

Fondul Proprietatea SA

(this is a translation from the official Romanian version)



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List of Abbreviations

ACDP	Annual Cash Distribution Policy
AIF	Alternative Investment Fund
AIF Law	Romanian Law no. 243/2019 on the regulation of alternative investment funds and amending and supplementing certain normative acts
AIFM	Alternative Investment Fund Manager
AIFM Directive	Directive 2011/61/EU on Alternative Investment Fund Managers
ALFI	Association of the Luxembourg Fund Industry
AML	Anti-Money Laundering
ANRE	Romanian Energy Regulatory Authority
ASPAAS	Romanian Authority for Public Monitoring of the Statutory Audit Activity
ATS	Alternative Trading System
Brexit	The withdrawal of the United Kingdom from the European Union
BVB	Bucharest Stock Exchange
CAEN	Classification of Economic Activities in Romania
CNVM	National Securities Commission (currently FSA)
Companies' Law	Law 31/1990 regarding companies, with subsequent amendments
DCM	Discount Control Mechanism
Depozitarul Central SA	Romanian Central Depository
Depository Bank/ Depository	BRD – Groupe Societe Generale SA
EGM	Extraordinary General Shareholders Meeting
EU	European Union
FATCA	The Foreign Account Tax Compliance Act
Fondul Proprietatea/ the Fund/ FP	Fondul Proprietatea SA
FSA	Romanian Financial Supervisory Authority
FTI	Franklin Templeton Investments
FTIML/ Investment Manager	Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch
FTIS/ Alternative Investment Fund Manager/ Sole Director	Franklin Templeton International Services S.à r.l.
GDP	Gross Domestic Product
GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation)
GDR	Global Depositary Receipt
GEO	Government Emergency Ordinance
GEO 114/2018	GEO 114/29 December 2018 on the implementation of certain measures in the field of public investments and of fiscal-budgetary measures and the amendment and completion of certain normative acts
GEO 1/2020	GEO 1/9 January 2020 regarding some fiscal-budgetary measures and the amendment and completion of some normative acts
GSM	General Shareholders Meeting
IFRS	International Financial Reporting Standards as endorsed by the European Union
IPS	Investment Policy Statement
LSE	London Stock Exchange
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
OCR	Ongoing charge ratio
OGM	Ordinary General Shareholders Meeting
PRIIPs	Packaged retail and insurance-based investment products
REGS	Main market (Regular) of Bucharest Stock Exchange
RRR	Regulatory Rate of Return
UCI	Undertakings for Collective Investment
UCITS	Undertakings for Collective Investment in Transferable Securities

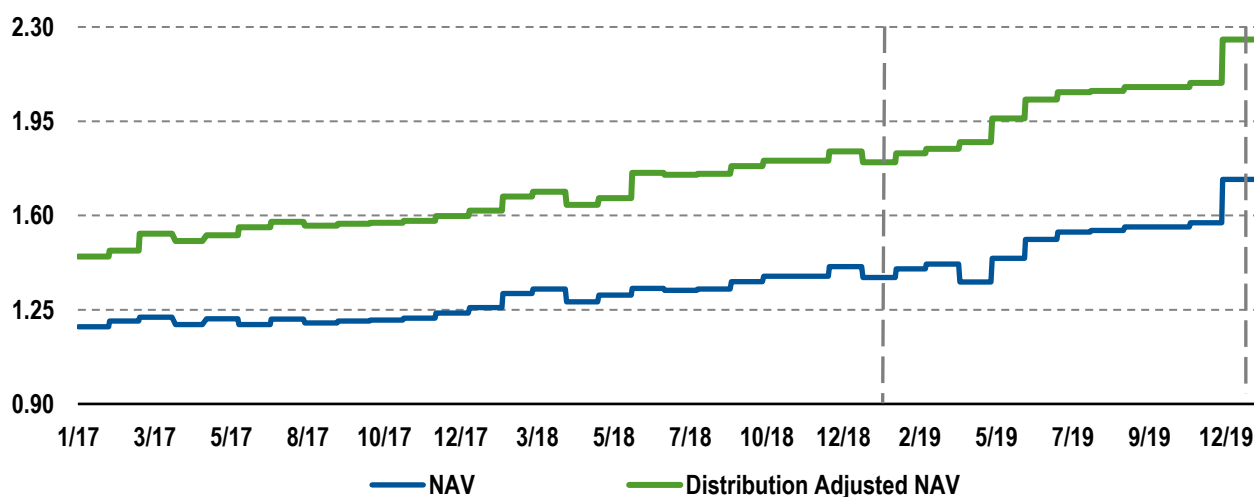
Sole Director's Letter to Shareholders

Dear Shareholders,

Our focus throughout 2019 has remained unwavering on protecting and creating shareholder value for the Fund's shareholders through our active management approach, close supervision of the portfolio companies, and a constant focus on value-enhancing corporate actions. During the first part of 2019, our efforts were directed towards protecting the underlying portfolio companies from the negative effects of GEO 114/2018 and we are happy to see the strong performance of the Fund's share price which reached record high levels on BVB as well as the GDRs on LSE. On 30 May, the Fund's share price reached the historical milestone of RON 1 per share, and continued to perform very well, closing the year at the record-high level of RON 1.21 per share.

In 2019, the Fund's NAV per share total return was 31.23% and the Fund's share price cumulative performance was 49.05%. The discount of the Fund's share price to the NAV ranged between a high of 43.24%¹ and a low of 18.68%¹ and ended the year at 23.05%¹. On the LSE, the total return for the GDR was 41.41% and the discount varied between a high of 42.82%¹ and a low of 21.14%¹ and ended the year at 25.76%¹. The average annual discount for ordinary shares was 29.38%, while for GDRs was 30.36%.

We are pleased that we managed to generate positive returns on the NAV and on the share price for our shareholders, despite the considerable drop in the share price registered in the beginning of the year. The discount level remains high in our view and our efforts to reduce it significantly below the current levels will continue in 2020, with share buy-backs and cash distributions as key actions that are under our control.



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

Market Environment

In 2019, the BVB had the best performance compared to the largest markets in Central Europe, in both local currency and EUR terms, as shown in the table below:

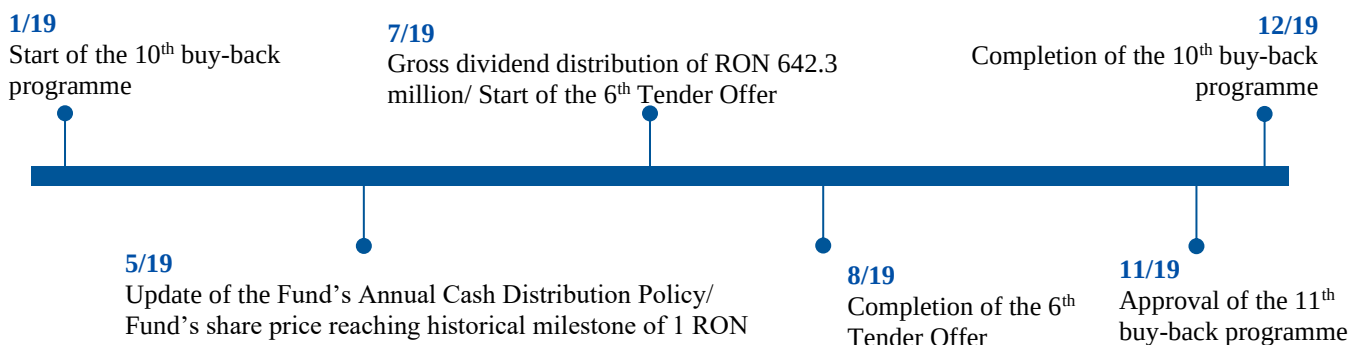
% change in 2019	in local currency	in EUR
BET-XT (Romania)	+33.21%	+29.78%
BUX (Hungary)	+15.98%	+12.98%
ATX (Austria)	+15.02%	+15.02%
PX (Czech Republic)	+12.76%	+14.30%
WIG20 (Poland)	-6.58%	-5.74%

Source: Bloomberg

We provide details on the portfolio management on a monthly basis via Factsheets and also via the Quarterly Results Reports. We encourage you to read the full details given in the section *Investment Strategy and Portfolio Analysis*.

