to documented processes for the environmental risk and other identifiable risks and risk assessment tools were to be implemented in the next period. Based on publicly available information, the Fund is not aware of any significant developments in this regard after 31 December 2020.

Information on joint ventures and other holdings of Hidroelectrica S.A.

Given that the Fund has access only to the financial statements of Hidroelectrica S.A. and the related annual reports and as it does not have a controlling position as a shareholder, the Fund is not in a position to describe the joint ventures and other holdings of this company, other than as provided in the chapter on Investments in this SECTION 5 (*BUSINESS OVERVIEW*) and SECTION 4 (*DESCRIPTION OF HIDROELECTRICA SA*) in this Annex to the Prospectus.

SECTION 6. EXAMINATION OF BUSINESS RESULTS AND OF THE FINANCIAL POSITION

Given that the Fund has access only to the financial statements of Hidroelectrica S.A. and it does not have a controlling position as a shareholder, the Fund is not in a position to describe the business results and the financial situation of this company. Limited information available in connection with the financial statements is included in SECTION 14. (FINANCIAL INFORMATION REGARDING ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF HIDROELECTRICA S.A.) in this Annex to the Prospectus.

Operating profit

Given that the Fund has access only to the financial statements of Hidroelectrica S.A. and it does not have a controlling position as a shareholder, the Fund is not in a position to present information on significant factors, unusual or rare events, or new developments that significantly affect the issuer's operating income, indicating the extent to which they are affected. Limited available information in connection with the financial statements is included in SECTION 14. (FINANCIAL INFORMATION REGARDING ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF HIDROELECTRICA S.A.) in this Annex to the Prospectus.

SECTION 7. CAPITAL RESOURCES

Given that the Fund has access only to the financial statements of Hidroelectrica S.A. and it does not have a controlling position as a shareholder, the Fund is not in a position to present information on short- and long-term capital resources, an explanation of the sources and value of the issuer's cash flows and a description of cash flows, information on credit conditions and financing structure, information on any restrictions on the use of capital resources that have influenced or may significantly influence, directly or indirectly, Hidroelectrica's operations or information on the sources of financing deemed necessary to honour the commitments. Limited available information in connection with the financial statements is included in SECTION 14. (FINANCIAL INFORMATION REGARDING ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF HIDROELECTRICA S.A.) in this Annex to the Prospectus.

SECTION 8. REGULATORY FRAMEWORK

The below takes into account the main legal provisions applicable to the electricity sector in which Hidroelectrica SA operates. The purpose of the presentation is only to introduce the general legal framework applicable to the electricity sector, and not to be exhaustive or to include all laws and regulations. applicable to Hidroelectrica.

1. Overview

The electricity sector in Romania is mainly governed by Law no. 123/2012 on electricity and natural gas (“**Law 123/2012**”).

Title I on electricity under Law 123/2012 transposes (i) Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, published in the Official Journal of the European Union (OJ) no. L211 of 14 August 2009 (part of the European Union's third energy package), (ii) Directive 2005/89/EC of the European Parliament and of the Council of 18 January 2006 concerning measures to safeguard security of electricity supply and infrastructure investment, published in the Official Journal of the European Union (OJ) no. 33 of 4 February 2006 and (iii) the provisions of art. 4.(3) of Directive 2004/8/EC of the European Parliament and of the Council of 11 February 2004 on the promotion of cogeneration based on a useful heat demand in the internal energy market and amending Directive 92/42/EEC, published in the Official Journal of the European Union (OJ) no. L 52 of 21 February 2004.

Currently, there is a proposal to amend Law 123/2012 for the implementation of Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU, published in the Official Journal of the European Union (OJ) no. 158 of 14 June 2019 (“**Directive 2019/944**”).

Law 123/2012 defines the main applicable concepts in the electricity sector, which are used for the energy strategy and policy in Romania, and establishes the main prerogatives of the regulatory authorities.

In addition, Law 123/2012 requires an increased transparency on the electricity market, centralized trading in the electricity sector (as a general rule) and actions / measures to ensure the interconnection of the electricity market in Romania with the electricity markets in neighbouring countries.

The activity in the electricity sector is regulated and supervised by ANRE, which is established as an autonomous administrative authority under Government Emergency Ordinance no. 33/2007, with subsequent amendments, and which, among others, has the following responsibilities:

- a) supervises compliance by the economic operators acting in the electricity sector with the regulations, obligations provided in the national and EU legislation, with the prices and tariffs system in force and applies efficient, proportionate and discouraging sanctions in case of non-compliance;
- b) approves the regulations regarding the granting of authorizations and licenses in the electricity sector and establishes the validity conditions of the authorizations and licenses granted;
- c) develops and approves the methodologies for calculating the regulated tariffs and prices in the energy sector;
- d) establishes, according to the law, the framework contracts for the supply and sale-purchase of electricity on the regulated market, the framework contracts for the transmission, system service and distribution of electricity.

The orders and decisions regarding the regulatory activities issued by ANRE are mainly related to:

- a) the granting / amendment / suspension / refusal or withdrawal of licenses or authorizations;
- b) approval of regulated prices and tariffs and / or corresponding calculation methodologies;
- c) approval of technical and commercial regulations for the safe and efficient operation of the electricity market;
- d) approval / endorsement of the documents issued by the regulated enterprises according to the legal provisions in force;
- e) the granting / amendment / suspension / refusal or withdrawal of the certifications / authorizations of enterprises and individuals carrying out specific activities in the electricity sector;
- f) approval of other regulations, norms, studies, documents provided by the legislation in force.

Thus, ANRE develops, approves and supervises the implementation of the mandatory national regulations necessary for the efficient functioning of the internal market in the energy sector, based on transparency, effective competition and consumer protection.

ANRE's orders and decisions are binding on all parties until a contrary final and irrevocable court decision is issued, except when the relevant orders and decisions are revoked or amended in the meantime by the regulatory authority itself.

2. The Romanian electricity market

The Romanian electricity market is formed of a regulated market and a competitive market, each segment having a wholesale and a retail component. Thus, the electricity market has two components:

- (i) the wholesale electricity market, an organized framework for the trading of electricity and related services involving producers, transmission and system operators, distribution operators, the electricity market operator and wholesale customers; and
- (ii) the electricity retail market, an organized framework in which final customers purchase electricity from suppliers or producers for their own consumption.

The participants on the electricity market are individuals or legal entities which buy, sell or produce electricity, which are involved in the aggregation or which are operators of dispatchable consumption or energy storage services, including by placing trading orders on one or more electricity markets, including on the energy balancing markets.

The market participants are generally obliged to assume financial responsibility for the payment of imbalances generated on the electricity market and to comply with the provisions of licenses and regulations issued by the competent authority. In other words, wholesale market relations are based on the principle that each participant bears responsibility for the balance of the system, so that each participant must assume financial responsibility for the impact of its actions on the safe, stable and efficient functioning of the national electricity system. From this perspective, the market is seen as a means of optimizing the allocation of financial responsibility for imbalances between planned and actual production and electricity consumption and electricity transactions.

The purpose of OPCOM, as the electricity market operator, is to organize and manage centralized markets in the short, medium and long term, save for the balancing market for wholesale electricity trade.

2.1. Regulated market

The regulated electricity market was mainly designed to ensure the supply of electricity to: (i) final customers who did not exercise their right of eligibility upon the entry into force of Law 123/2012; and (ii) domestic and non-domestic customers with an average number of employees of less than 50 and an annual turnover or total assets recorded in the balance sheet according to the annual tax reports, that does not exceed EUR 10 million ("**Consumers on the Regulated Market**"), as follows:

- until 31 December 2013, for non-household customers; and
- until December 31, 2017, for household customers.

The Romanian electricity market has been fully liberalized since 1 January 2021. For non-household consumers, full liberalization took place at the end of 2013. For household consumers, although the process had to be completed by 1 January 2018, several amendments were brought to Law 123/2012 regarding the date until which the supply of electricity to household consumers was to be made under the conditions regulated by ANRE. According to the last amendment adopted at the beginning of 2020, until 31 December 2020, the supply of electricity to household consumers was performed according to the regulated conditions approved by ANRE, which led at that time to what was generally considered a regress in the liberalization process.

The competent authority has the following prerogatives on the regulated electricity market:

- a) to impose public service obligations on producers, transmission and system operators, to distribution operators and suppliers of last resort for the supply of electricity to Consumers on the Regulated Market;
- b) to impose on the suppliers of last resort transparent procurement procedures on the competitive electricity market for Consumers on the Regulated Market;
- c) to approve and publish the prices and quantities provided in the contracts between producers and suppliers for the Consumers on the Regulated Market;
- d) until 31 December 2020, it had the prerogative to approve and publish the tariffs charged by the suppliers of last resort regarding consumers;
- e) to approve the methodology for monitoring the acquisition costs of electricity according to point b) above;
- f) to approve and publish the prices proposed by the suppliers of last resort for the electricity supplied to the Consumers on the Regulated Market after the removal of the regulated tariffs.

Thus, since 1 January 2021, the electricity market in Romania has become fully liberalized, and the supply of electricity is made on a competitive basis, including to household consumers. In fact, this is in line with the provisions of Regulation 2019/943 and Directive 2019/944 which provide that the period between 1 July 2020 and 31 December 2020 should be the last period for the application of regulated tariffs to household consumers and for the setting of prices for the electricity delivered and for the quantities of electricity sold by producers to suppliers of last resort under regulated contracts.

Liberalization means that each household customer will have to choose an electricity supplier according to its specific needs and the offers made available by the electricity suppliers. Household consumers who have not chosen a competitive offer and have not concluded a contract on the competitive market are entitled to benefit from the continuity of electricity supply in universal service ensured by the suppliers of last resort. In the case of these customers, the provider of last resort applies the price in the universal service offer.

In order to support household consumers in the post-liberalization period, ANRE started the process of adopting the regulatory framework necessary for the complete liberalization of the electricity market. For example, under ANRE Order no. 171/2020 for the approval of the Conditions for the supply of electricity by the suppliers of last resort, as subsequently amended, the obligations of the suppliers of last resort and the modalities of informing the domestic consumers about the liberalization of the electricity market in Romania were established.

2.2. Competitive market

On the competitive market, commercial electricity transactions are conducted in a transparent, public, centralized and non-discriminatory manner. Currently, there is a proposal to amend Law 123/2012 which also concerns these trading conditions for harmonization with the provisions of Directive 2019/944.

Commercial electricity transactions are wholesale or retail, according to ANRE regulations, and prices are set according to supply and demand, as a result of competitive mechanisms.

On the competitive retail market, suppliers sell electricity to final customers under bilateral contracts at negotiated or fixed prices determined by standard offers.

The competitive market share has gradually increased, by ensuring access to this market to as many as possible participants, producers, suppliers and final customers.

ANRE has the right to suspend the functioning of the competitive market in the event of unexpected crisis situations on the energy market and if the physical safety or security of persons, equipment or installations or the integrity of the system are threatened.

2.3. The structure of the wholesale electricity market and other related issues

The size of the wholesale market depends on the sum of all market participants' transactions, exceeding the quantity physically transmitted from production to consumption; total transactions also include resales made to adjust the contractual position and obtain a financial benefit.

The Commercial Code of the Wholesale Electricity Market was approved by ANRE in 2004 ("**Commercial Code**") under Order no. 25/2004, which entered into force as from 1 January 2005.

According to the Commercial Code and Law 123/2012, suppliers may sell electricity on the wholesale market, subject to certain specific conditions. One of these conditions refers to the legal requirement for suppliers to assume the balancing responsibility or to transfer this responsibility to a third party.

Electricity transactions can be carried out in the following centralized markets, which, save for the balancing market, are all organized and managed by OPCOM:

- i. The Next Day Market ("**PZU**") - organized and managed by OPCOM for the purchase and sale of electricity with delivery on the day following the trading day;
- ii. Intra-Day Market ("**PI**") - organized and managed by OPCOM and which helps to improve the balancing of the participants' portfolio, for one day of delivery, through transactions in sessions held after the completion of transactions in PZU and until a certain time before the start of delivery;
- iii. Centralized market with continuous double negotiation of bilateral electricity contracts ("**PC-OTC**");
- iv. Centralized market for bilateral electricity contracts ("**PCCB**") with the following components:

- Centralized market of bilateral electricity contracts - Extended tender mechanism (“**PCCB-LE-flex**”);
 - Centralized market of bilateral electricity contracts - Continuous negotiation mechanism (“**PCCB-NC**”);
 - Centralized market of bilateral electricity contracts - Fuel processing mechanism (“**PCCB-PC**”);
- v. Centralized market for electricity from renewable energy sources supported through green certificates (“**PCE-ESRE-CV**”);
 - vi. Centralized market for universal service (“**PCSU**”);
 - vii. Electricity market for large consumers (“**PMC**”);
 - viii. Centralized market for the award of electricity contracts with long-term delivery periods (“**PCTL**”);
 - ix. Balancing market (“**PE**”) - intended to balance deviations from the programmed values of electricity production and consumption. This market is organized and managed by the transmission and system operator Transelectrica S.A., which trades electricity with electricity producers that operate dispatchable production units and with final consumers, in order to provide a real-time balance between electricity production and electricity consumption.

PCTL was established under ANRE Order no. 129/2020 for the approval of the Regulation regarding the organized trading framework on the centralized market for the award of long-term electricity contracts, in force as from 1 September 2020. However, this Regulation is mainly addressed to economic operators that will build and connect new production units. Also, according to the same regulation, in order to facilitate the financing of investments in electricity generation units, individuals or legal entities have the right to contract, as producers, the electricity that will be produced by the new production units, without holding a producer license. However, under penalty of termination, such contracts are subject to obtaining the relevant license at least 60 days before the delivery of the electricity produced by the new production units.

In addition to the existing centralized markets which ensure the legal requirements for the transparent, public, centralized and non-discriminatory execution of transactions, there are bilateral negotiated contracts, which were concluded before the entry into force of Law 123/2012, still in progress, as well as export and import contracts¹⁷.

At the same time, as an exception to the obligation to conclude all transactions on the competitive electricity market, in a transparent, public, centralized and non-discriminatory manner, according to Law no. 184/2018 for the approval of Government Emergency Ordinance no. 24/2017 amending Law no. 220/2008 for the establishment of the system promoting the production of energy from renewable energy sources, the producers of electricity from renewable energy sources and the public authorities operating power plants from renewable energy sources with an installed capacity of not more than 3 MW per producer, may continue to conclude directly negotiated bilateral contracts, but only with the final consumers’ suppliers, for the sale of electricity and / or green certificates.

Furthermore, under GEO no. 74/2020, another exception was introduced from the obligation to trade electricity on centralized markets (for more details, see **Chapter 4** below - *Electricity generation activity* in this section).

3. Licenses in the electricity sector

The activities in the electricity sector (such as production, transmission, distribution, supply, trading, administration and operation of the market and functioning of the system) are strictly regulated under Law 123/2012 and the secondary legislation and are subject to specific licenses or authorizations issued by ANRE.

Therefore, in order to carry out the activities consisting in the production and / or supply of electricity in Romania, enterprises must obtain from ANRE the relevant licenses / authorizations provided by the applicable law.

Currently, such licenses / authorizations are granted by ANRE according to ANRE Order no. 12/2015 approving the Regulation on the granting of licenses and authorizations in the electricity sector (“**Order 12/2015**”).

¹⁷ Romanian Energy Regulatory Authority (Monitoring, REMIT Department) - Electricity market monitoring report (April 2020);

Pursuant to the provisions of Law 123/2012, ANRE issues licenses for the following activities in the electricity sector:

- a) commercial exploitation of the electricity generation units and of the energy storage installations added to the electricity generation unit;
- b) commercial exploitation of the electricity and heat generation units from cogeneration power plants and of the energy storage installations added to the electricity generation units;
- c) provision of electricity transmission service;
- d) provision of system services;
- e) provision of electricity distribution services;
- f) administration of centralized electricity markets (only one license is granted for the electricity market operator and one for the balancing market operator);
- g) the activity of electricity supply;
- h) the activity of the electricity trader;
- i) aggregation activity;
- j) commercial operation of energy storage installations; if the storage facility is installed in an existing production facility, the existing license will be amended.

In addition, ANRE grants set-up authorisations for the construction or refurbishment of electricity generation units, as well as of electricity and thermal power cogeneration plants, or for the construction of new energy storage facilities, if the maximum electric power debited to the network by these installations exceeds 1 MW. If the maximum electric power debited to the network by the electricity generation units in question is lower than and including 1 MW, the set-up authorisation will not be necessary, but it is mandatory to notify the competent authority of the investment project and periodically report on its implementation, according to current regulations. However, according to Order 12/2015, ANRE does not issue licenses / authorizations to the following categories of operators: a) enterprises that are subject to judicial reorganization or bankruptcy proceedings (with certain exceptions); b) enterprises that have not met their financial obligations further to the transactions carried out on the electricity market, c) foreign individuals from outside the European Union.

The license(s) may be modified by ANRE ex officio or at the license holder's request, in the cases expressly provided by Order 12/2015.

During the entire validity term of the license, license holders generally have the following obligations: a) to meet the requirements set out in the license; b) to keep separate accounts for each activity covered by the license granted by the competent authority for the vertically or horizontally integrated enterprises in the electricity sector, according to the same procedure used when that activity is carried out by different operators in the field and to prepare financial statements according to the standard format required by the competent authority; c) to hold and maintain financial guarantees that will allow them to continue their business and ensure the continuity of the service; d) to provide the competent authority with the information necessary for the proper functioning of its activity; e) to prepare, audit and publish the annual accounting records of the company, without distinctly including secondary offices without legal personality, as per the specific legislation.

If the license holder fails to meet the obligations established in the primary or secondary legislation and / or it fails to meet the license requirements, ANRE may suspend or withdraw the license, as the case may be. More specifically:

- 1) when non-fulfilment or non-compliance is not imputable to the license holder, ANRE may, as the case may be: (i) require the license holder's conformity within maximum 6 months, if the situation can be remedied, under the sanction of license suspension; or (ii) withdraw the license, if the situation is irreparable;
- 2) when non-fulfilment or non-compliance is imputable to the license holder, ANRE may decide, as the case may be: (i) to suspend the license for a determined period, in order to allow the license holder to remedy the situation; or (ii) withdraw the license, if the situation is irreparable.

In addition to the cases mentioned above, there are other events / circumstances that may lead to the suspension or even withdrawal of the license, as detailed below.

ANRE also suspends the license in the following situations: a) at the justified request, submitted by the license holder and accepted by ANRE; b) if another public institution has suspended the validity of one of the documents (authorization, agreement, consent, permit or approval) based on which the license was granted, according to Order 12/2015; c) when the establishment of the energy generation units or of one or more of their components endangers or harms persons, properties and / or the environment (a situation that must be certified by a public authority / institution or court); d) during inspections made by ANRE in connection with a complaint against the granting of the license; e) for repeated non-fulfilment of the payment obligations as party responsible for the balancing or for the repeated non-payment of the cogeneration contribution, according to the ANRE regulations,

confirmed by ANRE at the request of the support scheme administrator; f) for repeated non-fulfilment by the electricity suppliers of the obligation to pay the penalties for non-compliance with the legal requirements regarding the quarterly and / or annual acquisition quota of green certificates, according to the legal requirements and ANRE regulations, confirmed by ANRE upon notification by the Environment Fund Administration¹⁸.

Moreover, the license may be withdrawn by ANRE: a) at the justified request of the license holder, after confirmation that the obligations to ANRE have been met; b) in the case of loss of rights, incapacity or bankruptcy of the holder; c) in the case of termination of the concession or of the lease of the exploited energy generation units or their sale by the holder; d) where the cancellation by the issuer or the expiration of an act (authorization, agreement, consents, permit or approval) based on which the license was granted under Order 12/2015 is irreparable, leading to the inability to carry out the activities covered by the license or to comply with the conditions imposed under the license; e) loss of the legal title to the possession of real estate in or on which the energy generation units are located or loss of legal title to the possession of the energy generation units, which leads to the impossibility to carry out the activity covered by the license, confirmed by a final court decision; f) in the case of a complaint against the granting of the license, which was favourably settled; g) if evidence is presented (such as orders to restrict or prohibit the activity, court decisions, etc.) that is issued by a public authority, which certifies that the establishment / operation of the energy generation units or of one or more of their components endangers or seriously harms persons, properties and / or the environment.

4. Electricity production

Undertakings and / or individuals engaged in the production of electricity, including cogeneration, are considered to be electricity producers.

The production of electricity, electricity and heat in cogeneration, respectively, is provided by the economic operators who have electricity generation units, which can benefit from guaranteed access or priority access to electricity networks, according to the ANRE regulations in force.

The license for the commercial exploitation of electricity generation units can be issued by ANRE for a maximum validity period of 25 (twenty-five) years. The license holder has the right to apply for a new production license at least 60 (sixty) days before the expiration of the existing one.

According to the provisions of Law 123/2012, electricity producers mainly have the following obligations:

- a) to ensure the supply of electricity and system services, according to the conditions imposed under the license, the contractual clauses and the applicable regulations;
- b) in the case of dispatchable units, to offer the entire available electric power on the balancing market, defined according to the regulations issued by the competent authority; however, two or more producers of electricity from renewable energy sources may cooperate and participate on competitive electricity markets as a single aggregated entity, regardless of the different electricity generation technologies they use;
- c) until 31 December 2020 they had the obligation to deliver to the suppliers of last resort the electricity necessary for household consumers to whom regulated tariffs apply, according to the regulations issued by the competent authority;
- d) as a general rule, to offer on the competitive market, without discrimination, the entire electricity quantity available after fulfilling the obligation provided under letter c) above,
- e) to provide system services, without discrimination,
- f) not to send to the transmission and system operator physical notifications about a negative imbalance compared to the contracts concluded, except for the electricity producers that benefit from a support scheme;
- g) to maintain adequate fuel reserves, water reserves, respectively so as to ensure the security of the National Energy System and to fulfil the obligation of continuously producing and supplying electricity, which is remunerated according to the regulations in force;
- h) to meet, from an operational viewpoint, the requirements of the transmission and system operator and to establish, as the case may be, its own operational management stages;
- i) to submit annual activity reports to the competent authority, according to the applicable regulations, even if it does not hold an electricity generation license or the electricity generation units have been transferred to another operator.

¹⁸ If the holder cannot remedy this situation, ANRE will withdraw the license

In addition, Article 23 (1) of Law 123/2012 provides that commercial electricity transactions must be carried out on the competitive market in a transparent, public, centralized and non-discriminatory manner.

In connection with the above provision, GEO 74/2020 regulated a derogation from Article 23 para. (1), which requires that all electricity transactions should be carried out in a transparent, public, centralized and non-discriminatory manner (basically, on the centralized markets operated by OPCOM - the Romanian electricity and natural gas market operator).

Thus, according to the derogation set forth under GEO 74/2020, electricity producers may conclude bilateral contracts outside the centralized market, on the competitive market (wholesale or retail), at negotiated prices, (so-called PPAs), for the electricity produced by new electricity generation units, which were put into operation after 1 June 2020.

The holders of dispatchable electricity production licenses are the producers who have dispatchable groups regulated under ANRE Order no. 61/2020 approving the Regulation on the scheduling of dispatchable production units, dispatchable consumers and dispatchable storage facilities, the Regulation on the operation and settlement of the balancing market, and the Regulation on the calculation and settlement of imbalances of parties responsible for balancing.

5. Electricity supply activity

Electricity supply is the activity by means of which a company holding a relevant license sells electricity to customers. In order to ensure the supply of electricity to a final customer, the supplier must conclude a contract with such a consumer, according to the legal provisions in force.

The license for electricity supply may be issued by ANRE for a maximum 10 (ten)-year validity period, and the holder is entitled to request a new supply license at least 60 (sixty) days before the expiry of the existing license validity.

According to ANRE Order no. 235/2019 for the approval of the regulation on the supply of electricity to final customers ("**Order 235/2019**"), electricity suppliers must meet the performance indicators of electricity supply. Such indicators are expressly provided under Order no. 83/2021 for the approval of the performance Standard for electricity / natural gas supply.

In addition, electricity suppliers must, among other things, provide consumers with several payment methods that do not unjustifiably discriminate customers, must have a website and publish updated information about the commercial conditions of electricity supply, tariffs / prices charged, etc. and comply with the terms of the electricity supply license.

Furthermore, suppliers must notify final consumers of any intention to amend / supplement the electricity supply contract (including applicable prices), and of final consumers' right to unilaterally terminate the electricity supply contract free of charge if they do not accept the new conditions notified by the electricity supplier and, in addition, allow consumers to change their electricity supplier within maximum 21 calendar days from the date of such a request.

According to Order 235/2019, vulnerable customers may not be disconnected from the electricity grid, even in the event of an electricity crisis. A household consumer is registered as a vulnerable consumer if it meets one of the following conditions:

- a) they have a low income, up to the level established by the competent public institutions acting in the social security field; or
- b) the holder of the electricity supply contract declares on their own responsibility that a person who, due to health reasons (based on documents issued by the competent medical institutions) and / or age, requires the continuous supply of electricity to such a place of consumption.

Electricity suppliers must also take over the excess electricity from the prosumer, which is defined as the person or entity that simultaneously (i) produces electricity and (ii) consumes all or part of the electricity thus produced. Electricity produced in excess of the required consumption or, as applicable, electricity consumed in excess of the quantity produced is sold, purchased respectively, from the electricity supplier with which the prosumer has concluded a contract for the supply of electricity.

6. Access to the electricity grid

Under the applicable law, license holders have regulated access to public networks. Access to public electricity grids is a mandatory service provided under regulated conditions which must be met by the transmission system operator as well as by the distribution system operator.

Access to the grid may be restricted only if the connection to the grid endangers the security of the national energy system due to non-compliance with the technical rules and performance standards specified in the technical regulations in force or if the transmission or distribution operator does not have the necessary capacity.

In any case, the refusal to allow access to the electrical grid must be duly argued and justified, based on objective criteria, from a technical and economic viewpoint, in line with the regulations issued by the competent authority.

7. Obligation to purchase green certificates

The Romanian state promotes investments in the renewable energy sector through a support scheme based on a green certificate trading mechanism combined with a mandatory green certificate purchase quota, annually established by ANRE. This scheme applies to renewable energy projects put into operation before 31 December 2016.

The mandatory and increasing purchase quota of green certificates falls to the responsibility of (i) electricity suppliers and (ii) certain electricity producers, prorate with the amount of electricity sold to final consumers or used for their own consumption, excluding their own technological consumption.

The mandatory quantity of green certificates to be purchased by suppliers / producers is determined by multiplying the current quota by the total amount of electricity sold to final customers. The green certificates costs are transferred to end customers.

Green certificates may be traded separately from electricity, at prices ranging between a regulated minimum and maximum price. The regulated price of green certificates is currently set at between EUR 29.4 (minimum) and EUR 35.0 (maximum).

As a general rule, green certificates are traded on the centralized markets managed by OPCOM: the green certificates anonymous centralized market (spot / term), the green certificates bilateral contracts market and the centralized market for electricity from renewable energy sources supported through green certificates.

The green certificates support scheme is implemented under Law no. 220/2008 on the establishment of the system for the promotion of energy production from renewable energy sources. According to this law, producers of electricity from renewable energy sources receive a certain number of green certificates from Transelectrica SA, depending on the amount of electricity delivered to the network and the type of technology used to generate such energy.

If suppliers or producers fail to meet their obligations regarding the mandatory quota for the acquisition of green certificates, they must pay penalties to the Romanian Environmental Fund Administration.

According to ANRE Order no. 9/2021 which establishes the mandatory quota for green certificates acquisition for 2020, the mandatory acquisition quota of green certificates for 2020 was set by ANRE at 0.45074 green certificates / MWh, and according to Order no. 237/2020 on the establishment of the estimated mandatory acquisition quota of green certificates for 2021, the estimated mandatory acquisition quota of green certificates for 2021 was set at 0.4505 green certificates / MWh.

8. Establishing a compensation scheme for electricity and natural gas consumption and establishing a surcharge scheme for certain categories of electricity producers during the cold season 2021-2022.

On 1 November 2021 entered into force the Law 259/2021 for the approval of the Government Emergency Ordinance no. 118/2021 regarding the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, as well as for the completion of the Government Ordinance no. 27/1996 on granting facilities to persons residing or working in some localities in the Apuseni Mountains and in the "Danube Delta" Biosphere Reserve.

The main provisions of this law applicable between 1 November 2021 – 31 March 2022 have in mind:

- Establishment of a support scheme for the payment of electricity and natural gas bills for several categories of final customers defined by law;

Under the conditions of fulfilling certain conditions of volume of consumption and price level of the electricity and gas supply contracts in relation to the reference prices established by law, for domestic customers the law provides for the granting of a unit compensation amounting to a maximum of 0.291 lei / kWh , in the case of

electricity and up to 33% of the value of the natural gas price component of the supply contract of the beneficiary customer, in the case of natural gas.

For small and medium enterprises, micro-enterprises, authorized individuals and other categories defined by law, the law provides for the exemption, in the case of electricity, from the payment of the value of regulated tariffs, respectively the tariff for introduction / extraction from the network, distribution tariff, service tariff system, the transport tariff, as well as from the payment of green certificates, the contribution for high efficiency cogeneration and the excise and in the case of natural gas the exemption from the payment of the value of the transport cost, the distribution tariff and the excise.

According to the law, the settlement of the amounts resulting from the application of the support scheme to the suppliers of electricity and natural gas is made through direct payments to suppliers from the state budget.

- Capping the price of electricity and natural gas for household customers and other categories defined by law. Thus, the final billed price of electricity is capped at a maximum of 1 lei / kWh, of which the price component of electricity will be worth a maximum of 0.525 lei / kWh and the final billed price of natural gas is capped at a maximum of 0,37 lei / kWh, of which the price component of natural gas will be worth a maximum of 0.250 lei / kWh.

The difference between the average price from 1 April 2021 to 31 March 2022 and the maximum ceiling of 250 lei / MWh, representing the price of natural gas, respectively the maximum ceiling of 525 lei / MWh, representing the price of active electricity will be offset from the state budget.

- taxation at a rate of 80% of the additional income generated by electricity producers, resulting from the difference between the average monthly selling price of electricity and the price of 450 lei / MWh. Electricity producers based on fossil fuels, including cogeneration, are exempt from the application of this additional tax.

SECTION 9. INFORMATION ON TRENDS

According to the Hidroelectrica Investment Strategy, Hidroelectrica S.A. plans, inter alia, to diversify its business portfolio, a significant investment being planned in the development of other renewable energy generation units, including onshore and offshore wind farms, photovoltaic production units and, specifically, biomass-based energy production units. The main objectives of Hidroelectrica Investment Strategy as well as the current stage of the various investment and development initiatives of Hidroelectrica S.A., which also cover mergers and acquisitions, and the listing prospects of Hidroelectrica S.A. are detailed in the chapter on **Hidroelectrica S.A.'s Strategy and objectives** under SECTION 5 (BUSINESS OVERVIEW) of this Annex to the Prospectus.