¹ Calculated as the discount between FP share closing price on BVB - REGS/ FP GDR closing price on LSE and the latest available published NAV per share at the date of calculation

Key Events and Activities in 2019



Some of the key highlights for 2019 are:

- Completion of the tenth buy-back programme for 403.8 million shares. The total value of the programme excluding transaction costs was RON 439.0 million, and the average share price was RON 1.0872 per share;
- Update of the Fund's Annual Cash Distribution Policy;
- Gross dividend distribution of RON 642.3 million to shareholders for the 2018 financial year;
- Completion of the sixth tender offer of 150 million shares (90.1 million in the form of shares and 59.9 million in the form of GDRs), at a purchase price of RON 1.21 per share and the USD equivalent of RON 60.50 per GDR, executed in order to accelerate the tenth buy-back programme;
- Continued efforts to promote the Fund and raise its visibility, as well as the visibility of the Romanian capital market, the local companies (listed or candidates for being listed), and of Romania in general, in the key financial centres in the United States of America, and Europe;
- Record high participation from foreign institutional investors and analysts at the Romania Investor Days in London, and Fondul Proprietatea Investor Days in Bucharest;
- Key shareholders' approvals during 2019:
 - The new Investment Policy Statement, in force starting 28 June 2019;
 - The distribution of a gross dividend of RON 0.0903 per share for the 2018 financial year, as proposed by the Sole Director;
 - Approval of the eleventh buy-back programme to repurchase a maximum number of 800 million shares, between 1 January 2020 - 31 December 2020.

Profit Appropriation Proposal

According to the annual financial statements prepared in accordance with IFRS the Fund recorded a net profit of RON 3,129,870,912 for the financial year ended 31 December 2019. The Fund's Sole Director proposal, subject to shareholders' approval in accordance with the legislation in force, for the appropriation of the net accounting profit for the 2019 financial year is as follows:

- RON 156,493,546 to legal reserves;
- RON 439,856,227 to dividends;
- RON 236,026,121 to other reserves;
- RON 2,297,495,018 unallocated profit that remains available to the Fund's shareholders.

Nine Years of Listing on the Bucharest Stock Exchange

Nine years after the listing on the BVB on 25 January 2011, the Fund continues to be among the most actively traded companies:

- 1.3 billion shares were traded on the BVB last year, equivalent to 18.3% of the Fund's paid shares as at 31 December 2019;
- The value of trading in Fondul Proprietatea shares reached approximately RON 1.4 billion (EUR 292.2 million) in 2019. The total trading value since the listing exceeds RON 24.6 billion (EUR 5.1 billion);

- After nine years since its listing, the Fund continued to be among the most liquid stocks on BVB, with an average daily trading volume in 2019 of 5.3 million shares, i.e. 18.7% of the total daily equity turnover on BVB.

Four Years of Listing on the London Stock Exchange

On 29 April 2015 the Fund was listed on the Specialist Fund Market of the LSE, through Global Depositary Receipts. During the fourth year of trading on LSE, 15.5 million GDRs were traded, for a total value of USD 185.4 million/ RON 790.1 million.

Performance Objectives

According to the Management Agreement in force starting with 1 April 2018, the First Reporting Period of the mandate is from 1 January until 31 December 2018 and the Second Reporting Period is from 1 January until 31 December 2019.

In accordance with the Fund's IPS, there are two performance objectives that the AIFM is aiming to achieve. The NAV objective refers to an Adjusted NAV¹ per share in the last day of the Reporting Period higher than the reported NAV per share as at the end of the previous Reporting Period. The discount objective implies the discount between the closing price of the Fund's shares on BVB – REGS and the latest reported NAV per share to be equal to, or lower than 15%, in at least 2/3 of the trading days in the Reporting Period.

NAV Objective – Second reporting period

The Adjusted NAV per share as at 31 December 2019, the end of the second reporting period, was 29.8% higher than the 31 December 2018 NAV per share of RON 1.4095.

NAV Objective	Amount RON	Details
Total NAV as 31 December 2019	11,871,445,440	
Dividend gross distribution from 2018 profit	642,318,809	Dividend distribution of RON 0.0903 per share with Ex-date 7 June 2019, Registration date 10 June 2019 and Payment date 1 July 2019
Distribution fees for cash distributions after 31 December 2018	6,423,188	Distribution fee for the dividend distribution from 2018 profits
Distribution fees for buy-backs performed after 31 December 2018	4,402,209	Distribution fees for the tenth buy-back programme
Costs related to buy-backs after 31 December 2018	2,573,770	Fees related to tenth buy-back programme, excluding the distribution fees for buy-backs
Costs related to the returns of capital and dividends after 31 December 2018	24,556	Fees charged by the Central Depositary and Paying Agent for the payments performed
Total Adjusted NAV as at 31 December 2019	12,527,187,972	
Number of Fund's paid shares, less treasury shares and GDRs held as at 31 December 2019	6,846,345,904	
Adjusted NAV per share as at 31 December 2019	1.8298	
NAV per share as at 31 December 2018	1.4095	
Difference	0.4203	
%	29.8%	

Source: Fondul Proprietatea

Discount Objective – Second reporting period

In the period between 1 January 2019 and 31 December 2019, the discount to NAV was greater than 15%, for both shares and GDRs.

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

Discount Evolution¹

Discount at 30 December 2019 ²	Minimum discount during the second reporting period	Maximum discount during the second reporting period	Average discount during the second reporting period
23.1%	18.7%	43.2%	29.4%

Source: Fondul Proprietatea

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

Investor Relations Update

In 2019, in our efforts to increase the visibility and the profile of the Fund, as well as the local capital market, and Romania, to a broader international institutional investor base, the Fund's management team participated in 13 regional emerging and frontier market conferences in the United States, United Kingdom, Hungary, Austria, and Czech Republic and met with investment professionals representing 146 international institutional investors and brokers, interested in finding out more details about the Fund and its equity story, and in receiving updates on the Fund, its corporate actions, and the main portfolio holdings, as well as on the Romanian macroeconomic environment.

During this period, we also organised 18 road-shows in the United Kingdom, United states, Sweden, and Germany and met, in individual and group meetings with investment professionals from 129 international institutional investment firms and brokers, both current shareholders as well as potential investors.

Between 27 – 28 February we organised in collaboration with WOOD & Company the sixth edition of the “Romania Investor Days in London” event, which registered a record high participation. 106 representatives from 54 international investments firms, with assets under management of over EUR 2,000 billion, and 40 representatives from 16 Romanian companies, listed or candidates for IPOs, participated in the event. During the event, 244 individual and group meetings were held between the investors and the management teams of the Romanian companies present at the event.

On 5 June, we organised, in collaboration with Auerbach Grayson, Astana International Exchange, Bucharest Stock Exchange, Warsaw Stock Exchange, IPOPEMA Securities, and Swiss Capital, the “Central & Eastern Europe Investor Conference” in New York. 39 investors from 29 investment management firms, with assets under management of over USD 2,000 billion, and 20 companies from Romania, Poland, Ukraine, and Kazakhstan with 38 representatives participated to the event, and to the 129 company meetings, including 1-on-1 and group meetings.

Between 5 to 6 September, we organised the 12th edition of the Fondul Proprietatea Investor Days event in Bucharest. 55 investors from 37 investment houses participated in the event. Also, representatives of the US and UK Embassies in Romania, National Bank of Romania, Raiffeisen and ING banks, Bucharest Stock Exchange, Renaissance Capital, major issuers on the Bucharest Stock Exchange, corporates, and other related parties joined the event, bringing the total number of attendees to over 190.

The first half of the first day of the event was dedicated to speeches from Deputy Chief Mission of the US Embassy in Romania, and the UK Ambassador to Romania. We also organised 3 panels on Romanian macroeconomics, Romanian energy sector, and Romanian capital market, with speakers from the National Bank of Romania, Raiffeisen Bank SA, ING Bank SA, OMV Petrom SA, Electrica SA, Hidroelectrica SA, Nuclearelectrica SA, Bucharest Stock Exchange, Renaissance Capital, and WOOD & Co.

In the second part of the day, and the entire day on 6 September, we organised together with WOOD & Co, the Frontier Investor Days conference. 343 investor meetings - individual and group meetings - were organised between the institutional investors and the 63 representatives of the 28 corporates present at the event, Romanian listed and unlisted companies, as well as foreign corporates from other Frontier markets (Georgia, Croatia, Slovenia, Moldova, and Kazakhstan).

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

² The last trading date on BVB for 2019 was 30 December 2019

As part of our communication strategy to update the institutional investors and analysts covering Fondul Proprietatea on its financial results, the latest events involving the Fund and its portfolio companies, and the planned corporate actions, we organised the 2018 results, 2019 first quarter, 2019 first half, and 2019 third quarter results conference calls, with 34 analysts and investors participating on average to the calls.

Furthermore, during the year, we organised 37 additional meetings with analysts, brokers, current and prospective investors, and held 76 conference calls with institutional investors and analysts covering Fondul Proprietatea, interested in the latest developments regarding the Fund's corporate actions and its portfolio companies.