According to Hidroelectrica 2020 Directorate Report, among the main strategic initiatives of Hidroelectrica S.A. on the medium and long term, is to ensure the security of the existing production portfolio through an optimal implementation of maintenance and refurbishment / upgrading programs, thus ensuring their operation for a new life cycle under increased safety and reliability conditions. In this respect, during 2020, Hidroelectrica initiated analyses and evaluations in order to take over a part of the assets of UCM Resita, which will be used to streamline the maintenance function of the company. According to the procurement report dated 3 June 2020, published on Hidroelectrica S.A.'s website, on 16 March 2020 the company concluded a consulting agreement with Ernst & Young S.R.L for due-diligence consulting services and evaluation of the assets of UCM Reșița in connection with the potential purchase of some assets belonging to UCM Resita.

Since the end of the last financial period for which financial statements were published, except as otherwise specified in this Annex, the Fund is not aware, based on the official public information available, of any significant change in the performance of Hidroelectrica S.A.

Information about the impact of the COVID-19 on Hidroelectrica S.A. is included in SECTION 22 (*RISK FACTORS*) of this Annex to the Prospectus.

SECTION 10. PROFIT FORECASTS OR ESTIMATES

No profit forecasts or estimates regarding Hidroelectrica S.A. are included in the Annex to the Prospectus, since no such information has been made public by the company, except for information included in the budget for 2020 of the company which was approved by the OGMS resolution no. 6 dated 27 April 2020 and by GD 199/2020 and OGMS no. 5 dated 10 June 2021 and GD 476/2021.

Gross profit estimated to be achieved in the year 2021 is RON 1,464,453, resulting from the difference between the total income in the amount of RON 4,230,328 and the total expenditure in the amount of RON 2,765,875.

According to GD 476/2021, the budget of income and expenditure of Hidroelectrica S.A. is the following:

				thousand RON	
		INDICATORS	No. rd	Proposal current year 2021	
0	1	2	3	4	
I.		TOTAL INCOME (Rd.1=Rd.2+Rd.5)	1	4,230,328	
	1	Total income from current activity, of which:	2	4,177,828	
		a) subventions, according to legal provision in force	3		
		b) transfers, according to legal provision in force	4		
	2	Financial income	5	52,500	
II		Total Expenditure (Rd.6=Rd.7+Rd.19)	6	2,765,875	
	1	Operational expenses, (Rd. 7= Rd.8+Rd.9+Rd.10+Rd.18) of which:	7	2,728,023	
		A. Expenses on goods and services	8	1,137,593	
		B. Expenses with taxes, fees and assimilated payment	9	55,133	
		C. Personnel expenses, (Rd.10=Rd.11+Rd.14+Rd.16+Rd.17) of which:	10	535,727	
		C0 Salary expenses (Rd.11=Rd.12+Rd.13)	11	476,911	
		C1 Salary expenses	12	441,879	
		C2 bonuses	13	35,032	
		C3 Other personnel expenses, of which:	14	31,100	
		Expenses with compensatory payments related to staff redundancies	15	23,600	
		C4 Expenses related to mandate contract and other management and control bodies, commissions and committees	16	12,993	
		C5 Expenses with the contributions due by the employer	17	14,723	
		D. Other operational expenses	18	999,570	
	2	Financial expenses	19	37,852	
III		GROSS RESULT (profit/loss) (Rd.20=Rd.1-Rd.6)	20	1,464,453	
IV	1	CURRENT INCOME TAX	21	342,857	
	2	DEFERRED INCOME TAX	22	0	
	3	INCOMES FROM DEFERRED INCOME TAX	23	0	
	4	ACTIVITY-SPECIFIC TAX	24		
	5	OTHER TAXES NOT PRESENTED TO THE ABOVE ELEMENTS	25		
V		NET PROFIT/LOSS OF THE REPORTING PERIOD (Rd. 26=Rd.20-Rd.21-Rd.22+Rd.23-Rd.24- Rd.25), din care:	26	1,121,596	
	1	Legal reserves	27	73,223	
	2	Other reserves representing fiscal facilities provided by the law	28		
	3	Coverage of accounting losses from previous years	29		

	4	Establishment of own financing sources for projects co-financed from external loans, as well as for the establishment of sources necessary for the repayment of principal instalments, interest payments, commissions and other costs related to these loans	30	
	5	Other distributions provided by the law	31	
	6	Accounting profit remaining after deduction of amounts from Rd. 27, 28, 29, 30, 31 (Rd. 32= Rd.26-(Rd.27 la Rd. 31)>= 0)	32	1,048,374
	7	Employees' participation in the profit within the limit of 10% of the net profit, but not more than the level of an average monthly basic salary achieved at the level of the economic operator in the reference financial year	33	19,437
	8	Minimum 50% payments to the state or local budget in case of autonomous companies, or dividends due to shareholders, in case of companies / national companies and companies with full or majority state capital, of which:	34	1,048,374
	a)	- dividends due to the state budget	35	839,287
	b)	- dividends due to the local budget	36	
	c)	- dividends due to other shareholders	37	209,087
	9	The profit not distributed for the destinations provided in Rd.33 - Rd.34 is distributed to other reserves and constitutes its own source of financing	38	
VI		REVENUE FROM EUROPEAN FUNDS	39	
VII		ELIGIBLE EXPENDITURE FROM EUROPEAN FUNDS, of which:	40	
	a)	material expenses	41	
	b)	salary expenses	42	
	c)	expenses regarding the provision of services	43	
	d)	advertising and publicity expenses	44	
	e)	other expenses	45	
VIII		SOURCE OF INVESTMENT FUNDING, of which:	46	1,731,115
	1	Budget allocations	47	
		budget allocations related to the payment of commitments from previous years	48	
IX		INVESTMENT EXPENSES	49	1,731,115
X		SUBSTANTIATION DATAS		
	1	No. of employees forecasted at the end of the year	50	3,550
	2	Average number of employees	51	3,385
	3	Average monthly incomes per employee (lei / person) determined on the basis of salary expenses	52	11,169
	4	Average monthly incomes per employee (lei / person) determined on the basis of salary expenses, recalculated according to the annual Law of the state budget	53	10,488
	5	Labor productivity in value units per total average employees (thousand lei / person) (Rd.2 / Rd.51)	54	1,234
	6	Labor productivity in value units per total average employees, recalculated according to the annual law of the state budget	55	1,162
	7	Labor productivity in value units per total average employees (quantity of finished products/employee)	56	x
	8	Total expenses per RON 1000 total income (Rd. 57= (Rd.6/Rd.1)x1000)	57	654
	9	Outstanding payments	58	0
	10	Outstanding receivables	59	96,850

According to the explanatory memorandum to GD 476/2021, the elaboration of the budget was carried out based on the following assumptions:

- the production forecast of 14,594,000 MWh resulting from POWRSYM, is characteristic of an average year estimated from a hydrological point of view, considering the hydrology specific of the last years;

- the use of average delivery prices on the competitive market (PCCB, Balancing Market, Next Day Market, final consumers) increasing compared to the level budgeted in the previous year;
- the provisions of State Budget Law 15/2021 on the salary policy;
- the provisions of Government Ordinance no. 26/2013 on strengthening the financial discipline of the economic operators in which the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold a majority participation, as subsequently amended; the total level of expenditure that has been estimated according to the need for materials and services necessary for the efficient conduct of the activity;
- the level and structure of the expenses that were estimated considering the level of major expenses, the structure of the contracts concluded, the specific regulated consumptions, the legal provisions regarding the depreciation of the fixed assets, the contributions established by law related to the salary rights, etc.;
- the level established under regulatory acts for the expenses provided in the special laws.
- the level of salary expenses that was established taking into account the provisions of Art. 48 of Law no. 15/2021 on the state budget for 2021 and which shows an increase by 1.97% against the approved level of 2020;
- for 2021, the estimated gross result decreases compared to the one forecasted in 2020 by 17.84%, mainly due to increases in industrial water expenditures, but at the end of 2021 the company estimates a gross result higher by 3% compared to the level approved in the 2020 budget;
- the estimated average inflation level for 2021: 2.4%, indicated in the Report on the macroeconomic situation for 2021 and its projection for 2022-2024 published by the Ministry of Public Finance; the total level of expenditure that has been estimated according to the need for material resources and services necessary for an efficient business performance;

Based on available public information, the Fund is not in a position to confirm whether the profit estimate included in the 2021 budget of Hidroelectrica S.A. as approved by GD 476/2021 has been compiled and prepared on a basis which is both comparable with the historical financial information and consistent with Hidroelectrica S.A.'s accounting policies.

Apart from the information mentioned above, the Fund does not have any other information on the forecasts and estimates regarding the profit of Hidroelectrica S.A. and cannot confirm whether such estimates or forecasts are intelligible, reliable, comparable and relevant.

SECTION 11. ADMINISTRATION, SUPERVISION AND SENIOR MANAGEMENT BODIES

Hidroelectrica S.A. operates under a two-tier system, having a supervisory board (the “**Supervisory Board**”) whose members are appointed by the OGMS and a directorate (the “**Directorate**”) whose members are appointed by the Supervisory Board and which exercises its duties under the control of the Supervisory Board.

Supervisory Board

According to the Hidroelectrica 2019 Directorate Report, on 4 May 2018, the GMS approved the commencing of the selection procedure for the members of the Supervisory Board according to the provisions of Government Emergency Ordinance 109/2011 regarding corporate governance of state-owned enterprises, with subsequent amendments and completions (“**GEO 109/2011**”). Thus, on 5 February 2019, the shareholders appointed the members of the Supervisory Board with a term of office of 4 years, until 4 February 2023.

The Supervisory Board of Hidroelectrica S.A. has the following structure:

No.	Supervisory Board Member	Position	Starting on	Term of office expires on
1.	Ioana-Andreea LAMBRU (Chairperson)	Supervisory Board president and member of the nomination and remuneration committee	5 February 2019	5 February 2023
2.	Daniel NAFTALI	Supervisory board member and member in the nomination and remuneration committee, audit committee and strategy and IPO committee	5 February 2019	5 February 2023
3.	Mihai MIHALACHE	Supervisory Board member and member in the nomination and remuneration committee and strategy and IPO committee	5 February 2019	5 February 2023
4.	Karoly BORBELY	Supervisory Board member, president of the strategy and IPO committee and member in the audit committee	5 February 2019	5 February 2023
5.	Cătălin POPESCU	Supervisory Board member, president of the nomination and remuneration committee and member in the audit committee	5 February 2019	5 February 2023
6.	Carmen RADU	Supervisory Board member and member in the nomination and remuneration committee, audit committee and strategy and IPO committee	5 February 2019	5 February 2023
7.	Cristian-Nicolae STOINA	Supervisory Board member, president of the audit committee and member in the strategy and IPO committee	5 February 2019	5 February 2023

In respect of the other members of the Supervisory Board of Hidroelectrica S.A., the Fund is not in a position to determine whether any other principal activities performed by them outside Hidroelectrica S.A. are significant in respect of Hidroelectrica S.A. Information about the experience of each of members of the Supervisory Board of Hidroelectrica S.A is included in the CVs published on the website of Hidroelectrica S.A. at <https://www.hidroelectrica.ro/article/11> (the content of this website is not included in this Prospectus).

Directorate

According to the Hidroelectrica 2019 Supervisory Board Report, on 3 June 2019, the Supervisory Board appointed the members of the Directorate with a term of office of 4 years according to the provisions of GEO 109/2011. Their term started on 10 June 2019.

According to 2020 Directorate Report, the Directorate has the following structure:

No.	Directorate Members	Mandate Start	Mandate End
1.	Bogdan- Nicolae BADEA (president of the Directorate)	10 June 2019	9 June 2023
2.	Marian BRATU (member of the Directorate)	10 June 2019	9 June 2023
3.	Răzvan-Ionuț PAȚALIU (member of the Directorate)	10 June 2019	9 June 2023
4.	Radu-Cristian POP (member of the Directorate)	10 June 2019	9 June 2023
5.	Cristian VLĂDOIANU (member of the Directorate)	10 June 2019	9 June 2023

According to the financial interest statements for the period 2017-2020 published on Hidroelectrica S.A.'s website (the information on this website not being incorporated by reference into this Prospectus), Mr. Bogdan-Nicolae Badea has not been a member of an administrative, management or supervisory body in any company or a partner in a partnership during the period covered by those statements.

According to the financial interest statements for the period 2015-2020 published on Hidroelectrica S.A.'s website (the information on this website not being incorporated by reference into this Prospectus), Mr. Marian Bratu has not been a member of an administrative, management or supervisory body in any company or a partner in a partnership during the period covered by those statements.

According to the financial interest statements for the period 2018-2020 published on Hidroelectrica S.A.'s website (the information on this website not being incorporated by reference into this Prospectus), Mr. Razvan-Ionut Pațaliu holds the position of chairman of the board of directors of Cooperatista Victoria Bank and has not been a member of an administrative, management or supervisory body in any other company or a partner in a partnership during the period covered by those statements.

According to the financial interest statements for 2020 published on Hidroelectrica S.A.'s website (the information on this website not being incorporated by reference into this Prospectus), Mr. Radu-Cristian Pop is a member of the board of directors of Oil Terminal S.A. and director of Ersitex SRL, in which he holds the position of sole shareholder and which, according to his declaration of interests, has no activity. Mr. Radu-Cristian Pop has not been a member of an administrative, management or supervisory body in any other company or a partner in a partnership, during the period covered by those statements.

According to the financial interest statement for 2020 published on Hidroelectrica S.A.'s website (the information on this website not being incorporated by reference into this Prospectus), Mr. Cristian Vlădoianu has not been a member of an administrative, management or supervisory body in any company or a partner in a partnership during the period covered by those statements.

In respect of the members of the Directorate of Hidroelectrica S.A., the Fund is not in a position to determine whether any other principal activities performed by them outside Hidroelectrica S.A. are significant in respect of Hidroelectrica S.A. Information about the experience of each of members of the Directorate of Hidroelectrica S.A. is included in the CVs published on the website of Hidroelectrica S.A. at <https://www.hidroelectrica.ro/article/11>.

Remuneration and benefits

Remuneration of the Supervisory Board Members

	2019 (RON)	2020 (RON)
Fix component	893,328	889,920
Variable component estimation	1,634,730	1,038,240

Source: *Hidroelectrica 2020 Consolidated Financial Statements*

According to Hidroelectrica 2020 Consolidated Financial Statements, the remuneration of the Supervisory Board members was approved by the GMS under resolution no. 5 / 05.02.2019. According to these statements, the remuneration of non-executive members consists of a fixed monthly allowance that may not exceed twice the average amount of the average gross monthly salary earnings over the last 12 months for the activity carried out according to the company's main object of activity, at class level according to classification of national economy activities, communicated by the National Statistics Institute prior to appointment. The amount of the variable component may not exceed a maximum of 12 fixed monthly allowances. The financial and non-financial performance indicators based on which the variable component of the Supervisory Board is determined are the same as those of the Directorate.

As of 31 December 2020, Hidroelectrica S.A. recorded an amount of RON 1,038,240 representing the variable component related to the Supervisory Board, which is included in "Provisions" of Hidroelectrica 2019 Financial Statements. According to the annual report of the nomination and remuneration committee for 2020, the gross variable component of Hidroelectrica Supervisory Board members collected in 2020 for meeting the performance indicators set forth in the contract for 2019 was in amount of RON 804,588.

Upon signing the mandate contract, Mr. Daniel Naftali requested and was not remunerated in any way for the activity performed as a member of Hidroelectrica S.A. Supervisory Board.