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

Corporate Governance

Following the self-assessment conducted, the AIFM informs the shareholders and the investors that the Fund is fully compliant with the provisions of the Corporate Governance Code of BVB.

GDR Facility Update

The GDR facility is limited to one-third of the Fund's subscribed share capital under the Romanian securities regulations, or 50,759,804 GDRs as at 31 December 2019, each GDR representing 50 shares. As at 31 December 2019, 2,046,528,100 of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depositary bank, accounting for 40,930,562 GDRs, representing 80.64% of the GDR facility.

Credit Facility Update

Effective 19 August 2019 the Fund partially waived the credit facility from BRD Groupe Societe Generale SA of RON 400 million, which has a new maximum committed amount of RON 45 million. The permitted use of the credit facility is for general corporate and operational use. The Fund may access additional financing, subject to the bank's approval and in accordance with the credit facility provisions, without exceeding a total amount of RON 245 million at any given time. The Fund did not use the facility during 2019 and the outstanding balance is nil.

Depositary Agreement with BRD Groupe Societe Generale SA

On 14 February 2019 the Fund extended the depositary agreement with BRD Groupe Societe Generale SA for another three years, until 2022. The depositary agreement was endorsed by FSA through Endorsement no. 106/ 25 March 2019 and is effective until 20 May 2022.

Changes in the Board of Nominees Composition

The shareholders of the Fund appointed Mrs Vivian Nicoli and re-appointed Mr Mark Gitenstein as members of the Board of Nominees for a 3-year mandate starting 29 September 2019, following the resignation of Mr Sorin Mindrutescu in August 2019 and the expiration of Mr Mark Gitenstein's mandate in September 2019.

Buy-back Programmes

During 2019 the Fund completed the cancellation process of the shares acquired within the ninth buy-back programme and acquired shares within the tenth buy-back programme, which will be proposed for cancellation to shareholders during 2020. As at 31 December 2019 the Fund held 403,812,443 own shares, corresponding to the tenth buy-back programme, which was finalised on 31 December 2019.

The eleventh buy-back programme was approved by shareholders during the 15 November 2019 GSM, for a total number of 800 million shares in the form of ordinary shares and GDRs, at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share, to be implemented during the financial year 2020. On 7 January 2020 the Fund announced the submission to the FSA of an application for a tender offer for up to 200 million own shares in relation to the eleventh buy-back programme – for more details please see section *Subsequent events*.

Share Capital Decrease Process in 2019

On 15 October 2019, the Fund finalised the decrease of the subscribed share capital from RON 4,733,020,898.32 to RON 3,959,264,762.44 pursuant to the cancellation of 1,487,992,569 own shares acquired during the ninth buy-back programme, which was endorsed by the FSA through Endorsement no. 285/9 October 2019.

2018 Dividend Distribution

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 Romanian Central Depository, according to the legislation in force, as follows:

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

Also, as an important notice to shareholders, this dividend payment is subject to the general statute of limitation. As such, shareholders may request the payments only within a three-year term starting with the Payment Date, namely by 1 July 2022.

Special Dividends Received from Portfolio Companies

In 2019 several portfolio companies controlled by the Romanian state approved the distribution of special dividends. Thus, the following gross amounts were approved for the Fund in accordance with its shareholding in each company:

Portfolio company	Gross amounts (RON million)	Date of recording in accounting	Collection date
Hidroelectrica SA	199.4	December 2019	December 2019
Alro SA	33.3	January 2019	January 2019
CN Aeroporturi Bucuresti SA	20.0	December 2019	December 2019*
CN Aeroporturi Bucuresti SA	5.0	September 2019	September 2019
Alcom SA	1.3	January 2019	January 2019
Other	0.3	May/December 2019	June/July/ December 2019
Total	259.3		

Source: Fondul Proprietatea

* In December 2019 the Fund collected RON 9.3 million out of the RON 20.0 million approved.

For more details, please refer to the section *Investment Strategy and Portfolio Analysis*.

Outlook for 2020

Given the Government's forecasted budget deficit of 3.6% of GDP for 2020, the Government will have to be very prudent with expenses, which requires a re-evaluation of the expected increases in pensions, as well as a more efficient tax collection from ANAF, while making sure that the SOEs continue to deliver optimal profitability to support the State budget through high dividend pay-outs. The continued increases of wages in the public sector supported by the previous Government have contributed to higher spending and GDP growth through higher consumption, but other components of GDP have lagged behind. The private sector is clearly facing a workforce deficit and competing against an increasingly generous public sector, which has resulted in reducing Romania's competitive advantage. Given the above, we would expect the current Government's focus to shift to maximizing the absorption of available EU funding to support productive public investments.

On the regulatory front, the repeal of the infamous GEO 114/2018 is a welcomed step towards repairing the damage caused to the perception of Romania as an attractive investment destination. The measure should be coupled with ensuring stability and predictability in the legislative and regulatory environments, so that companies can make long-term investments with confidence again. Furthermore, we would expect to see clear actions towards improving corporate governance in SOEs as well as towards listing Hidroelectrica SA and Bucharest Airports SA on the Bucharest and London Stock Exchanges, which would help Romania finally achieve the emerging market status.

From a sector perspective, we remain optimistic about the prospects of the energy sector to perform well this year, particularly after the repeal of GEO 114/2018 and the subsequent de-regulation of the market, which will prompt companies to invest in local operations with a clear view of generating returns. Romania's independence in gas production is critical and the Black Sea projects represent an essential instrument for achieving it – any Government securing the future independence for the next 20 years should be appreciated by the voters. We expect tourism to see continued growth, given the increasing country brand awareness as well as the ongoing investments to accommodate this growth. The airport in Bucharest is the main gateway to the country, but the increasing congestion in the past few years is becoming an issue and to resolve this, we strongly believe that the authorities should focus on the construction of a new terminal at Otopeni.

In conclusion, 2020 has the potential to be the year of consolidation of the recent growth and the Government has a real opportunity to set the country on a reform path which would ensure that the economy maintains a strong growth trajectory at least during the first part of the new decade.

Maximising shareholder value in 2020

As we look to generate further value for the Fund's shareholders and not only meet, but exceed the performance objectives included in the IPS (discount of 15% or less and a higher adjusted NAV per share), we will continue to actively manage the Fund, work closely with the Government to ensure the state controlled companies in the Fund's portfolio continue the strong performance path registered in the past years, and the progress in the listing of the largest companies in the Fund's portfolio which are prepared for an Initial Public Offering: Hidroelectrica SA, and Bucharest Airports SA.

Value-enhancing corporate actions, such as share buy-backs and cash distributions to shareholders, and continued promotion of the Fund and of the Romanian capital market, should allow the Fund's NAV to be better reflected in the share price.

We are confident that our active, bottom-up investment process will allow us to continue delivering the best long-term results for our shareholders and we look forward to the opportunities ahead for Fondul Proprietatea.

Annual General Shareholders Meeting

Last but not least, we would like to take this opportunity to invite shareholders to attend the Annual General Shareholders Meeting to be held in Bucharest on 28 April 2020, starting with 11.00 AM, at "Radisson Blu" Hotel, Atlas Room, 63-81 Calea Victoriei Street, 1st District, Bucharest, 010065, Romania, where you will have the opportunity to receive the latest updates about the Fund. The agenda of the Annual General Shareholders Meeting and support documents are published on www.fondulproprietatea.ro.



Johan Meyer

Permanent Representative of FTIS in relation to Fondul Proprietatea SA

CEO of FTIML

Portfolio Manager, Emerging Markets

Company Information

The Company

Fondul Proprietatea was incorporated on 28 December 2005 as a joint stock company operating as a closed-end investment company. The Fund is registered with the Bucharest Trade Register under the number J40/21901/2005 and has the sole registration code 18253260. The Fund's investment objective is the maximisation of returns to shareholders and the increase of the net asset value per share via investments mainly in Romanian equities and equity-linked securities.

During the reporting period, the Fund was managed by FTIS as its Sole Director and AIFM under the AIFM Directive and local implementation regulations, based on the Management Agreement that entered into force on 1 April 2018 according to 14 February 2018 GSM Resolution. FTIS has delegated the role of Investment Manager, as well as certain administrative functions to FTIML for the entire duration of its mandate as AIFM.

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

Share information

Primary listing	Bucharest Stock Exchange
Since	25 January 2011
Secondary listing	London Stock Exchange
Since	29 April 2015
Bucharest Stock Exchange symbol	FP
London Stock Exchange 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 registration no	PJR09SIIR/400006/18.08.2010
LEI code	549300PVO1VWBFH3DO07
CIVM registration no	AC-4522-5/23.10.2019

Source: Fondul Proprietatea

Shareholder Information

Shareholder structure as at 31 December 2019¹

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights ²
The Bank of New York Mellon (GDRs) ³	26.87	28.22	29.90
Romanian institutional shareholders	26.09	27.40	29.01
Romanian private individuals	18.02	18.93	20.04
Foreign institutional shareholders	15.95	16.75	17.73
Foreign private individuals	2.90	3.04	3.22
Romanian State represented by Ministry of Public Finance	4.87	0.09	0.10
Treasury shares ⁴	5.30	5.57	-

Source: Depozitarul Central SA

As at 31 December 2019, the Fund had 6,856 shareholders and the total number of voting rights was 6,846,345,904.

¹ Information provided based on settlement date of transactions

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

³ Fondul Proprietatea did not hold any global depository receipts as at 31 December 2019

⁴ 403,812,443 treasury shares acquired in the tenth buyback program

Largest Shareholders

Shareholder	Latest ownership disclosure	% of voting rights
Anchorage Capital Group LLC	21 September 2018	6.69%
Allianz-Tiriac private pension funds	1 July 2019	5.05%
NN Group	27 March 2017	5.02%

Source: ownership disclosures submitted by shareholders

Share Capital Information

Share capital information	31 December 2019*	31 December 2018	31 December 2017
Issued share capital (RON)	3,959,264,762.44	4,733,020,898.32	4,854,034,784.56
Paid in share capital (RON)	3,770,082,340.44	4,543,838,476.32	4,664,852,362.56
Number of shares in issue	7,613,970,697	9,101,963,266	9,334,682,278
Number of paid shares	7,250,158,347	8,738,150,916	8,970,869,928
Nominal value per share (RON)	0.52	0.52	0.52

Source: Fondul Proprietatea

* On 15 October 2019, the Trade Registry registered Resolution no. 2/4 April 2019 of the Fund's Extraordinary GSM for approving the decrease of the subscribed share capital from RON 4,733,020,898.32 to RON 3,959,264,762.44 pursuant to the cancellation of 1,487,992,569 own shares acquired during the ninth buy-back programme, endorsed by the FSA through Endorsement no. 285/9 October 2019.

Summary of Financial Results

The table below presents the audited results of the Fund in accordance with IFRS for the financial year ended 31 December 2019:

RON million	31 December 2019	31 December 2018
Profit for the year ended	3,129.9	935.1
Shareholders' equity	11,871.5	9,828.4

Source: IFRS financial statements of the Fund

The main contributors to the profit recorded in 2019 were the positive net change in fair value of equity investments classified at fair value through profit or loss of RON 2,270.2 million, mainly related to Hidroelectrica SA and OMV Petrom SA, as a result of the positive evolution of these companies during the period and the gross annual dividend income of RON 942.9 million.

The tables below show a summary of the Fund's financial performance for the last 3 years and during each quarter of 2019:

NAV* and share price developments**	Notes	31 December 2019	31 December 2018	31 December 2017
Total shareholders' equity at the end of the period (RON million)		11,871.5	9,828.4	10,790.2
Total shareholders' equity change in period (%)		+20.8%	-8.9%	-5.2%
Total NAV at the end of the period (RON million)	a	11,871.5	10,219.4	10,790.4
Total NAV change in period (%)		+16.2%	-5.3%	-5.6%
NAV per share at the end of the period (RON)	a	1.7339	1.4095	1.2375
NAV per share change in the period (%)		+23.0%	+13.9%	+4.3%
NAV per share total return in the period (%)	g	+31.2%	+19.9%	+13.1%
Share price as at the end of the period (RON)	b	1.2100	0.8830	0.8640
Share price low in the period (RON)	b	0.8000	0.8400	0.8000
Share price high in the period (RON)	b	1.2100	0.9740	0.9250
Share price change in the period (%)		+37.0%	+2.2%	+8.7%
Share price total return in the period (%)	h	+49.1%	+9.9%	+21.5%
Share price discount to NAV as at the end of the period (%)	d	30.2%	37.4%	30.2%
Average share price discount in the period (%)	d	29.4%	29.5%	28.0%
Average daily share turnover in the period (RON million)	c, j	5.6	6.4	6.9
Average daily share turnover change in period (%)		-12.5%	-7.2%	+3.0%
GDR price as at the end of the period (USD)	e	13.7000	10.5000	11.4500
GDR price low in the period (USD)	e	9.6500	10.3000	9.4000

NAV* and share price developments**	Notes	31 December 2019	31 December 2018	31 December 2017
GDR price high in the period (USD)	e	13.9000	12.8000	11.4500
GDR price change in the period (%)		+30.5%	-8.3%	+21.8%
GDR price total return in the period (%)	i	+41.4%	-1.9%	+35.9%
GDR price discount to NAV as at the end of the period (%)	d	32.7%	39.3%	28.0%
Average GDR price discount in the period (%)	d	30.4%	29.5%	27.4%
Average daily GDR turnover in the period (USD million)	f, k	0.7	1.7	1.0
Average daily GDR turnover change in the period (%)		-58.8%	+70.0%	+11.1%

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

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

** Period should be read as year 2019/ year 2018/ year 2017, respectively

NAV* and share price developments**	Notes	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Total NAV at the end of the period (RON million)	a	10,171.0	10,734.7	10,735.5	11,871.5
Total NAV change in the period (%)		+3.5%	+5.5%	+0.0%	+10.6%
NAV per share at the end of the period (RON)	a	1.4190	1.5112	1.5570	1.7339
NAV per share total return in the period (%)	g	+0.7%	+13.6%	+3.0%	+11.4%
Share price as at the end of the period (RON)	b	0.9150	1.0700	1.1900	1.2100
Share price total return in the period (%)	h	+3.6%	+27.2%	+11.2%	+1.7%
Share price discount to NAV as at the end of the period (%)	d	35.5%	29.2%	23.6%	30.2%
GDR price as at the end of the period (USD)	e	10.8000	12.6000	13.5000	13.7000
GDR price total return in the period (%)	i	+2.9%	+27.5%	+6.3%	+1.5%
GDR price discount to NAV as at the end of the period (%)	d	35.4%	30.7%	24.6%	32.7%

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

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

** Period should be read as Q1 2019/ Q2 2019/ Q3 2019/ Q4 2019, respectively

Notes:

- Prepared based on local rules issued by the capital market regulator
- Source: BVB - REGS market - Closing prices
- Source: BVB
- Share Price/ GDR Price discount to NAV as at the end of the period (%) is calculated as the discount between FP share closing price on BVB - REGS/ FP GDR closing price on LSE on the last trading day of the period and the NAV per share at the end of the period; the average discount is calculated according to IPS, using the latest published NAV per share at the date of calculation
- Source: LSE - Closing prices
- Source: LSE and Bloomberg
- The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per share at the end of the period plus any cash distribution during the period, dividing the resulting sum by the official NAV per share at the beginning of the period. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives included in the IPS
- The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives included in the IPS
- The GDR Price Total Return is calculated in USD by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives included in the IPS
- Including the tender offers carried in August 2019/ February 2018/ March 2017 with a total value (excluding transaction costs) of RON 109.0 million/ RON 610.4 million/ RON 337.3 million for the 90.1 million shares/ 652.8 million shares/ 370.7 million shares acquired on BVB
- Including the tender offers carried in August 2019/ February 2018/ March 2017 with total value (excluding transaction costs) of USD 17.0 million/ USD 135.5 million/ USD 57.9 million for the 59.9 million shares/ 547.2 million shares/ 269.3 million shares equivalent to GDRs acquired on LSE

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Presentation and Activity of the Fund

General Information

Main activities of Fondul Proprietatea

Fondul Proprietatea is a Romanian legal entity, incorporated as a joint stock closed-end investment company. The Fund is registered with the FSA in the category “Other Organisations for Collective Investments – AOPC” and has been listed on the regulated market of BVB since 25 January 2011 and on the Specialist Fund Market of the LSE since 29 April 2015.

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

Management of Fondul Proprietatea

During the reported period, the Fund was managed by FTIS as its Sole Director and AIFM under the Management Agreement that entered into force on 1 April 2018, according with the 14 February 2018 GSM Resolution. FTIS has delegated the role of Investment Manager as well as certain administrative functions to FTIML. FTIML was the previous Sole Director and Fund Manager of Fondul Proprietatea between 29 September 2010 and 31 March 2016 and FTIS was the AIFM and Sole Director of the Fund between 1 April 2016 and 31 March 2018.

Incorporation of the Fund

The Fund was incorporated by the Romanian state in 2005 as a joint stock company with the initial purpose of providing compensation to individuals whose real property assets were abusively confiscated by the Romanian State during the communist regime, and which could no longer be returned in kind to those individuals.