Remuneration of the Directorate Members

Directorate members' remuneration	2019 (RON)	2020 (RON)
Fix component	2,359,103	2,343,240
Variable component estimate	4,100,670	8,201,340

Source: *Hidroelectrica 2020 Consolidated Financial Statements*

According to Hidroelectrica 2020 Consolidated Financial Statements, the remuneration of executive members consists of a fixed monthly allowance that cannot exceed six times the average amount of the average gross monthly salary earnings over the last 12 months for the activity carried out according to the company's main object of activity, at class level, according to the classification of national economy activities, communicated by the National Statistics Institute prior to the appointment and of a variable component calculated on the basis of financial and non-financial performance indicators, negotiated and approved by the general meeting of shareholders.

The variable component of the Directorate's remuneration for 2020 approved under GMS resolution no. 20 / 25.07.2019, is limited to 3.5 times the fixed allowance according to the mandate contracts. The maximum value of the variable component is RON 8,201,340. The increase of the variable component in 2020 compared to 2019 is determined by the fact that the mandate of the current Directorate members began in June 2019, so in 2019 the basis for determining the variable component covered only 6 months.

According to the annual report of Hidroelectrica S.A.'s nomination and remuneration committee for year 2020, the gross variable component of Hidroelectrica's Directorate members collected in 2020 for meeting the contractual performance indicators for year 2019, was of RON 4,169,975.

On 31 December 2020, the company recorded an amount of RON 8,201,340 representing the estimation of the variable component of the Directorate's remuneration in "Provisions" - Note 18 of Hidroelectrica 2019 Financial Statements.

The company has no contractual obligations for the payment of pensions to former managers.

According to Hidroelectrica 2020 Consolidated Financial Statements and Hidroelectrica 2019 Financial Statements, no loans were granted to managers and directors in 2020, 2019 and 2018. No guarantees were granted to/ received from managers and directors.

Apart from the information mentioned above, the Fund does not have any other information about the existence of other types of remuneration and benefits, nor has it any information about the remuneration and benefits of other members of the senior management of Hidroelectrica S.A. or information about the individual level of the remuneration paid and benefits in kind granted to each member of the Supervisory Board and of the Directorate for the last ended financial year.

Functioning of the administration and management bodies

The following committees with an advisory role are set up as part of the Supervisory Board: (i) the nomination and remuneration committee, (ii) the audit committee, (iii) the strategy and IPO committee.

According to Hidroelectrica's Corporate Governance Code, the nomination and remuneration committee prepares proposals for the position of member in the Supervisory Board and the Directorate, develops and proposes the selection procedure to the Supervisory Board for the Supervisory Board and Directorate members and for other management positions, proposes the remuneration of the Directorate members and for other management positions.

Insofar as the audit committee is concerned, Hidroelectrica's Corporate Governance Code sets forth that it meets the prerogatives provided to it under the applicable legislation, and its duties are, inter alia, to debate and approve the multiannual plan and the annual plan for public internal audit, to monitor the implementation of the internal audit Plan, to analyse and draft recommendations based on audit reports submitted by the internal audit function following the audit missions performed, to approve the public internal audit Charter, examine the complaints regarding non-compliance with the internal auditor's Code of Ethical Conduct and make proposals with the necessary measures to the head of the central public institution, to analyse and approve the Annual Report of public internal audit, analyse the effectiveness of the company's internal control, internal audit and risk management systems, verify and monitor the financial auditor's independence and, in particular, to provide

additional services to the company, as well as to make recommendations to the Supervisory Board regarding the selection, appointment or change of the financial auditor, as well as regarding the terms and conditions of its remuneration.

The Supervisory Board takes decisions about the additional prerogatives of its committees.

The summarized rules under which the advisory committees operate are included in Hidroelectrica's Corporate Governance Code, as published on the website www.hidroelectrica.ro Corporate Governance section.

Corporate Governance

In consideration of Hidroelectrica S.A.'s Corporate Governance Code¹⁹, which represents an integrated system of values, principles and rules that ensure the operation of Hidroelectrica S.A. in a responsible, transparent and specific manner, the corporate governance implemented in Hidroelectrica S.A., as a State-owned enterprise, is based on the specific Romanian legislation (Companies Law, GEO 109/2011 etc.), the principles developed by the Organization for Economic Cooperation and Development and best national and international corporate governance practices.

The Fund did not receive from Hidroelectrica S.A. and did not identify on Hidroelectrica S.A.'s website all the information specified in connection with the administration, management and members of Hidroelectrica S.A.'s management which would otherwise need to be included in this Annex to the Prospectus according to Annex 1 to the Delegated Regulation 2019/980, including:

- i. information on the business address, details about the nature of any family relationship (set out under point 12.1 of annex 1), the period during which they held office (as set out under point 14.1 of annex 1), and other information referred to under point 12.1, second paragraph, letters b) -d) of annex 1 in connection with Hidroelectrica S.A.'s management,
- ii. the information provided under point 12.2 of annex 1 on, inter alia, conflicts of interest at the level of administration, management and supervisory bodies and senior management, on potential conflicts of interest or on conflicts of interest between their obligations to Hidroelectrica S.A. and their private interests and other obligations,
- iii. information on service contracts concluded between the members of the administration, management and supervisory bodies and Hidroelectrica S.A. (or its branches) or any of its subsidiaries, which set forth the award of benefits upon expiry of the contract,
- iv. information on potentially significant effects on corporate governance, including future changes in the composition of the Directorate, the Supervisory Board and its committees,

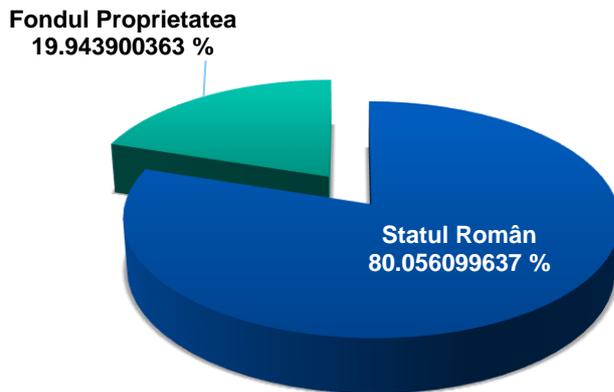
this information is not available for the Fund. Therefore, this section includes a low level of presentation compared to the minimum requirements of the registration document for equity securities, in line with Delegated Regulation 2019/980.

¹⁹ Published on Hidroelectrica S.A.'s website at https://cdn.hidroelectrica.ro/cdn/documente_pdf/Cod_guvernanta_corporativa.pdf (the contents of this website are not included in this Prospectus).

SECTION 12. MAJOR SHAREHOLDERS

According to Hidroelectrica Constitutive Act and the public information available at the Trade Registry, the company's shareholders are:

- the Romanian State, through the Ministry of Energy, holding a number of 359,009,551 shares, with a total nominal value of RON 3,590,095,510 representing 80.056099637% of the share capital of the company;
- the Fund, holding 89,437,916 shares, with a total nominal value of RON 894,379,160, representing 19.943900363% of the share capital of the company.



According to Hidroelectrica Constitutive Act, the company issued only ordinary shares, the main shareholders do not have different voting rights by reference to any other shareholder of the company, the shares issued by Hidroelectrica S.A. offering equal voting rights to all shareholders of the company.

The Romanian State exercises the control over Hidroelectrica S.A. in its capacity as majority shareholder, through the Ministry of Energy.

The Fund does is not aware of any arrangements which may result in a change in control of Hidroelectrica S.A.

SECTION 13. RELATED PARTY TRANSACTIONS

1. Transactions with the entities in which Hidroelectrica S.A. holds shares

According to Hidroelectrica 2020 Individual Financial Statements and Hidroelectrica 2019 Financial Statements, the transactions with Hidroserv Subsidiary were as follows:

	Sales in 2018	Sales in 2019	Sales in 2020	Acquisitions in 2018	Acquisitions in 2019	Acquisitions in 2020
Hidroserv	1,454,329	1,964,639	1,651,551	135,989,093	123,185,652	180,348,529
Total	1,454,329	1,964,639	1,651,551	135,989,093	123,185,652	180,348,529

Transactions mainly relate to procurement of maintenance services.

According to the report published by Hidroelectrica S.A. on its website²⁰, starting with 01 January 2021, during the first quarter of 2021, Hidroelectrica S.A. also concluded the following agreements with Hidroserv Subsidiary:

HE location	Name of Acquisition / Contract	Beneficiary Department	Type of contract: Products/Services/ Works	CP V Code	CP V Code Name	Type of assignment/procurement	Legal procurement basis (GEO 34/2006 or Law 99/2006)	Contract No.	Contract date	Name of Contractor/Provider/Supplier	Contract Value LEI net of VAT	Contract Value EUR net of VAT	Contract term
Executive	Subsequent contract for performance of planned maintenance works	Equipment Maintenance Dept.	Works			Affiliated Companies Negotiation	Law no. 99/2016	149	16.02.2021	SSH Hidroserv SA	7,079,886.68		Until completion of services/works
SH Bistrita	Tank segment no. 1 HPP Vaduri. Restoration of corrosion protection and overhaul of tank operating mechanisms segment	Equipment maintenance	Services	50712000-9	Maintenance and repair of building mechanical installations	LD	Law no. 99/2016	12	17.03.2021	SSH Hidroserv SA	446,824.89		90 days
	Total										7,526,711.57		

Source: Hidroelectrica Report on Related Party Transactions for the first quarter 2021

2. Transactions with other companies in which the Romanian State holds significant control or influence

²⁰ https://cdn.hidroelectrica.ro/cdn/raportari_achizitii/2021/raportare_min_energiei_tranzactii_intrep_afiliate_trim_i.2021.pdf

In the normal course of its business, Hidroelectrica S.A. has transactions with other entities in which the Romanian State has significant control or influence, mainly related to the tax on turbinated water, acquisition of electricity, transmission, transport and system services and electricity sales. According to Hidroelectrica 2020 Consolidated Financial Statements and Hidroelectrica 2019 Financial Statements, the following were reported as transactions with other companies in which the State holds significant control or influence.

Supplier	Acquisitions (without VAT) 2020	Balance (with VAT) 31 December 2020
Administratia Nationala Apele Romane	299,242,390	53,847,711
Transelectrica	68,679,867	9,516,076
Hidroconstructia	39,005,852	18,737,578
Others	21,828,829	1,387,982
Total	428,756,938	83,489,347

Supplier	Acquisitions (without TVA) 2019	Balance (with TVA) 31 December 2019
Administratia Nationala Apele Romane	317,793,757	42,369,117
Transelectrica	79,608,723	7,181,016
Electrica Distributie Muntenia Nord	7,556,106	197,368
OPCOM	1,489,004	93,498
Others	16,183,010	1,545,779
Total	422,630,600	51,386,778

Supplier	Acquisitions (without VAT) 2018	Balance (with VAT) 31 December 2018
Administratia Nationala Apele Romane	359,758,634	40,439,207
Transelectrica	70,938,338	7,762,480
Electrica Distributie Muntenia Nord	4,352,427	389,405
OPCOM	79,175,941	188,818
Others	20,177,304	564,713
Total	534,402,644	49,344,623

Source: Hidroelectrica 2020 Consolidated Financial Statements and Hidroelectrica 2019 Financial Statements

Client	Sale (without VAT) 2020	Balance, gross value (including VAT)	Value adjustment	Balance, net value (including VAT) 31 December 2020
Transelectrica	561,202,868	73,620,678	-	73,620,678
Electrica Furnizare	453,484,532	34,423,902	-	34,423,902
OPCOM	392,862,076	7,795	-	7,795
E ON Energie Romania	137,135,831	12,018,979	-	12,018,979
STB Bucuresti	40,249,153	30,085,368	-	30,085,368
Metrorex	35,235,527	-	-	-

CET Brasov	-	18,724,742	(18,724,742)	-
Others	21,957,746	18,579,255	(424)	18,578,831
Total	1,642,127,733	187,460,719	(18,725,166)	168,735,553

Client	Sale (without VAT)	Balance, Gross value (including VAT)	Adjustment (including VAT)	Balance, Net value (including VAT)
	2019	31 December 2019		
Transelectrica SA	786,033,013	88,915,987	-	88,915,987
E ON Energie Romania	122,486,356	8,550,388	-	8,550,388
Electrica Furnizare	269,149,017	24,408,338	-	24,408,338
Enel Energie SA	194,158,477	15,456,711	-	15,456,711
Enel Energie Muntenia	231,728,545	26,286,030	-	26,286,030
Engie Romania	224,251,309	15,374,381	-	15,374,381
Metrorex	64,329,434	30,652,291	-	30,652,291
Electrica Distributie				
Muntenia Nord	50,803,698	56,489	-	56,489
STB Bucuresti	34,577,607	21,771,259	-	21,771,259
OPCOM	679,479,766	-	-	-
CET Brasov	-	18,724,742	(18,724,742)	-
Others	36,095,068	2,622,785	-	2,622,785
Total	2,693,092,290	252,819,401	(18,724,742)	234,094,659

Source: Hidroelectrica 2019 Financial Statements

Client	Sale (without VAT)	Balance, Gross value (including VAT)	Adjustment (including VAT)	Balance, Net value (including VAT)
	2018	31 December 2018		
Transelectrica S.A.	962,712,967	195,284,067	-	195,284,067
E ON Energie Romania	216,310,744	15,818,742	-	15,818,742
Electrica Furnizare	194,660,645	7,897,440	-	7,897,440
Enel Energie S.A.	168,674,897	15,660,356	-	15,660,356
Enel Energie Muntenia	244,403,305	14,466,142	-	14,466,142
Engie Romania	137,777,172	21,348,318	-	21,348,318
Metrorex	50,055,368	11,231,852	-	11,231,852
RATB Bucuresti	32,918,351	8,153,109	-	8,153,109
OPCOM	270,360,872	750,074	-	750,074
CET Brasov	-	18,724,742	(18,724,742)	-
Others	114,982,957	23,951,395	-	23,951,395
Total	2,392,857,278	333,286,237	(18,724,742)	314,561,495

Source: Hidroelectrica 2019 Financial Statements

The Fund has not been able to obtain from Hidroelectrica S.A. or from the information posted on Hidroelectrica S.A.'s website all specified items of information in relation to the transactions with other companies in which the State holds significant control or influence that would otherwise be required to be included in this Annex to the Prospectus in accordance to the Delegated Regulation 2019/980 (including the information set out under the item 17.1 of annex 1 of the Delegated Regulation 2019/980 in relation to the transactions with other companies in which the State holds significant control or influence carried out by Hidroelectrica S.A. since 31 December 2020, which is unavailable to the Fund). Therefore, this section includes a reduced level of disclosure as compared to the minimum disclosure requirements for the registration document for equity securities pursuant to the Delegated Regulation 2019/980.

SECTION 14. FINANCIAL INFORMATION REGARDING THE ASSETS AND LIABILITIES, THE FINANCIAL POSITION AND LOSSES OF HIDROELECTRICA S.A.