The Fund’s initial Constitutive Act was enacted by Government Decision 1481/2005 regarding the incorporation of Fondul Proprietatea, which established that the Fund would be an undertaking for collective investments organised as a closed-end investment company. However, the Fund was officially registered by CNVM (currently FSA) as a closed-end investment company only in 2010 by CNVM Decision 34/18 August 2010.

The initial sole shareholder of the Fund was the Romanian state. Since the Fund’s launch, the shares have been awarded by the National Authority for Property Restitution to individuals entitled to receive compensation from the Romanian state and who chose to convert their compensation entitlements into shares issued by the Fund.

Starting 15 March 2013, the date when GEO 4/2012 regarding on the application of certain provisions of Law 247/2005 entered into force, the compensation process was suspended. In January 2015 the Law 10/2015 entered into force, confirming that the Romanian state will no longer use the compensation scheme for Fondul Proprietatea shares in future.

As at 31 December 2019 the Romanian state’s participation in the share capital of the Fund was of 370,456,198 shares, out of which 6,643,848 paid shares.

Investment policy and investment restrictions

The Fund’s investment objective as set out in the IPS is the maximisation of returns to shareholders and the increase of the net asset value per share, through investments predominantly in Romanian equities and equity linked securities, subject to legislation and regulations in force. The Fund’s IPS is drafted by the AIFM with the observance of the investment limits set forth in the applicable laws and regulations and in the Constitutive Act. The Investment Policy Statement of the Fund is included in full in *Annex 6* to this report.

According to the Article 82 in GEO 32/2012, approved by Law 10/2015, the Fund may only invest in the following assets (limits in force until 23 July 2020):

- (i) Securities and money market instruments listed on an EU regulated market;
- (ii) Securities and money market instruments listed on a non-EU stock exchange, subject to the FSA approval;
- (iii) Newly issued securities under the conditions provided by the GEO 32/2012;
- (iv) Units in UCITS and/ or in other UCI under the conditions provided by the GEO 32/2012;
- (v) Deposits with credit institutions domiciled in an EU country, reimbursable upon request, with a maturity of maximum 12 months, in certain conditions;
- (vi) Financial derivatives under the conditions provided by the GEO 32/2012; and

(vii) Other money market instruments under the conditions provided by the GEO 32/2012.

According to Law 247/2005, Article 7¹(3), the investments made by the Fund are subject to the following limits (in force until 23 July 2020):

- a) the Fund may hold maximum 20% of its assets in unlisted securities and money market instruments (except for government securities and bonds issued by the Romanian Ministry of Public Finance and for unlisted securities received by the Fund from the Romanian State at incorporation);
- b) the Fund cannot invest more than 10% of its assets in securities or money market instruments issued by the same issuer (except for government bonds and for securities received by the Fund at incorporation);
- c) the Fund cannot invest more than 10% of its assets in financial instruments issued by entities part of the same group;
- d) the Fund cannot invest more than 10% of its assets in units issued by UCI;
- e) the current accounts and cash held by the Fund cannot exceed 20% of its assets (the threshold can be exceeded in certain circumstances);
- f) the amount of bank deposits with the same credit institution cannot represent more than 10% of the Fund's assets;
- g) exposure to the counterparty risk in one over-the-counter derivative transaction cannot exceed 10% of the Fund's assets, while the global exposure through derivatives cannot exceed 15% of the total allocation of net assets;
- h) minimum 20% of the Fund's total assets invested in listed securities, UCITS or other UCI, and newly issued securities.

In addition to the above, according to the IPS, under normal market conditions, the Fund should have at least 80% of its net assets invested in Romanian equity and equity-linked securities.

Also, according to the Fund's Prospectus, the Fund may hold money market instruments only in financial institutions rated "Investment grade" and may only invest in corporate bonds rated "Investment grade".

The Fund will inform investors of breaches to the investment policy by publishing current reports.

The investment policy of the Fund is established by the AIFM, with the observance of the Constitutive Act and of the investment limits provided by the legal provisions in force and it is in line with the IPS approved by shareholders.

The AIFM provides the strategy in accordance with the investment policy for analysis to the Fund's Board of Nominees before it is submitted for GSM approval. The Board of Nominees' opinion on the proposed strategy is presented to the AIFM and to the GSM.

The IPS sets the prudential rules concerning the investment policy of the Fund and presents the investment goals, objectives and the decision-making process for selecting investments in accordance with the investment objectives.

In December 2019 the Romanian Parliament enacted the law regarding the alternative investment funds. The new law includes various investment restrictions; for more details please see section *Subsequent events*. The calendar for implementing the new legislation is included below:

- 23 January 2020: the law entered into force;
- Before 23 July 2020: the shareholders should approve the changes to the Constitutive Act and to the Investment Policy Statement for implementing the new law before this date;
- Before 23 July 2020: the Fund should apply for a new license with the FSA.

Employees of the Fund

As at 31 December 2019 the Fund had no employees. Given that the Fund is administrated by the AIFM, it is not expected that the Fund will have any employees in the future.

Subsidiaries

As at 31 December 2019, the Fund controlled the following companies, which under Romanian applicable laws qualify as subsidiaries of the Fund, all of which are incorporated and operate in Romania. In the Sole Director's opinion, none of these subsidiaries qualifies as a significant subsidiary.

<u>Name</u>	<u>Ownership interest</u>
Alcom SA	72%
Comsig SA	70%
Zirom SA	100%

Source: Fondul Proprietatea

None of the subsidiaries of the Fund holds shares in the Fund as at 31 December 2019, based on the information made available to the Fund. Comsig SA is in administrative liquidation process. There was no corporate reorganisation of the Fund or its subsidiaries in 2019.

Branches

During 2019 the Fund had no branches.

Governing legislation

The Fund operates in accordance with the provisions of the following main laws and regulations:

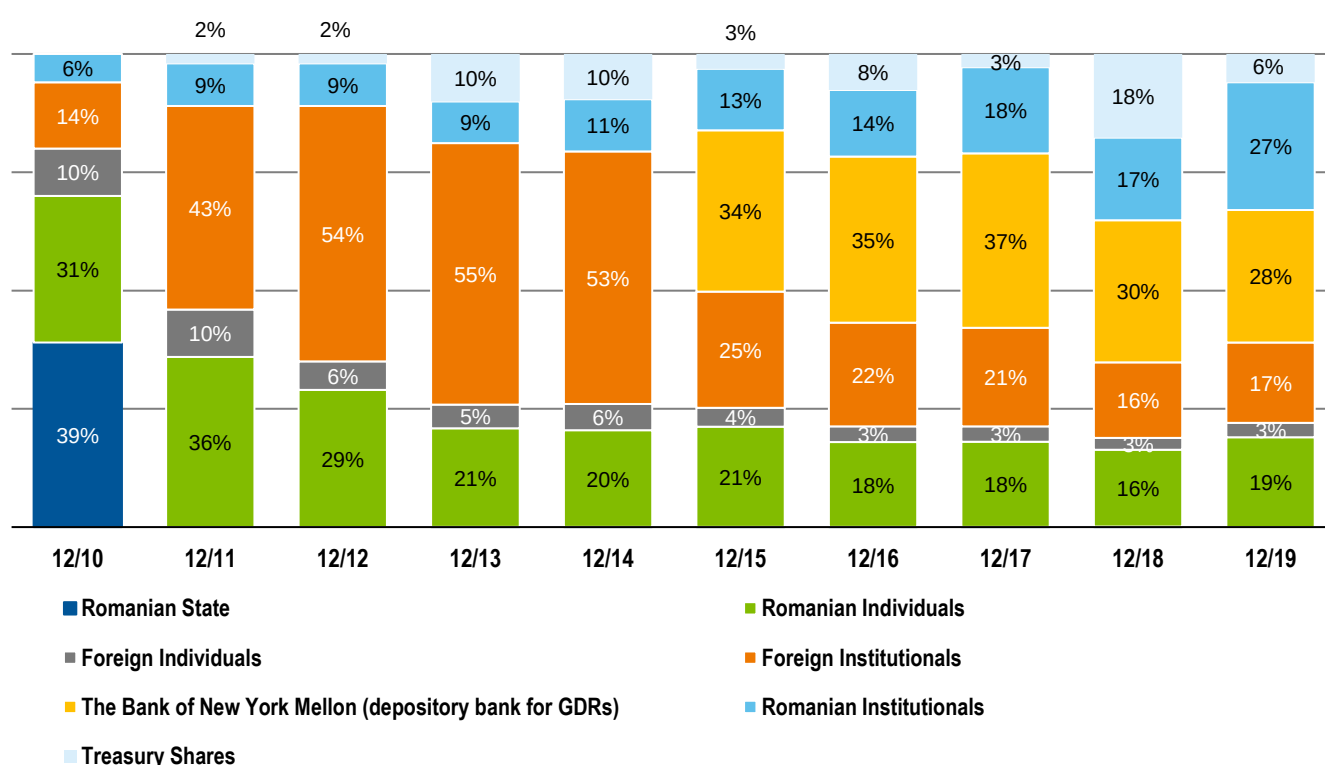
- Law no. 31/1990 regarding companies, with subsequent amendments;
- Law no. 82/1991 Accounting Law;
- Law no. 297/2004 regarding the capital market, with subsequent amendments;
- Law no. 247/2005 regarding the reforms in the sectors of justice and property as well as certain related measures, with subsequent amendments;
- Law no. 10/2015 on amending 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 no. 74/2015 on alternative investment fund managers;
- Law no. 24/2017 on issuers of financial instruments and market operations;
- Law no. 162/2017 regarding the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements;
- Law no. 126/2018 on the markets of financial instruments;
- Law no. 129/2019 on anti-money laundering and counter-terrorist financing and for amending other regulations;
- Law no. 243/2019 on the regulation of alternative investment funds and supplementing certain acts - entering into force on 23 January 2020;
- Government Decision no. 1481/2005 regarding the incorporation of Fondul Proprietatea;
- Government Emergency Ordinance no. 81/2007 for the acceleration of the compensation procedure related to the real estate abusively confiscated, with subsequent amendments;
- CNVM Regulation no. 6/2009 on the exercise of certain rights of the shareholders in the general shareholders meetings of companies;
- CNVM Regulation no. 4/2010 regarding the registration with the CNVM and operation of Fondul Proprietatea, as well as trading of shares issued, with subsequent amendments;
- 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 and supervision;
- Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC;
- FSA Norm no. 39/2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by FSA – Financial Investments and Instruments Sector, with subsequent amendments;