Financial statements

The financial information on Hidroelectrica S.A. presented in this Annex to the Prospectus consists in the audited consolidated financial statements of Hidroelectrica S.A. for year 2018 (“**Hidroelectrica 2018 Financial Statements**”), the individual audited financial statements of Hidroelectrica S.A. for year 2019 (“**Hidroelectrica 2019 Individual Financial Statements**”), the individual audited financial statements of Hidroelectrica S.A. for year 2020 (“**Hidroelectrica 2020 Individual Financial Statements**”) and the consolidated audited financial statements of Hidroelectrica S.A. for year 2020 (“**Hidroelectrica 2020 Consolidated Financial Statements**”) as published on the Hidroelectrica S.A. website, accompanied by the independent auditor's report of Hidroelectrica S.A. dated 27 May 2019, 16 April 2020 and 8 April 2021. The financial data presented below was extracted from Hidroelectrica 2018 Financial Statements, Hidroelectrica 2019 Financial Statements, Hidroelectrica 2020 Individual Financial Statements and Hidroelectrica 2020 Consolidated Financial Statements, included in Section 14 of this annex to the Prospectus

Hidroelectrica 2018 Financial Statements, Hidroelectrica 2019 Financial Statements, Hidroelectrica 2020 Individual Financial Statements and Hidroelectrica 2020 Consolidated Financial Statements prepared in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the accounting regulations in accordance with the IFRS as amended were approved by the shareholders in the OGMS by resolution no. 13 dated 29.05.2019, Resolution no. 7 dated 26 May 2020 and Resolution no. 4 of 13 May 2021

The financial information included in this Prospectus in connection with Hidroelectrica S.A. must be read together with Hidroelectrica 2018 Financial Statements, Hidroelectrica 2019 Financial Statements, Hidroelectrica 2020 Individual Financial Statements and Hidroelectrica 2020 Consolidated Financial Statements and, where applicable, together with the accompanying notes thereto. According to note 2.3 of Hidroelectrica 2020 Individual Financial Statements and Hidroelectrica 2020 Consolidated Financial Statements, the financial statements prepared as at 31 December 2020 are comparable with the financial statements of the previous financial year, except for the following:

- presentation of revenues from late payment penalties related to customer contracts. For the financial year ended as at 31 December 2020, they are presented as financial income (RON 20,245,243), while for the financial year ended as at 31 December 2019, they are recorded as other operating income (RON 14,523,775). Comparative figures were not restated as the impact is not considered significant;
- presentation of revenues from the sale of green certificates. For the financial year ended as at 31 December 2020, they are recorded as revenues from the sale of electricity (RON 17,522,895), while for the financial year ended as at 31 December 2019 they are presented as other financial revenues (RON 27,605,995). Comparative figures were not restated as the impact is not considered significant;
- separate presentation in the consolidated financial statement of liabilities related to contracts with customers in amount of RON 73,660,127. As at 31 December 2019, the liabilities arising from contracts with customers in amount of RON 31,459,606 were recorded under “Deferred income”. The comparative figures were not restated as the impact is not considered significant.

According to Hidroelectrica 2019 Directorate Report, further to (i) the loss of control over Hidroserv SA in February 2018 pursuant to the syndic judge's decision to withdraw the right to manage Hidroserv SA and assign its management to a judicial administrator, and further to (ii) resolution no. 30 / 23.11.2018 of the Extraordinary General Meeting of the Shareholders of Electricity Production Company in Hydroelectric Power Plants Hidroelectrica S.A. and Resolution no. 3/17.12.2018 of the General Meeting of the Sole Shareholder of Hidroelectrica Trading doo approving the dissolution and liquidation of Hidroelectrica Trading doo in the Republic of Serbia, Hidroelectrica did not prepare consolidated financial statements as at 31 December 2019. Regarding point (i) mentioned above, according to Hidroelectrica 2020 Consolidated Financial Statements, as at 31 December 2020, SSH Hidroserv was still in insolvency proceedings, but a reorganization plan was approved by the Creditors' Meeting of 10.06.2020, a plan that was confirmed, according to the law, and by the syndic judge under the interim decision pronounced at the hearing of 24.06.2020. Further to the endorsement of the reorganization plan by the syndic judge, under OGMS Resolution no. 2/08.09.2020, the Special Administrator of debtor S.S.H Hidroserv S.A. was appointed, and thus Hidroelectrica regained control over the subsidiary S.S.H Hidroserv S.A.

Hidroelectrica 2018 Financial Statements, Hidroelectrica 2019 Financial Statements, and Hidroelectrica 2020 Individual Financial Statements and Hidroelectrica 2020 Consolidated Financial Statements are presented in Romanian lei (RON), unless otherwise specified, which is the functional currency of the Hidroelectrica S.A.

Financial position

According to Hidroelectrica 2019 Financial Statements and to Hidroelectrica 2020 Individual Financial Statements, the following table presents the financial position of Hidroelectrica as of 31 December 2018, 31 December 2019 and 31 December 2020.

	31 December 2018	31 December 2019	31 December 2020
Assets			
Fixed assets			
Tangible assets	15,287,335,832	14,695,506,367	13,895,331,745
Intangible assets	4,314,994	3,441,762	3,356,406
Investments in subsidiaries	-	-	28,755,463
Long term restricted cash	-	-	10,257,471
Other fixed assets	2,703,649	216,775,597	220,299,606
Total fixed assets	15,294,354,475	14,915,723,726	14,158,000,691
Current assets			
Inventories	70,000,911	70,883,042	59,652,132
Trade receivables	445,823,203	327,536,263	354,790,189
Other current assets/Other receivables	220,492,636	8,196,391	13,635,197
Advance payments	2,120,469	-	-
Bank deposits	2,496,667,070	1,736,855,286	1,730,071,123
Restricted cash	10,257,471	10,257,471	-
Cash and cash equivalents	75,763,691	222,976,476	343,409,698
Total current assets	3,321,125,451	2,376,704,929	2,501,558,339
Total assets	18,615,479,926	17,292,428,655	16,659,559,030
Equity and liabilities			
Equity			
Share capital	4,482,393,310	4,482,393,310	4,484,474,670
Adjustment to inflation of share capital	1,028,872,000	1,028,872,000	1,028,872,000
Public patrimony	39,619,341	39,619,341	45,285,243
Revaluation reserve	6,859,132,234	6,458,435,638	6,094,876,693
Other reserves	583,885,429	687,946,734	777,064,462
Retained earnings	3,565,623,133	2,398,100,713	2,096,478,511
Total own equity	16,559,525,447	15,095,367,736	14,527,051,579
Liabilities			
Long-term liabilities			
Bank loans		26,445,661	-
	68,316,357		
Leasing	-	14,529,615	14,630,302
Deferred income	161,186,535	155,794,499	144,648,335
Deferred tax liabilities	744,501,726	708,991,968	686,745,949
Employees' benefits	92,801,043	101,206,714	101,516,423
Provisions	286,554,994	582,561,094	620,019,785

Trade receivables	15,248,789	13,737,548	-
Other liabilities	8,125,574	14,096,461	8,915,178
Total long-term liabilities	1,376,735,018	1,617,363,560	1,576,475,972
Current liabilities			
Current portion of long-term banking loans	42,509,247	43,561,064	26,944,219
Current portion of leasing	-	5,064,771	6,383,664
Trade payables	155,933,031	161,425,822	194,325,808
Debts on contracts with customers	-	-	73,660,217
Tax on current profit	106,847,471	181,676,152	81,406,169
Deferred revenues	25,832,992	36,997,921	5,528,446
Employees' benefits	34,923,038	32,019,137	62,733,623
Provisions	147,746,623	98,756,293	85,918,918
Other current liabilities	165,427,059	20,196,199	19,130,415
Total current liabilities	679,219,461	579,697,359	556,031,479
Total liabilities	2,055,954,479	2,197,060,919	2,132,507,451
Total equity and liabilities	18,615,479,926	17,292,428,655	16,659,559,030

Source: Hidroelectrica 2019 Financial Statements and Hidroelectrica 2020 Individual Financial Statements

According to Hidroelectrica 2018 Financial Statements and Hidroelectrica 2020 Consolidated Financial Statements, the following table presents Hidroelectrica's financial position as of 31 December 2018, 31 December 2019 and 31 December 2020.

	31 December	31 December	31 December
	2018	2019	2020
Assets			
Fixed assets			
Tangible assets	15,287,336,000	14,695,506,367	13,950,681,039
Intangible assets	4,315,000	3,441,762	4,598,459
Long term restricted cash	-	-	10,257,471
Other fixed assets	2,704,000	216,775,597	220,278,961
Total fixed assets	15,294,355,000	14,915,723,726	14,185,815,930
Current assets			
Inventories	70,001,000	70,883,042	68,255,027
Trade receivables	445,823,000	327,536,263	361,526,411
Bank deposits	2,496,667,000	1,736,855,286	1,730,071,123
Restricted cash	10,257,000	10,257,471	-
Cash and cash equivalents	75,764,000	222,976,476	354,845,179
Other current assets	222,613,000	8,196,391	15,933,548
Total current assets	3,321,125,000	2,376,704,929	2,530,631,288
Total assets	18,615,480,000	17,292,428,655	16,716,447,218
Equity and liabilities			
Equity			
Share capital	4,482,393,000	4,482,393,310	4,484,474,670
Adjustment of share capital to inflation	1,028,872,000	1,028,872,000	1,028,872,000
Public patrimony	39,619,000	39,619,341	45,285,243
Revaluation reserve	6,859,132,000	6,458,435,638	6,094,876,693

Other reserves	583,885,000	687,946,734	780,501,341
Retained earnings	3,565,623,000	2,398,100,713	2,084,633,002
Total equity	16,559,524,000	15,095,367,736	14,518,642,949
Liabilities			
Long-term liabilities			
Loans/ Bank loans	68,316,000	26,445,661	3,394,622
Leasing	-	14,529,615	14,630,302
Deferred income	161,187,000	155,794,499	144,943,438
Deferred tax liabilities	744,502,000	708,991,968	692,352,657
Employees' benefits / Long-term employee benefits	92,801,000	101,206,714	117,136,550
Provisions	286,555,000	582,561,094	620,019,785
Trade payables	15,249,000	13,737,548	5,642,745
Other liabilities	8,126,000	14,096,461	30,849,610
Total long-term liabilities	1,376,736,000	1,617,363,560	1,628,969,709
Current liabilities			
Current portion of long-term bank loans	43,561,064	28,527,674	
Current portion of leasing	5,064,771	6,383,664	
Trade payables	161,425,822	172,745,871	
Debts on contracts with customers	-	73,660,217	
Tax on current profit	181,676,152	81,406,169	
Deferred revenues	36,997,921	5,528,446	
Employees' benefits / Current portion of employees' long-term benefit liabilities	32,019,137	77,260,225	
Provisions	98,756,293	88,497,822	
Other current liabilities	20,196,199	34,824,472	
Total current liabilities	579,697,359	568,834,560	
Total liabilities	2,197,060,919	2,197,804,269	
Total equity and liabilities	17,292,428,655	16,716,447,218	

Source: Hidroelectrica 2018 Financial Statements and Hidroelectrica 2020 Consolidated Financial Statements

Profit or loss and other comprehensive income

According to Hidroelectrica 2020 Individual Financial Statements and Hidroelectrica 2019 Financial Statements, the following table presents the individual Profit or Loss and Other Comprehensive Income of Hidroelectrica for the year ended 31 December 2018, 31 December 2019 and 31 December 2020.

	2018	2019	2020
Revenues			
Sales of electricity / Revenues from contracts with customers	4,252,014,632	4,142,446,993	3,828,344,400
Other operating revenues	21,118,098	34,761,548	22,093,980
Total Revenues	4,273,132,730	4,177,208,541	3,850,438,380
Operating Expenses			
Electricity purchased	(126,925,533)	(25,774,982)	(15,383,268)
Depreciation of tangible and intangible assets	(665,787,207)	(737,517,895)	(764,919,566)
Resumption of adjustments/ Adjustments for the depreciation of tangible and intangible assets, net	127,149,416	34,528,626	(177,106,070)

Value adjustments of trade receivables and other receivables, net	(21,237,758)	(1,116,983)	(16,128,005)
Stock value adjustments	(570,013)	(247,132)	(27,434,354)
Salaries and other emoluments	(374,479,753)	(396,670,837)	(470,535,648)
Expenses with turbinated water	(359,594,144)	(327,629,039)	(307,076,999)
Materials and consumables	(8,107,558)	(9,576,551)	(9,379,347)
Maintenance and repairs	(89,309,146)	(101,776,664)	(133,482,165)
Changes in provisions	(356,518,513)	(325,353,206)	(31,463,037)
Other operating expenses	(185,492,071)	310,799,736	(224,146,937)
Total Operating Expenses	(2,060,872,280)	(2,201,934,399)	(2,177,055,396)
Operating Profit	2,212,260,450	1,975,274,142	1,673,382,984
Financial income	77,628,616	113,776,305	111,340,993
Financial expenses	(628,007)	(7,824,347)	(2,369,417)
Net financial result	77,000,609	105,951,958	108,971,576
Profit before income tax	2,289,261,059	2,081,226,100	1,782,354,560
Income tax	(349,983,319)	(694,689,582)	(330,779,177)
Net Profit	1,939,277,740	1,386,536,518	1,451,575,383
Other elements of the overall result			
Revaluation of tangible assets	1,371,943,377	-	-
Deferred tax related to the revaluation of tangible assets	(220,819,692)	-	-
Decreasing the revaluation reserve following the impairment of tangible assets/ Adjustments of revaluation reserve, net of tax	-	(52,014,420)	(24,357,466)
Reassessment of post-use liabilities	-	-	-
Other elements of the overall result	1,151,123,685	(52,014,420)	(24,357,466)
Total overall result	3,090,401,425	1,334,522,098	1,427,217,917

Source: Hidroeléctrica 2019 Financial Statements and Hidroeléctrica 2020 Individual Financial Statements

According to Hidroeléctrica 2020 Consolidated Financial Statements and Hidroeléctrica 2018 Financial Statements, the following table shows the Consolidated Profit or Loss and Other Income of Hidroeléctrica's overall result for the year ended 31 December 2018, 31 December 2019 and 31 December 2020.

	2018	2019	2020
Revenues			
Sale of electricity /Income from customer contracts	4,252,015,000	4,142,446,993	3,841,442,936
Other operating income	56,119,000	34,761,548	35,326,056
Total income	4,308,134,000	4,177,208,541	3,876,768,992
Operating expenses			
Purchased electricity	(126,926,000)	(25,774,982)	(15,383,268)
Depreciation and impairment of tangible and intangible assets/Depreciation of tangible and intangible assets	(538,638,000)	(737,517,895)	(766,581,129)
Resumption of adjustments / Adjustments for impairment of tangible and intangible assets net	-	34,528,626	(177,106,070)
Value adjustments of trade receivables and other receivables net	-	(1,116,983)	(18,109,960)
Stock value adjustments	-	(247,132)	(27,279,875)

Salaries and other emoluments	(374,480,000)	(396,670,837)	(500,354,532)
Expenses with industrial water	-	(327,629,039)	(307,076,999)
Materials and consumables	(8,108,000)	(9,576,551)	(16,933,373)
Maintenance and repairs	(89,309,000)	(101,776,664)	(86,878,730)
Changes in provisions	(356,519,000)	(325,353,206)	(33,400,270)
Other operating expenses	(567,545,000)	(310,799,736)	(233,976,828)
Total operating expenses	(2,061,525,000)	(2,201,934,399)	(2,183,081,034)
Operating profit	2,246,609,000	1,975,274,142	1,693,687,958
Financial income	77,629,000	113,776,305	82,240,693
Financial expenses	(628,000)	(7,824,347)	(2,364,575)
Net financial result	77,001,000	105,951,958	79,876,118
Profit before tax	2,323,610,000	2,081,226,100	1,773,564,076
Profit tax	(349,983,000)	(694,689,582)	(330,397,323)
Net profit	1,973,627,000	1,386,536,518	1,443,166,753
Other elements of the overall result			
Adjustments of the revaluation reserve, net of tax /Revaluation of tangible assets	1,371,943,000	(52,014,420)	(24,357,466)
Impact of deferred tax on revaluation reserve	(220,820,000)		
Other elements of the overall result	1,151,123,000	(52,014,420)	(24,357,466)
Total overall result	3,124,750,000	1,334,522,098	1,418,809,287

Source: Hidroelectrica 2018 Financial Statements and Hidroelectrica 2020 Consolidated Financial Statements

Cash flows

According to Hidroelectrica 2020 Individual Financial Statements and Hidroelectrica 2019 Financial Statements, the following table shows the cash flows of Hidroelectrica S.A. for the year ended 31 December 2018, 31 December 2019 and 31 December 2020.

	2018	2019	2020
Cash flows from operating activities:			
Net profit	1,939,277,740	1,386,536,518	1,451,575,383
<i>Adjustments for non-cash items:</i>			
Depreciation of tangible assets	664,455,854	735,399,336	763,685,529
Depreciation of intangible assets	1,331,354	2,118,559	1,234,037
Resumption of value adjustments of tangible assets, net/Value adjustments of tangible assets, net	(127,149,417)	(34,528,626)	177,106,070
Expenses from revaluation of tangible assets, net	5,434,388	-	
Resumption of value adjustments for financial assets			(28,755,463)
Expenses with value adjustments of trade receivables and other receivables, net	21,237,758	1,116,983	16,225,914
Expenses for value adjustments for inventories	570,013	247,132	27,434,354
Loss / (profit) from assignment of tangible assets	(120,410)	253,525	15,511,038
Resumption of investment subsidies	(5,539,422)	(5,526,866)	(5,498,205)
Unrealized losses from exchange rate variation/revaluation of liabilities	97,903	2,439,132	1,086,834
Interest income	(58,376,605)	(86,126,778)	(61,978,099)
Interest expenses	322,495	344,101	679,690
Profit tax	349,983,319	694,689,582	330,779,177
	2,791,524,970	2,696,962,598	2,689,086,259

Changes in:			
Trade receivables	(105,839,187)	119,604,215	(41,904,330)
Other assets	57,946,019	(2,089,492)	(10,538,325)
Inventories	(2,331,238)	(1,129,263)	(16,203,444)
Restricted cash	(10,257,471)	-	-
Advance payments	219,438	-	-
Trade receivables	4,286,386	1,056,293	7,840,766
Deferred revenues	1,669,361	11,299,759	(31,451,532)
Employees' benefits	17,812,988	5,501,770	31,024,195
Provisions	334,605,366	247,015,770	24,621,316
Other liabilities	(33,705,453)	(1,584,845)	68,074,679
Cash generated from operating activities	3,055,931,181	3,076,636,805	2,720,549,584
Interest paid	(322,495)	(344,101)	(679,690)
Profit tax paid	(336,133,560)	(655,370,658)	(453,295,179)
Net cash from operating activities	2,719,475,126	2,420,922,046	2,266,574,715
Cash flow used in the investment activity:			
Acquisitions of tangible assets	(166,955,347)	(136,162,035)	(160,125,572)
Acquisitions of intangible assets	(333,600)	(1,245,327)	(1,148,681)
Loans (granted) / repaid			
Proceeds from the sale of tangible assets	771,112	1,780,362	436
Interest earned	35,466,539	100,938,562	63,762,262
Payments for deposits with an initial maturity of more than 3 months	(5,916,000,000)	(9,246,000,000)	(3,210,000,000)
Proceeds from deposits with initial maturities longer than 3 months	5,071,384,629	9,991,000,000	3,215,000,000
Net cash from / (used) in investment activity	(975,666,667)	710,311,562	(92,551,555)
Cash flow from financing activity:			
Cash contribution to share capital	-	-	415,110
Loans reimbursement	(89,211,742)	(43,258,011)	(44,149,341)
Leasing payments	-	(5,064,771)	(6,614,371)
Dividends paid	(1,684,411,087)	(2,935,698,041)	(2,003,281,336)
Net cash from financing activity	(1,773,622,829)	(2,984,020,823)	(2,053,629,938)
Net increase /(decrease) in cash and cash equivalents / Net increase in cash and cash equivalents	(29,814,370)	147,212,785	120,433,222
Cash and cash equivalents on 1 January	105,578,061	75,763,691	222,976,476
Cash and cash equivalents on 31 December	75,763,691	222,976,476	343,409,698

Source: Hidroeléctrica 2019 Financial Statements and Hidroeléctrica 2020 Individual Financial Statements

According to Hidroeléctrica 2020 Consolidated Financial Statements and Hidroeléctrica 2018 Financial Statements, the following table presents the consolidated cash flows of Hidroeléctrica S.A. for the year ended 31 December 2018, 31 December 2019 and 31 December 2020.

	2018	2019	2020
Cash flows from operating activity			
Net profit	1,973,627,000	1,386,536,518	1,443,166,753
<i>Adjustments for non-cash items:</i>			
Depreciation of tangible assets	664,456,000	735,399,336	765,347,092
Depreciation of intangible assets	1,331,000	2,118,559	1,234,037

Value adjustments of tangible assets, net	(127,149,000)	(34,528,626)	177,106,070
Expenses from revaluation of tangible assets, net	5,434,000		
Net movement of provisions	356,519,000	-	-
Expenses with value adjustments of trade receivables and other receivables net	21,238,000	1,116,983	18,109,960
Expenses for stock value adjustment	570,000	247,132	27,279,875
Loss / (profit) from assignment of tangible assets	651,000	253,525	19,066,074
Resumption of investment subsidies	(5,477,000)	(5,526,866)	(5,499,579)
Earnings from taking control over Hidroserv subsidiary	-	-	(13,008,588)
Unrealized losses from exchange rate fluctuations	98,000	2,439,132	1,086,834
Earnings from loss of control over subsidiary	(34,350,000)	-	-
Interest income	(58,377,000)	(86,126,778)	(61,986,558)
Interest expenses	322,000	344,101	679,690
Profit tax	349,983,000	694,689,582	330,397,323
	3,148,876,000	2,696,962,598	2,702,978,983
Changes in:			
Trade receivables	(122,924,000)	119,604,215	(29,664,582)
Other assets	47,503,000	(2,089,492)	(925,829)
Inventories	-2,331,000	(1,129,263)	(7,441,124)
Restricted cash	-10,257,000	-	-
Trade payables	23,283,000	1,056,293	-12,728,358
Deferred income	-	11,299,759	-31,451,530
Employees' benefits	-	5,501,770	25,538,504
Provisions	-	247,015,770	22,665,383
Other liabilities	(27,448,000)	(1,584,845)	61,905,581
Cash generated from operating activities	3,056,702,000	3,076,636,805	2,730,877,028
Interest paid	(322,000)	(344,101)	(1,496,164)
Paid profit tax	(336,134,000)	(655,370,658)	(453,295,179)
Net cash from operating activities	2,720,246,000	2,420,922,046	2,276,085,685
Cash flow used in investments:			
Acquisition of tangible assets	(167,726,000)	(136,162,035)	(166,733,496)
Acquisition of intangible assets	(334,000)	(1,245,327)	(2,390,734)
Proceeds from the sale of tangible assets	771,000	1,780,362	493,765
Proceeds from interest	35,467,000	100,938,562	63,770,721
Payments for deposits with an initial maturity of more than 3 months	(5,916,000,000)	(9,246,000,000)	(3,210,000,000)
Proceeds from deposits with original maturities longer than 3 months	5,071,385,000	9,991,000,000	3,215,000,000
Impact of taking control over Hidroserv subsidiary	-	-	9,426,314
Net cash from / (used in) investments	(976,437,000)	710,311,562	(90,433,430)
Cash flow from financing activities:			
Cash contributions to share capital	-	-	415,110
Repayment of loans	(89,212,000)	(43,258,011)	(44,302,955)
Leasing	-	(5,064,771)	(6,614,371)
Dividends paid	(1,684,411,000)	(2,935,698,041)	(2,003,281,336)

Net cash used in financing activities	(1,773,623,000)	(2,984,020,823)	(2,053,783,552)
Net increase of cash and cash equivalents / Net decrease of cash and cash equivalents	(29,814,000)	147,212,785	131,868,703
Cash and cash equivalents as at 1 January	114,950,000	75,763,691	222,976,476
Effect of losing control over the subsidiary	(9,372,000)	-	-
Cash and cash equivalents as at 31 December	75,764,000	222,976,476	354,845,179

Source: Hidroelectrica 2018 Financial Statements and Hidroelectrica 2020 Consolidated Financial Statements

Auditing of annual financial information

Audit report

KPMG Audit SRL is the independent auditor who audited the Hidroelectrica 2020 Individual Financial Statements and Hidroelectrica 2020 Consolidated Financial Statements and issued the audit report on 8 April 2021. Information about the financial auditor is included in **Error! Reference source not found.** (*Statutory Auditor*).

Aside from the information above extracted from Hidroelectrica 2020 Individual Financial Statements, Hidroelectrica 2020 Consolidated Financial Statements, Hidroelectrica 2019 Financial Statements and Hidroelectrica 2018 Financial Statements, no other information presented in this annex regarding Hidroelectrica S.A. was audited by independent auditors.

This annex to the Prospectus does not include financial information which is not extracted from Hidroelectrica 2020 Individual Financial Statements, Hidroelectrica 2020 Consolidated Financial Statements, Hidroelectrica 2019 Financial Statements or Hidroelectrica 2018 Financial Statements .

Significant change in Hidroelectrica S.A.'s financial position

Based on public official information issued by Hidroelectrica S.A., the Fund is not aware of any significant change in the financial position of the Hidroelectrica Group which has occurred since the last financial period for which Hidroelectrica 2020 Consolidated Financial Statements were published.

Dividend distribution policy

Hidroelectrica S.A does not have a formal dividend distribution policy.

According to the Government Ordinance no. 64/2001 on the distribution of profits in national entities, national companies, and commercial companies with full or majority state capital, as well as the autonomous companies, as subsequently amended (“**GD 64/2001**”) Hidroelectrica S.A. has the obligation to distribute at least 50% of the remaining accounting profit after the deduction of the income tax in form of dividends.

The profit quota which will be annually distributed by Hidroelectrica S.A. under the form of dividends is subject to approval by the OGMS in which the Romanian state is a majority shareholder.

Shareholders are entitled to dividends proportionally to their contribution to the share capital.

According to the Hidroelectrica 2019 Financial Statements, in 2019, the company distributed dividends in the amount of RON 2,798,679,809 (6.24 RON / share) from the profit of 2018 and from the carried forward result representing the revaluation reserve registered before 2004, transferred to the carried forward result as the related tangible assets were depreciated and written-off. According to the Fiscal Code, these reserves were taxed as a result of the change of destination.

	Dividends distributed in 2019
Dividends distributed from the profit of the year 2018	1,798,679,809
Dividends distributed from retained earnings representing revaluation reserves transferred	1,000,000,000
Total	2,798,679,809

Source: Hidroelectrica 2019 Financial Statements

According to the explanatory note of the OGMS resolution no. 7/26.05.2020, Hidroelectrica Directorate submitted to the approval of the GMS the distribution of the profit for 2019 (a clerical error in the explanatory note refers to 2018 instead of 2019), as follows:

Accounting net profit after deducting the profit tax	1,386,536,518
Legal reserve (5%)	104,061,305
Other reserves (fiscal facilities)	13,253,133
Net profit remaining for distribution	1,269,222,080
Employees' participation in profit (distributed to other reserves)	15,940,744
The difference up to 100% represents dividends due to shareholders, as follows:	1,253,281,336
<i>Ministry of Energy (80.056099762%)</i>	<i>1.003.328.157</i>
<i>Fondul Proprietatea (19.943900238%)</i>	<i>249.953.179</i>

According to resolution no. 7 dated 26 May 2020, the OGMS of Hidroelectrica S.A. approved the distribution of dividends in the amount of RON 1,253,281,336 from the profit of 2019. Also, according to same resolution, the OGMS approved the distribution of the amount of RON 750,000,000 representing retained earnings resulted from realized revaluation surplus.

	Dividends distributed in 2020
Dividends distributed from 2019 profit	1,253,281,336
Dividends distributed from retained earnings representing transferred revaluation reserves	750,000,000
Total	2,003,281,336

According to Resolution no. 4. of 13.05.2021, Hidroelectrica SA OGMS approved the distribution of dividends amounting to Lei 1,286,371,242 from the profit of 2020. Also, pursuant to the same resolution, OGMS approved the distribution of an amount of lei 1,000,000,000 representing retained earnings from the realized revaluation surplus.

According to the explanatory note of OGMS resolution no. 4/13.05.2021, Hidroelectrica Directorate submitted for approval by the GMS the distribution of the profit for the year 2020 as follows:

Book net profit after profit tax deduction	1,451,575,383
+provision for employees' participation to profit	17,873,466
Net profit for distribution	1,469,448,849
Legal reserve (5%)	89,117,728
Other reserves (tax incentives)	76,086,413
Net profit remaining for distribution	1,304,244,708
Employees' participation to profit (distributed to other reserves)	17,873,466
The difference up to 100% represents dividends due to shareholders, as follows:	1,286,371,242
<i>Ministry of Energy (80.056099762%)</i>	<i>1,029,818,643</i>
<i>Fondul Proprietatea (19.943900238%)</i>	<i>256,552,599</i>
<i>Other reserve representing own financing sources</i>	0

Dividends distributed over the period covered by historical financial information

Currently, the distribution of dividends within Hidroelectrica S.A. is governed by a special legislation, including GD 64/2001, according to which at least 50% of the profit is distributed to the company's shareholders as dividends.

The value of total dividends per share approved by Hidroelectrica S.A.'s shareholders in the years 2018, 2019 and 2020:

Lei / share	2018	2019	2020
Dividend/ share	4.0635	6.2437	4.4692

Employees

According to Hidroelectrica 2018 Directorate Report, Hidroelectrica 2019 Directorate Report and Hidroelectrica 2020 Directorate Report, the number of Hidroelectrica employees at the end of each financial year covered by the historical financial information presented in this Prospectus was as follows:

As at 31.12.2020, the actual number of employees was 3,373, plus a number of 27 contracts suspended for various reasons (a total of 3,398 full-time employees and 2 part-time employees).

As at 31.12.2019, the actual number of employees was 3,402, plus 26 contracts suspended for various reasons (a total number of 3,426 full-time employees and 2 part-time employees).

As at 31.12.2018, the actual number of employees was 3,381, plus 26 contracts suspended for various reasons (a total of 3,405 full-time and 2 part-time employees).

Given that the Fund has access only to the financial statements of Hidroelectrica S.A. and does not have a controlling position as a shareholder, the Fund is not in a position to present information on the breakdown of employees by main categories of activities and geographical locations.

SECTION 15. LITIGATION

According to the Hidroelectrica 2020 Directorate Report, Hidroelectrica S.A. was involved in the following main disputes as at 31 December 2020:

a) Litigation on file 3200/2/2018 started by Ministry of Economy, Energy and Business Environment against Hidroelectrica S.A.

The dispute has a potential exposure of RON 373 million and concerns the Concession Agreement no. 171/2004 regarding public assets, Hidroelectrica S.A. acting as defendant against the petitioner Ministry of Economy, Energy and Business Environment.

The Ministry of Economy, Energy and Business Environment requested the following from the court:

- (i) supplementing Hidroelectrica S.A.'s consent to conclude an addendum to the concession contract, whereby the contract is modified so that:
 - a) the Ministry of Economy, Energy and Business Environment, as a concession provider, can unilaterally modify the amount of the royalty; and
 - b) amend the amount of the royalty at the value of the annual amortization of assets received under concession.
- (ii) subsequently, the Ministry of Economy, Energy and Business Environment supplemented the action in court, requesting Hidroelectrica S.A. to pay RON 373 million, representing the difference between the amortization of the assets received in concession and the royalty paid for 2013-2018.