- FSA Norm no. 13/2019 on the framework for the statutory financial audit of the entities authorised, regulated and supervised by the FSA, as subsequently amended;
- FSA Regulation no. 10/2015 regarding the alternative investment funds management;
- FSA Regulation no. 5/2018 regarding the issuers of financial instruments and market operations;
- FSA Regulation no. 12/2018 on the implementation of certain provisions of Regulation (EU) No. 1286/ 2014 on key information documents for structured and insurance-based individual investment products;
- FSA Regulation no. 13/2019 on implementing the measures related to anti-money laundering and counter-terrorist financing within the financial sectors supervised by the FSA.

Shareholding and share capital changes

Evolution of the shareholder structure

The evolution of the shareholder structure is illustrated in the following chart:



Source: Romanian Central Depository, based on issued share capital until 31 July 2011, based on paid share capital starting 31 July 2011.

Disclosure of holdings during the period

On 1 July 2019 the Fund announced that Fondul de Pensii Administrat Privat AZT Viitorul Tau, Fondul de Pensii Facultative AZT Moderato and Fondul de Pensii Facultative AZT Vivace (together Allianz-Tiriac private pension funds) sent an aggregate disclosure of holdings over 5% of the total voting rights in the Fund, according to which the three pension funds held together, as of 28 June 2019, a number of 359,223,294 voting rights, representing 5.05% of the total number of voting rights in Fondul Proprietatea.

Evolution of the Fund's share capital since listing

The following table presents information with respect to the main events during the period from 1 January 2011 until 31 December 2019, which have changed the amount of the issued share capital of the Fund:

Date	Reason	Structure of the share capital after event			
		Issued share capital (RON)	Paid share capital (RON)	Issued shares (Shares)	Paid shares (Shares)
1 January 2011	Opening balance	13,778,392,208.00	13,778,392,208.00	13,778,392,208	13,778,392,208
24 February 2014	The cancelation of the shares acquired during the first buy-back programme	13,538,087,407.00	13,172,832,785.00	13,538,087,407	13,172,832,785
25 June 2014	The decrease for annual cash distributions to shareholders	12,861,183,036.65	12,515,396,724.25	13,538,087,407	13,174,101,815

Date	Reason	Structure of the share capital after event			
		Issued share capital (RON)	Paid share capital (RON)	Issued shares (Shares)	Paid shares (Shares)
26 September 2014	The cancellation of the shares acquired during the second buy-back programme	11,815,279,886.85	11,469,656,813.90	12,437,136,723	12,073,322,962
27 January 2015	The cancellation of the shares acquired during the third buy-back programme	11,575,064,733.65	11,229,443,001.15	12,184,278,667	11,820,466,317
31 May 2015	The decrease for annual cash distributions to shareholders	10,965,850,800.30	10,638,419,685.30	12,184,278,667	11,820,466,317
12 August 2015	The cancellation of the shares acquired during the fourth buy-back programme	10,074,080,745.90	9,746,649,630.90	11,193,423,051	10,829,610,701
14 March 2016	The cancellation of the shares acquired during the fifth buy-back programme	9,869,265,720.90	9,541,834,605.90	10,965,850,801	10,602,038,451
9 June 2016	The decrease for annual cash distributions to shareholders	9,320,973,180.85	9,011,732,683.35	10,965,850,801	10,602,038,451
26 October 2016	The partial cancellation of the shares acquired during the sixth buy-back programme	9,168,314,116.70	8,859,073,619.20	10,786,251,902	10,422,439,552
18 January 2017	The partial cancellation of the shares acquired during the sixth buy-back programme	8,562,968,634.10	8,253,728,136.60	10,074,080,746	9,710,268,396
24 March 2017	The decrease for covering accumulated accounting loss and for an extraordinary cash distribution to shareholders	5,742,226,025.22	5,534,852,985.72	10,074,080,746	9,710,268,396
16 June 2017	The decrease for annual cash distributions to shareholders	5,238,521,987.92	5,049,339,565.92	10,074,080,746	9,710,268,396
29 November 2017	The partial cancellation of the shares acquired during the seventh buy-back programme	4,854,034,784.56	4,664,852,362.56	9,334,682,278	8,970,869,928
29 June 2018	The partial cancellation of the shares acquired during the seventh and eighth buy-back programmes	4,771,610,196.08	4,582,427,774.08	9,176,173,454	8,812,361,104
28 December 2018	The partial cancellation of the shares acquired during the eighth buy-back programme	4,733,020,898.32	4,543,838,476.32	9,101,963,266	8,738,150,916
15 October 2019	The cancellation of the shares acquired during the ninth buy-back programme	3,959,264,762.44	3,770,082,340.44	7,613,970,697	7,250,158,347
31 December 2019	Closing balance	3,959,264,762.44	3,770,082,340.44	7,613,970,697	7,250,158,347

Source: Fondul Proprietatea

Share capital decrease process

On 15 October 2019, the Trade Registry registered Resolution no. 2/4 April 2019 of the Fund's Extraordinary GSM for approving the decrease of the subscribed share capital from RON 4,733,020,898.32 to RON 3,959,264,762.44 pursuant to the cancellation of 1,487,992,569 own shares acquired during the ninth buy-back programme, endorsed by the FSA through Endorsement no. 285/9 October 2019. Consequently, as of 15 October 2019, the new value of the Fund's subscribed share capital is RON 3,959,264,762.44 (divided into 7,613,970,697 shares with a nominal value of RON 0.52 per share), while the value of the paid-up share capital is RON 3,770,082,340.44 (divided into 7,250,158,347 shares with the same par value as mentioned above).

Changes to the Constitutive Act

During 2019 there were several changes in the Constitutive Act of the Fund - the articles referring to share capital, following the share capital decrease process and few changes related to the potential measures needed in case of Brexit. According to regulations in force, all the changes to the Constitutive Act enter into force after FSA endorsement. The Constitutive Act in force is published on webpage of the Fund at *Quick links* section.

Management Agreement in force during 2019

During 2019 the Fund was managed under the Management Agreement concluded between the Fund and FTIS as AIFM on 14 February 2018, which entered into force on 1 April 2018 with a duration of 2 years (1 April 2018 – 31 March 2020), including the following management structure:

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

Key commercial terms

Base Fee per year	• 0.60% • Discount 15% – 20%, + 0.05%, i.e. Base Fee Rate = 0.65% • Discount < 15%, + 0.05%, i.e. Base Fee Rate = 0.70%
Consideration for the Base Fee	• Weighted average market capitalisation of the Fund
Distribution Fee for all cash distributions	• 1.00% applied to the value of the distributions
Consideration for the Distribution Fee	• Share buy-backs and GDR buy-backs • Public tender buy-backs • Return of share capital and Dividends
Duration	• 2 years
Continuation vote	• Annually, each April

The new Management Agreement starting 1 April 2020

During the 28 June 2019 GSM of the Fund the shareholders approved the new mandate of FTIS as AIFM and Sole Director of the Fund for the period 1 April 2020 – 31 March 2022 and the new Management Agreement, under the same key commercial terms as above.