The action in court of the Ministry was initiated following an inspection and a report of the Court of Accounts at the Ministry of Economy, Energy and Business Environment. According to this report, the method of establishing the royalty for the concession agreement violates Law no. 15/1994 regarding the amortization of the fixed capital in tangible and intangible assets and the methodological application norms, applicable to the economic agents. According to the provisions of the aforementioned law, the amortization of the assets under concession belongs to the owner, in this case, the Ministry. This depreciation is recovered by royalty.

The company has as arguments against the request of the Ministry the provisions of Ordinance no. 81/2003 on the revaluation and depreciation of fixed assets in the patrimony of public institutions, according to which the assets belonging to the public domain are not subject to depreciation. This category also includes the goods granted by the Ministry to the company. Thus, the value of the depreciation that the Ministry has in its charge, as the owner of some public domain assets under concession, is invalid, consequently the value that should be recovered through the royalty is zero.

Based on the arguments presented above, Hidroelectrica S.A. estimates that it is highly probable that the dispute will be finalized in favour of the company, consequently, it did not register a provision in connection with this dispute.

On 11 May 2021, the Bucharest Court of Appeal pronounced court ruling 177/2021 under which it:

- dismissed the action at law, as supplemented with the additional motion, as ungrounded;
- admitted, in part, the motion for intervention filed by Fondul Proprietatea SA in favor of Hidroelectrica SA;
- ordered the plaintiff to pay the court expert the remaining fee in amount of lei 14,000;
- denied Hidroelectrica SA's request to order the plaintiff to pay the court fees representing the expert's fee, as ungrounded; and
- denied the petition filed by Fondul Proprietatea SA to order the plaintiff to pay the legal costs, as ungrounded.

The ruling may be appealed within 15 days from its service, which has not taken place until the date of this Prospectus.

b) General tax inspection

Hidroelectrica S.A. was under general fiscal inspection, the period subject to control being 01.01.2006 - 30.06.2012. The National Fiscal Administration Agency ("ANAF") issued the tax decision no. F-MC 851 / 21.01.2014 regarding additional tax payment obligations in the amount of RON 232,570,429, representing income tax, VAT, social contributions, and related accessories.

Potential exposure: RON 214.4 million

Hidroelectrica appealed the tax decision, and under the Decision for solving the preliminary tax complaint no. 406 / 18.12.2014, ANAF's General Directorate for Solving Complaints, partially upheld the appeal filed by the company for the amount of RON 18.2 million. Thus, the liabilities imposed under tax decision no. F-MC 851/21.01.2014 were reduced to approximately RON 214.4 million. On 29 May 2015, Hidroelectrica asked the court to cancel both tax decisions.

The litigation has reached the stage when evidence is presented, i.e. preparation by the experts appointed by the court of the financial-accounting forensic report. Due to the complexity of the cases and the high value of the amounts involved, no financial-accounting forensic report requested by the court has been finalized to this date, and several experts have been changed during this time.

Hidroelectrica analysed the possible future events, considering the following:

- the final decision of the Bucharest Court of Appeal in Hidroelectrica's insolvency case, according to which ANAF has lost the right to request the payment of the tax claim generated by the tax decision;
- if the court considers that the tax decisions are valid, the court will also have to analyse the loss of ANAF's rights with respect to the fiscal claim, in order to decide whether Hidroelectrica owes the imposed amounts.

In light of the final decision of the Bucharest Court of Appeal according to which ANAF has lost the right to request the payment of the tax claim arising from the tax decision, Hidroelectrica considers that the dispute is likely to end in favour of Hidroelectrica, and therefore it did not record any provision.

(c) Arbitral case no. ICC 20540/MHM dated 2014

The arbitral litigation regarding Contract no. 23.534 / H.700.116004, on the refurbishment of hydroelectric power plants located on the lower Olt river: Ipotesti, Draganesti, Frunzaru, Rusanesti and Izbiceni.

Petitioner: Hidroelectrica S.A.

Defendants: Voith Hydro Holding GmbH & CO KG ("Voith") and Andritz Hydro GmbH ("Andritz").

Potential exposure: RON 28.3 million

Hidroelectrica S.A. requested the arbitral tribunal to issue a decision by which to:

- (i) oblige the defendants to replace the defective works with others in accordance with the Contract or, alternatively, to pay the amount of RON 166 million, representing the contractual value of the defective works, plus the related interest;
- (ii) order the defendants to pay damages for the prejudice because of the breach of the object of the contract, in the form of:
 - a) the retention by the Petitioner in full ownership the works with deficiencies; and
 - b) payment of damages for any prejudice suffered as a result of non-fulfillment of the object of the Contract, respectively (a) RON 83 million if the defendants will be obliged to replace the defective works or, otherwise, (b) RON 573 million.

Voith and Andritz filed to the arbitral tribunal a counterclaim requesting the tribunal to:

- (i) reject the entirety of the claims of Hidroelectrica;
- (ii) require the Hidroelectrica S.A. to pay to Voith and Andritz the amount of RON 63.9 million representing a bank guarantee executed by the company (RON 35.6 million), additional works (RON 17 million), equipment delivered by Voith and Andritz in value of RON 11.3 million plus due interest;
- (iii) alternatively, reject Hidroelectrica's claims regarding the replacement of the works with deficiencies, the financial compensation and the reimbursement of the price of the works with deficiencies and, only with regard to the corroded parts and affected by the linear and round indications, order the repair, subject to the company increasing repair costs compared to those which the defendants would have recorded at the time of deficiency;
- (iv) grant the costs incurred in connection with arbitration and interest at 6% per year.

In March 2018, the final pleadings of the parties took place. Subsequently, the arbitral tribunal asked the parties for a series of clarifications. In August 2019, one of the three arbitrators was recused and replaced at the request

of Hidroelectrica, as he became, during the arbitration proceedings, an employee of the legal consultant of Voith and Andritz .

Following the replacement, the parties provided the Tribunal with comments on the arbitrator's recusal and the possible resumption of the proceedings in the context in which the events leading up to the arbitrator's recusal could have been influenced by the violation of the arbitrator's principle of independence.

On 27.04.2020, the Arbitral Tribunal decided to re-docket the arbitral case and organize a new arbitral hearing for presentation of the case by the parties' lawyers; presentation of quantum issues by the parties' experts; presentation of Arbitral Tribunal's questions on any matter it deems relevant in the case.

Status of the proceedings: The Tribunal has closed the proceedings and is to rule on the merits of the case. The company estimates that the Arbitration Award will be communicated in the second quarter of 2021.

On 31 December 2020, the company registered a provision in the amount of RON 35.6 million (31 December 2019: RON 35.6 million) related to the enforced letter of guarantee. Given the uncertainties generated by the complexity of the case, the company estimates that the arbitral award will oblige both parties to pay damages. The company estimates that the recorded provision would cover the amount of these damages.

d) Arbitral case no. 20901/MHM of 2015

The arbitral litigation regarding Contract no. 16636/31.10.1997 on the refurbishment and increase of the power of the 6 hydraulic aggregates of HPP Portile de Fier I.

Petitioner: Hidroelectrica S.A.,

Defendant: ANDRITZ HYDRO AG. ("Andritz")

Potential exposure: RON 72.5 million

Hidroelectrica requested the arbitral tribunal to issue a ruling by which:

1.A. Mainly: to order Andritz to pay Hidroelectrica damages for the loss suffered as a result of failing to meet the object of the Contract, amounting to RON 1,582 million plus 6% interest per year, calculated up to the payment day. The amount also includes the replacement of works according to the Replacement program under the Quantum MWH Report;

1.B. Secondly, to the extent that arbitral tribunal considers that the quantum MWH replacement program will satisfy Hidroelectrica's right to a hydroelectric power plant in accordance with the contractual provisions, to order Andritz to pay Hidroelectrica the amount of RON 1,204 million plus the 6% related interest per year, calculated up to the payment day.

In its counterclaim, Andritz requested the arbitral tribunal to order the company to pay the amount of RON 72.5 million, representing costs incurred by Andritz to repair the damage caused by the cavitation.

During 2019, all the hearings scheduled within the arbitration procedure took place. In January 2020 and March 2020, the parties submitted their conclusions after the hearing.

In August 2020, under its final Arbitration Award, the Tribunal decided as follows:

- Andritz must pay Hidroelectrica CHF 3,695,760 (RON 16.6 million) representing damages for non-fulfilment of certain cavitation guarantees plus late payment penalties until the date of payment;
- Hidroelectrica must pay Andritz the amount of CHF 900,000 (RON 4.5 million) representing the bank guarantee enforced by the company plus late payment penalties until the date of payment.

On 28.09.2020, the company filed an action for the annulment of the Arbitral Award before the Bucharest Court of Appeal. As part of the same action, the company reiterated its request regarding the payment by Andritz of damages in amount of RON 1,582 million. The new litigation is at an early stage.

The company did not register any provision and any assets in connection with the amounts decided under the Arbitral Award and considers that the result of the retrial could be more favourable to Hidroelectrica S.A. than the one rendered by the Arbitral Tribunal, reason for which it filed the action for annulment.

e) Arbitral file no. ICC 22482/MHM of 2016

Arbitral litigation regarding Contract no. 2I / 50765/09.11. 2001 on capital repairs and the modernization of the hydropower plant Portile de Fier II,

Petitioners: Andritz Hydro GmbH, Germany and Andritz Hydro GmbH, Austria (together "Andritz").

Defendant: Hidroelectrica

Potential exposure: RON 60.7 million

Andritz requested the arbitral tribunal to order Hidroelectrica S.A. to pay the amount of RON 60.7 million plus the 6% related interest per year, representing works performed by Andritz after Hidroelectrica's unilateral termination of the contract.

Hidroelectrica filed a counterclaim requesting RON 16.2 million representing the difference between the interim payments made to Andritz and unjustified by works executed according to the contractual provisions, plus the related interest.

In April 2018, the arbitral tribunal decided to divide the procedure in two stages:

- a) stage of exclusion on the lack of competence and admissibility of the action, exceptions filed by Hidroelectrica and motivating that Andritz did not fulfil the contractual steps regarding the pre-arbitration stage and that Andritz lost the right to these claims, because it has not applied for payment of these amounts during the insolvency period; and
- stage of the merits.

In its request, Andritz argues that the unilateral termination of the contract by Hidroelectrica is not valid, and therefore it is entitled to collect the requested amounts. However, contract no. 2I/50765/09.11.2001 and its unilateral termination were the subject of another arbitration case finalized in 2019. According to the arbitration award issued in that case, the unilateral termination of the contract by Hidroelectrica was valid.

During 2019, the Arbitral Tribunal ruled on the defences invoked by the Company under point a). The tribunal rejected its defences.

During 2020, the second round of the case on the merits continued (point b), in which the parties established the experts and witnesses to be examined. The hearings are scheduled to take place between 20 and 23 April 2021. After the hearings, the calendar for the remaining stages will be established - the presentation of the post-hearing briefs and the issuance of the arbitral award.

In consideration of the arbitral award issued in connection with the unilateral termination of the contract by Hidroelectrica, the company estimates that it will win the case on the merits, and consequently, it has not registered any provision in connection with this dispute.

f) Litigation regarding file 44443/3/2016 against Hidroconstructia SA

Petitioner: Hidroconstructia S.A.,

Defendant: Hidroelectrica S.A.

Potential exposure: RON 32.8 million

Hidroconstructia SA filed claims amounting to RON 32.8 million, representing the equivalent of the costs generated by stopping the construction works related to some of the investment projects under execution. Hidroelectrica S.A. requested the court to reject Hidroconstructia S.A.'s request, motivating the following:

- the claims made by Hidroconstructia do not represent costs of preserving the works during the period of their ceasing, but the costs incurred by Hidroconstructia before the insolvency of Hidroelectrica;
- thus, representing a claim before the insolvency proceedings, it should have been declared at the creditors' table within the pre-emptive term stipulated in the Law no. 85/2006, in the case of Hidroelectrica the term being 06 August 2012; and
- failure to submit the claim in the legal term means Hidroconstructia is losing the right to request the collection of the debt.

In March 2018, the first instance tribunal (Bucharest Tribunal) rejected Hidroconstructia SA request, the decision being challenged by both parties.

Hidroelectrica appealed the ruling because it was obliged to pay administrative fees.

In April 2019 the Bucharest Court of Appeal upheld the appeals made by the parties and sent the case back to the Bucharest Tribunal.

An appeal was filed against this solution by Hidroelectrica and a collateral appeal by Hidroconstructia. On 3 November 2020, the High Court dismissed the appeals as ungrounded.

Therefore, the case is to be retried on the merits by the Bucharest Tribunal. So far, no hearing has been set for retrial.

The company considers that the claims filed by Hidroconstructia represent costs incurred by it before the insolvency of Hidroelectrica, costs which were not entered by Hidroconstructia in the table of claims during the insolvency proceedings, thus losing its right to request the payment of these amounts. In consideration of this argument, as well as based on the denial of Hidroconstructia's request by the court in the first trial, the company estimates that it will win this litigation.

Case no. 40314/3/2013 * against the association Romelectro SA, Hidroconstructia SA and ISPH Project Development SA ("Association")

The subject matter of the dispute is execution contract no. 21DI / 26.01.2004 regarding the execution of the investment objective The hydropower development of the Jiu river on the Livezeni-Bumbesti sector.

Petitioner: Romelectro SA, Hidroconstructia SA and ISPH Project Development SA Association

Defendant: Hidroelectrica SA

Potential exposure: RON 88.4 million.

The association requested the court:

(i) to pronounce a court decision that should be deemed as an addendum to the execution contract, an addendum covering additional works carried on by the Association starting with 2010 until the beginning of the litigation and to establish the value of the works in question at RON 88.4 million; and

(ii) to order Hidroelectrica to pay the amount of RON 88.4 million representing the debit resulting from the execution of the works.

Subsequently, the claims from point (ii) were severed, being finally settled in the case on Hidroelectrica's insolvency, where the syndic judge decided to deny them. Consequently, the case concerns only the issuance of a court decision to take the place of an addendum.

In November 2015, the first instance court denied the Association's request, the decision being challenged by the Association.

In December 2016, the Bucharest Court of Appeal admitted the appeal filed by the Association and sent the case for retrial.

Following the retrial on the merits, in April 2018 the court denied the Association's request.

By Decision no. 1571/29.03.2019, the Bucharest Court of Appeal quashed the ruling of April 2018 and re-adjudicated. As a consequence of the quash and re-adjudication, the Court of Appeal is currently solving the statement of claims as a first instance court, with the presentation of all evidence necessary to solve the matter of fact and of law. During 2020, the Bucharest Court of Appeal approved the presentation of documentary evidence, cross examinations and a forensic expert appraisal in hydrotechnical constructions. At this date, the forensic report has not been submitted yet.

Hidroelectrica analysed the possible future events taking into account the following:

- if the final court ruling is unfavourable to Hidroelectrica, an addendum will be concluded according to the request made under point (i) mentioned above;
- Romelectro - Hidroconstructia - ISPH association will initiate the enforcement of the amount of RON 88.4 million;
- Hidroelectrica will challenge the enforcement procedure, arguing that the Association has lost the right to request this claim by decision of the syndic judge, as described above.