Important GSM Resolutions during 2019

The main resolutions approved by the Fund's shareholders during the GSMs in 2019 were the following:

- The approval of the issued share capital decrease from RON 4,733,020,898.32 to RON 3,959,264,762.44 for cancelling the 1,487,992,569 shares acquired during the ninth buy-back programme;
- The approval of the annual activity report for the financial year ended on 31 December 2018;
- The approval of the coverage of the negative reserves in amount of RON 80,910,369 for the shares cancelled during the financial year ended on 31 December 2018;
- The approval of the net profit allocation and the gross dividend value of RON 0.0903 per share for 2018, with Ex-date 7 June 2019, Registration date 10 June 2019 and Payment date 1 July 2019;
- The approval of the new Investment Policy Statement of the Fund, included in full in Annex 6 to this report, effective starting with 28 June 2019;
- The approval of the new mandate of FTIS as AIFM and Sole Director of the Fund for the period 1 April 2020 – 31 March 2022 and the new Management Agreement;
- The appointment of the two members of the Board of Nominees (Vivian Nicoli and Mark Gitenstein);
- The appointment of the auditor of the Fund for financial year ended 31 December 2020;
- The approval of the eleventh buyback programme for 800 million shares applicable for calendar year 2020;
- The approval of the 2020 budget of the Fund;
- The approval of several amendments to the Constitutive Act – the updated Constitutive Act is included in full in Annex 4 to this report.

Changes of the credit facility agreement and issued debt in 2019

On 29 June 2018, the Fund extended the credit facility from BRD – Groupe Societe Generale SA for a two-year period, until 29 June 2020, with a maximum committed amount of RON 400 million.

On 25 July 2019, the Fund decided to partially waive the existing credit facility from BRD Groupe Societe Generale SA, which has a new maximum committed amount of RON 45 million. The permitted use of the credit facility is for general corporate and operational use. The Fund may access, subject to the 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 245 million at any given time. The new limit of the credit facility is effective starting 19 August 2019.

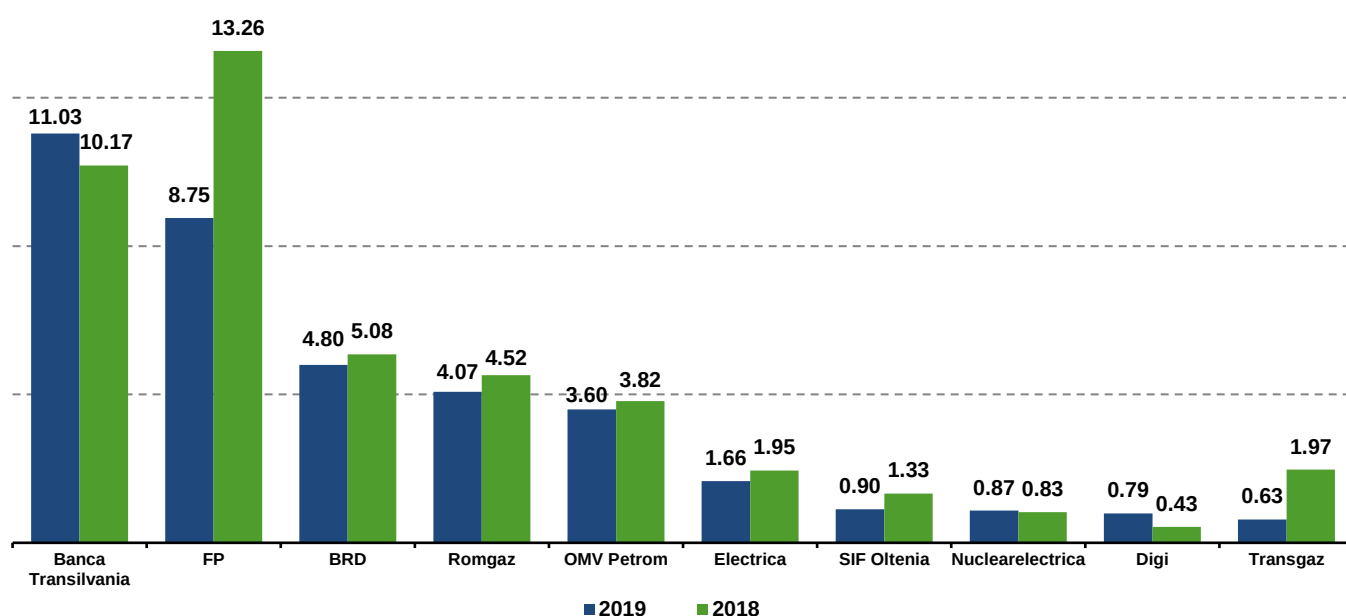
The Fund did not use the credit facility during 2019 and the outstanding balance is nil. The Fund had no bonds or other debt securities in issue during 2019.

Market for Securities Issued by the Fund

Since 25 January 2011, the Fund's shares have been listed in the Tier I category of the regulated market of the BVB under ISIN number ROFPTAACNOR5, and market symbol FP. The shareholders' register of the Fund is maintained, in accordance with the provisions of the regulations in force, by an independent registrar, Depozitarul Central SA, with the registered office in Bucuresti, 34-36 Carol I Avenue, 3rd, 8th and 9th Floors, 2nd District.

Starting 29 April 2015, the Fund's GDRs are listed on the Specialist Fund Market of the LSE under the market symbol "FP.". The Bank of New York Mellon was appointed by the Fund to act as depositary bank in relation to the GDR facility.

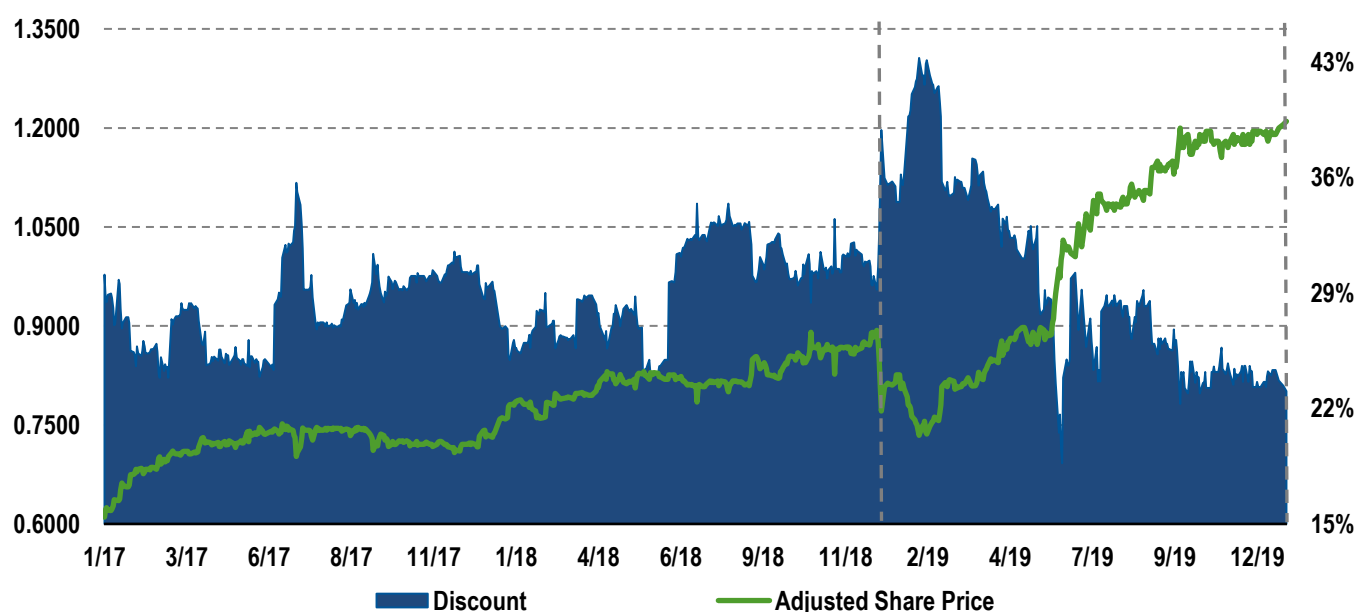
Average Daily Turnover in 2019 (RON million)



Note: The values for FP, Electrica, OMV Petrom and Romgaz also include the GDR trading on LSE. The values for FP include the tender offer from February 2018, of RON 610.4 million for the 652.8 million shares acquired on BVB and RON 511.1 million for the 547.2 million shares equivalent to the GDRs acquired on LSE and the tender offer from August 2019, of RON 109.0 million for the 90.1 million shares acquired on BVB and RON 72.5 million for the 59.9 million shares equivalent to the GDRs acquired on LSE, based on the RON/ USD exchange rate at the transaction date, as communicated by the National Bank of Romania

Source: BVB, Bloomberg

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



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

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

FP Share Price vs. FP GDR price (%)



Source: BVB, LSE

The share price performed well during 2019 following the significant drop at the end of 2018 caused by the publishing and entering into force of GEO 114/2018. On 30 May 2019, the share price reached for the first time the RON 1.00 per share threshold, which was the nominal value set by the Romanian State prior to the Fund's listing on the BVB for the compensation of Romanian individuals who could not receive in kind the properties lost during the communist regime. The share price on BVB continued to increase, reaching an all-time high of RON 1.21 per share on 30 December 2019, the price of the tender offer closed during August 2019.