In light of the favourable rulings in the first instance and appeal stages, as well as the fact that the company won the case under point (ii), Hidroelectrica expects that it will win the dispute and, consequently, did not register a provision in connection with this case.

h) Litigation with Beny Alex S.R.L.

Litigation over contracts:

- contract no. 129/02.09.2011 concluded by the company with HIDROSERV HATEG S.A., for the provision of deforestation services at HEA Raul Mare Retezat, Gura Apelor Dam: Greening and sanitation by deforestation of the Gura Apelor reservoir; and

- the subcontracting contract concluded by HIDROSERV HATEG SA with Beny Alex no. 104 / 07.10.2011.

Petitioner: Beny Alex S.R.L.

Defendant: Hidroelectrica SA

Potential exposure: RON 43.6 million

Beny Alex raised claims against Hidroelectrica in amount of RON 43.6 million representing additional works executed by this plaintiff under the contract concluded with the Hidroserv subsidiary in 2011.

The court of first instance denied the plaintiff's action at law on the grounds that it was time-barred.

During 2020, the appeal lodged by Benny Alex was admitted by the court of judicial review which fully annulled the appealed sentence, denied the invoked statute of limitations as ungrounded and referred the case to the same court to continue the trial.

Hidroelectrica considers that the claims asserted by Beny Alex represent costs incurred by it during the insolvency proceedings of Hidroelectrica, costs that were not claimed for payment during the insolvency proceedings, thus losing its right to claim the payment of these amounts after Hidroelectrica's exit from insolvency. Based on this argument, Hidroelectrica estimates that the court's decision will be favorable to Hidroelectrica and, consequently, did not register a provision in connection with this dispute.

i) The ongoing investigation of the Competition Council at Hidroelectrica

There is an ongoing investigation at Hidroelectrica S.A ordered based on Order no. 1079 / 24.08.2018 of the Competition Council President over an alleged violation of Art. 6 paragraph (1) letter (b) 1 of Competition Law no. 21/1996, with subsequent amendments ("Competition Law") by Hidroelectrica S.A. on the market of production and sale of electricity in Romania by limiting the trade of electricity.

By court decision no. 22 / 3 September 2018 pronounced by the Bucharest Court of Appeal, an unexpected inspection was authorized at Hidroelectrica S.A. and at Compania Națională de Transport a Energiei Electrice Transelectrica S.A. ("Transelectrica"), the Competition Council invoking the fact that, in 2017, the Romanian electricity market was characterized by an increase in the price of electricity on each of the centralized markets managed by OPCOM, especially in January, June and July 2017. In addition, the suspicions of the competition authority were based on the price increases registered on the balancing market, where, against the background of the large volume of energy selected for the increase, the prices registered very high hourly values in January and February 2017.

Thus, the request of the competition authority was based on a possible anti-competitive conduct committed by Hidroelectrica consisting in limiting the sale of electricity on the market and sale of electricity in Romania, achieved by withdrawing available capacity or selling offers at prices above market (physical and / or financial withdrawal of capacity).

On 05 September 2018, based upon the court decision authorizing the inspection, as well as the Order of the President of the Competition Council no. 1112 / 04 September 2018, the Competition Council inspected the headquarters of Hidroelectrica S.A. in Bucharest. The inspection took place over a single day, and no seals were required. At the end, the inspectors picked up a series of documents in physical format, in electronic format, as well as scanned documents.

The analyses of the Competition Council showed that there are no facts to be sanctioned under the competition legislation and, together, the parties came to the conclusion that the commitment procedure is a procedure that satisfies all participants. Consequently, Hidroelectrica proposed, and the Competition Council accepted a series of guarantees (commitments) regarding the behaviour on the energy market, the decision of the Competition Council Plenum being currently drafted.

These commitments have a 3-year term once they have been assumed / accepted, and Hidroelectrica is currently in the process of selecting a monitoring agent which shall monthly report conformity thereof to the competition authority.

SECTION 16. SHARE CAPITAL AND ADDITIONAL INFORMATION

Share capital

According to Hidroelectrica 2020 Consolidated Financial Statements, the structure of the share capital of Hidroelectrica S.A. was as follows:

Share capital	31 December 2020	31 December 2019
Subscribed and paid-in share capital	4,484,474,670	4,482,393,310
Restatement differences in accordance with IAS 29	1,028,872,000	1,028,872,000
	5,513,346,670	5,511,265,310

Source: *Hidroelectrica 2020 Consolidated Financial Statements*

Information on the activity carried out by Hidroelectrica is included in SECTION 5 (BUSINESS OVERVIEW) in this Annex to the Prospectus.

There is no provision in Hidroelectrica's Constitutive Act whose effect could be the postponement, suspension or prevention of the change of control over Hidroelectrica S.A.

According to Law no. 173/2020, the alienation of the State's participations held in national companies and corporations and in any other company in which the State is a shareholder, is prohibited for a two-year period, regardless of the participation quota held. Also, any operations in progress for the alienation of state-owned shares in national companies and corporations, as well as in companies in which the state is a shareholder, will be suspended for a two-year period.

As at 31 December 2020, the authorized, subscribed and fully paid-in share capital of Hidroelectrica S.A. is divided into 448,447,467 ordinary shares with a par nominal value of 10 RON / share. Information about the shareholders of Hidroelectrica S.A. is included in SECTION 12 (*Major Shareholders*) of this Annex 2 to the Prospectus.

By the decision of the Extraordinary General Meeting of Shareholders no. 9 of 12 October 2021, the increase of the share capital of Hidroelectrica S.A. was approved. with the amount of 120,150 lei, of which 96,180 lei contribution in kind and 23,970 lei cash contribution. The shares will be issued at the nominal value of RON 10 / share, without issue premium.

The increase of the share capital with the value of 96,180 lei by contribution in kind, represents the value of a land for which property titles were obtained. For this increase, 9,618 shares will be issued in favour of the Romanian State through the Ministry of Energy.

Fondul Proprietatea will be able to exercise its right of preference within the term of 30 days from the date of publication of the decision of the Extraordinary General Meeting of Shareholders in the Official Gazette of Romania.

Hidroelectrica 2020 Consolidated Financial Statements and the Hidroelectrica 2020 Directorate Report do not include any information about convertible or exchangeable securities of the company or securities accompanied by warrants having been issued and the Fund is not aware of any such securities having been issued by Hidroelectrica S.A.

According to Government Decision no. 1066/2013, the approved privatization strategy for Hidroelectrica S.A. consists of:

- (i) share capital increase by public offering with contribution of private capital;
- (ii) as part of the public offering mentioned above, the sale to the employees, members of the board and retired employees having the last employment with Hidroelectrica S.A. of a number of shares representing up to 10% of the total newly issued shares, computed according to the provisions of the respective norms.

According to the same legal enactment, the company is to sell by means of a public offering related to a share capital increase by contribution of private capital a stake of newly issued shares (IPO), in the following steps:

- (i) share capital increase of newly issued shares of the company representing 12.49% of the existing share capital;

- (ii) the grant of the preference right to the existing private shareholders of the company for newly issued shares representing 2.49% of the existing share capital, proportionally with their quota held prior to the share capital increase, at the selling price of the newly issued shares within the primary public offering of shares;
- (iii) the launch of the IPO by offering for subscription, by means of the capital markets specific methods, of a stake of newly issued shares representing 10% of the existing share capital, prior to the share capital increase.

According to publicly available data, the Fund has no information about whether any member of the administration, management, or supervisory bodies and / or any member of the senior management whose name may be mentioned to prove that the company has the necessary training and experience to conduct its activities, holds participations in Hidroelectrica S.A.' equities and possible options on the shares of Hidroelectrica S.A.

SECTION 17. MATERIAL CONTRACTS

Considering that the Fund does not have access to the contracts concluded by Hidroelectrica S.A., the Fund is not in a position to assess which are the material contracts other than contracts entered into in the ordinary course of business, to which Hidroelectrica S.A. or any member of the Hidroelectrica Group is a party, for the two years immediately preceding publication of this Prospectus, nor if there are any other contracts (other than the contracts entered into in the ordinary course of business) entered into by any member of the Hidroelectrica Group which contain any provision under which any member of the Hidroelectrica Group has any obligation or entitlement which is material to the Hidroelectrica Group as at the date of the Prospectus, nor is Fondul in a position to present any summary of such contracts.

According to Hidroelectrica 2020 Consolidated Financial Statements, Hidroelectrica has concluded the following loan agreements with international financial institutions and commercial banks:

- Contract concluded with the International Bank for Reconstruction and Development on 13 July 2005 for an amount of EUR 66 million for the rehabilitation of the Lotru hydropower plant and for the institutional development of the company. The loan agreement entered into force on 25 January 2006, following the ratification by the Romanian Parliament of the security agreement signed between IBRD and the Romanian State. Reimbursement is made on a quarterly basis, between 15 March 2010 and 15 September 2021.
- The loan agreement concluded with BRD- Groupe Societe Generale S.A. for an amount of RON 1,250 million with maturity in 7 years, for financing the acquisitions of participations and assets related to the production of renewable energy.

Limited information available in connection with the appointment by Hidroelectrica S.A. of its advisors in connection with the IPO and also in connection with the contractual documentation for the implementation of the various projects included in Hidroelectrica Investment Strategy is included in SECTION 5 (BUSINESS OVERVIEW) of this Annex to the Prospectus.

SECTION 18. DOCUMENTS AVAILABLE

At the date of this Prospectus, the following documents are available for inspection in electronic form on the website of Hidroelectrica S.A.:

- i. the Hidroelectrica Constitutive Act; and
- ii. Hidroelectrica 2020 Consolidated Financial Statements and Hidroelectrica 2020 Individual Financial Statements, including the report of the independent financial auditor thereon.
- iii. Hidroelectrica 2019 Financial Statements, including the independent financial auditor's report thereon.
- iv. Hidroelectrica 2018 Financial Statements and Hidroelectrica's individual financial statements for 2018, including the report of the independent financial auditor thereon.

However, the Fund cannot confirm or provide any assurance that such documents continue to be made available by Hidroelectrica S.A. on its website.

SECTION 19. DEFINITIONS

Hidroelectrica Constitutive Act	The Constitutive Act of Hidroelectrica S.A. as updated on 22 December 2020
HEA	Hydropower arrangement
ANAF	The National Agency for Fiscal Administration
ANRE	National Energy Regulatory Authority
HPP	Hydropower capacities
Supervisory Board	Supervisory Board of Hidroelectrica S.A.
Court of Accounts	Romanian Courts of Accounts, public authority which conduct the control function over the way state and public sector financial resources are established, managed and used, with headquarters in 22 – 24 Lev Tolstoi Street, District 1, Bucharest, Romania
Commercial Code	The commercial code of the wholesale electricity market was approved by ANRE in 2004 under Order no. 25/2004, in effect since 1 January 2005
Directive 2019/944	Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU
Directorate	The board of directors of Hidroelectrica S.A.
Hidroserv Subsidiary	Societatea de Servicii Hidroenergetice-Hidroserv S.A., a joint stock company, registered with the Trade Registry under no. J40/9762/2013, sole registration code RO32097794, having its registered office at 3, Constantin Nacu street, floors 3-5, sector 2, Bucharest, Romania
Hidroelectrica Group	Hidroelectrica S.A. Hidroserv Subsidiary, Crucea Wind Farm S.A., STEAG Energie România S.R.L.
Hidroelectrica S.A. or Hidroelectrica	Societatea de Producere a Energiei Electrice în Hidrocentrale Hidroelectrica S.A
GD 199/2020	Government Decision no. 199/2020 approving the budget of income and expenditure for 2020 for Hidroelectrica S.A.
GD 1066/2013	Government Decision no. 1066 / 2013 for the approval of the privatization strategy of Hidroelectrica S.A., as subsequently amended by Government Decision no. 987/2017
IPO	Initial public offering related to Hidroelectrica S.A. regulated by Government Decision no. 1066 / 2013
Law 123/2012	Electricity and Gas Law no. 123/2012, as further amended
GO 64/2001	The Government Ordinance no. 64/2001 on the distribution of profits in national entities, national companies, and commercial companies with full or majority state capital, as well as the autonomous companies, as further amended
OPCOM	The Romanian electricity and gas market operator

ANRE Order 216/2019	ANRE Order no. 216/2016 approving the methodology for setting the prices for electricity sold by producers on the basis of regulated contracts and the quantities of electricity from regulated contracts concluded by producers with suppliers of last resort and for setting out the maximum quantities of electricity that can be imposed as sales obligations on the basis of regulated contracts, as further amended and completed
ANRE Order 12/2015	ANRE Order no. 12/2015 approving the Regulation for the granting of licenses and authorizations in the electricity sector, as further amended
ANRE Order 235/2019	ANRE Order no. 235/2019 approving the regulation on the supply of electricity to final customers, as further amended
OTC	Centralized market with double continuous negotiation for electricity bilateral contracts
GEO 109/2011	Government Emergency Ordinance no. 109/2011 regarding corporate governance of state-owned enterprises, with subsequent amendments and completions
GEO 114/2018	Government Emergency Ordinance no. 114/2018 on setting out certain measures in the area of public investments and certain tax and budgetary measures, the amendment and completion of certain legal enactments and prorogation of certain deadlines, as further amended
PCCB	Centralized market for bilateral electricity contracts
PCCB-LE-flex	Centralized market for bilateral electricity contracts - Extended auctions mechanism
PCCB-NC	Centralized market for bilateral electricity contracts - Continuous negotiation mechanism
PCCB-PC	Centralized market for bilateral electricity contracts - Fuel processing mechanism
PC-OTC	Centralized market with continuous double negotiation of bilateral electricity contracts
PCE-ESRE-CV	Centralized market for electricity from renewable energy sources supported by green certificates
PCSU	Centralized market for universal service
PE	Balancing market
PI	Intraday market
PMC	Electricity market for large consumers
PZU	Next Day Market
Hidroelectrica 2020 Directorate Report	The Consolidated Report of Hidroelectrica S.A. Directorate for the financial year ended as at 31 December 2020
Hidroelectrica 2019 Directorate Report	Hidroelectrica S.A. Directorate Report for the financial year ended as at 31 December 2019

Hidroelectrica 2018 Directorate Report	Hidroelectrica S.A. Directorate Report for the financial year ended as at 31 December 2018
Hidroelectrica 2019 Supervisory Board Report	Hidroelectrica S.A. Supervisory Board Report for the financial year ended as at 31 December 2019
Hidroelectrica 2020 Supervisory Board Report	Hidroelectrica S.A. Supervisory Board Report for the financial year ended as at 31 December 2020
Regulation 2019/943	Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity
NES	National Energy System
Hidroelectrica 2020 Consolidated Financial Statements	The audited consolidated financial statements of Hidroelectrica S.A. at and for the financial year ended as at 31 December 2020
Hidroelectrica 2020 Individual Financial Statements	The audited individual financial statements of Hidroelectrica S.A. at and for the financial year ended as at 31 December 2020
Hidroelectrica 2019 Financial Statements	The individual audited financial statements of Hidroelectrica S.A. as of and for the year ended as at 31 December 2019
Hidroelectrica 2018 Financial Statements	The audited consolidated financial statements of Hidroelectrica S.A. at and for the financial year ended as at 31 December 2018
Hidroelectrica Investment Strategy	The updated investment strategy of Hidroelectrica S.A. for the period 2020 – 2025 approved by the resolution of the EGMS no. 8/15.06.2020
Transelectrica S.A.	Compania Națională de Transport al Energiei Electrice Transelectrica S.A., with headquarters in 33 General Gheorghe Magheru Boulevard, District 1, Bucharest, Romania, registered with the Trade Register under no. J40/8060/2000, having sole registration code 13328043