Buy-back Programmes

Overview of share buy-back programmes since listing

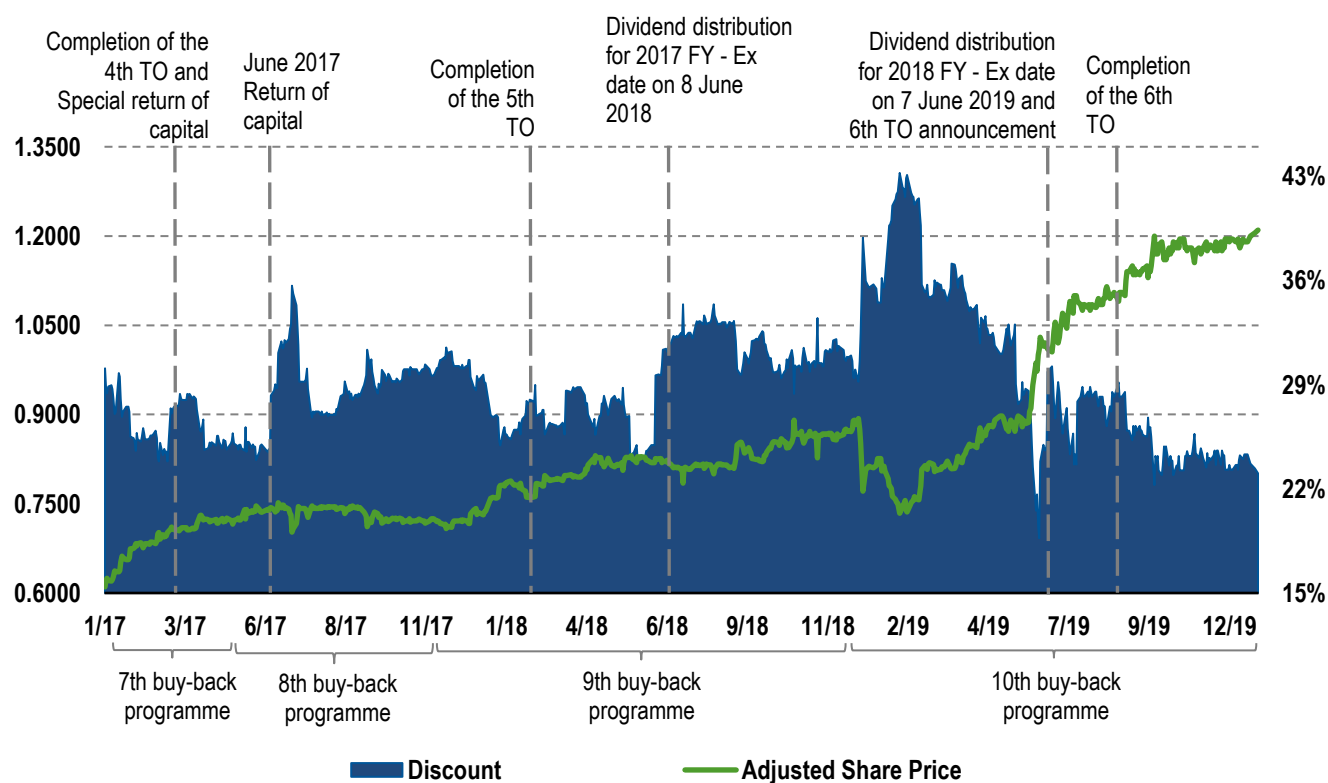
Ten buy-back programmes were completed since listing. Please see below the details regarding the buy-back programmes performed by the Fund since 2011:

Programme	Period	No. of shares repurchased (million shares)	Tender offer	Cancellation of shares
First	May – Sep 2011	240.3	N/A	Completed
Second	Apr – Dec 2013	1,100.9	Oct – Nov 2013	Completed
Third	Mar – Jul 2014	252.9	N/A	Completed
Fourth	Oct 2014 – Feb 2015	990.8	Nov – Dec 2014	Completed
Fifth	Feb – Jul 2015	227.5	N/A	Completed
Sixth	Sep 2015 – Sep 2016	891.7	Aug – Sep 2016	Completed
Seventh	Sep 2016 – May 2017	830.2	Feb – Mar 2017	Completed
Eight	May – Nov 2017	141.9	N/A	Completed
Ninth	Nov 2017 – Dec 2018	1,488.0	Jan – Feb 2018	Completed
Tenth	Jan – Dec 2019	403.8	Jul – Aug 2019	Completed. The cancellation of shares is subject to shareholders' approval during the annual shareholders meeting called for 28 April 2020
Eleventh	Jan – Dec 2020	-	Jan – Mar 2019	Started on 1 January 2020
TOTAL		6,568.0		

Source: Fondul Proprietatea

Evolution of the discount and buy-back programmes

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



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

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

During the year ended 31 December 2019, the Fund bought back a total number of 403,812,443 own shares within the tenth buy-back programme (out of which 309,164,893 ordinary shares and 94,647,550 ordinary shares corresponding to GDRs), representing 5.3% of the total issued shares as at 31 December 2019, for a total acquisition value of RON 439,032,611, excluding transaction costs. The total number of own shares (including shares corresponding to GDRs) held by the Fund as at 31 December 2019 is 403,812,443 own shares, having a total nominal value of RON 209,982,470.36 (RON 0.52 per share). During 2019 the Fund converted 1,917,951 GDRs acquired into 95,897,550 ordinary shares. As at 31 December 2019, the Fund did not hold any GDR.

The table below shows a summary of the buy-back programmes during 2019 (based on the transaction date):

Programme	Description	No of shares	Equivalent shares of GDRs	Total no of shares	% of issued share capital**
9th	Opening balance as at 1 January 2019	1,486,742,569	1,250,000	1,487,992,569	
	Acquisitions	-	-	-	
	Converted during the period	1,250,000	(1,250,000)	-	
	Cancellations	(1,487,992,569)	-	(1,487,992,569)	
	Closing balance as at 31 December 2019	-	-	-	-
	Weighted average price (RON per share; USD per GDR)*	0.9318	12.3097	0.9319	
10th	Opening balance as at 1 January 2019	-	-	-	
	Acquisitions	309,164,893	94,647,550	403,812,443	
	Converted during the period	94,647,550	(94,647,550)	-	
	Closing balance as at 31 December 2019	309,164,893	94,647,550	403,812,443	5.3%
	Weighted average price (RON per share; USD per GDR)*	1.0798	13.0730	1.0872	
All	Total balance of treasury shares as at 31 December 2019	309,164,893	94,647,550	403,812,443	5.3%

Source: Fondul Proprietatea

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

**calculated as the total number of shares acquired within the programme (own shares and shares corresponding to GDRs) divided by the number of shares corresponding to the issued share capital at the end of the programme (for completed programmes)/ at the reporting date (for ongoing programmes)

Tender Offer within the tenth buy-back programme

On 24 June 2019 the Fund submitted to the FSA an application for the endorsement of a tender offer to accelerate the tenth buy-back programme. Under the tender offer the Fund intended to repurchase up to 150,000,000 shares from its shareholders, both in the form of shares and GDRs.

The daily execution of the tenth buy-back programme for both shares on BVB and GDRs on LSE was suspended starting with 14 June 2019.

The Fund engaged Banca Comerciala Romana SA and Auerbach Grayson as dealer managers and Banca Comerciala Romana SA as intermediary in relation to the purchase of shares and The Bank of New York Mellon as tender agent in relation to the purchase of GDRs.

On 9 July 2019, the FSA approved the Fund's application for the tender offer. The subscription period was from 15 July until 19 August 2019 and the purchase price was RON 1.21 per share and the USD equivalent of RON 60.5 per GDR. The tender offer price represented a premium of 18.6% to the closing price on 24 June 2019, when the first announcement regarding the tender offer was released.

On 19 August 2019, the Investment Manager announced the results of the tender offer: total subscriptions of 4,672,180,622 shares representing 3,114.8% of the Offer (2,805,099,522 in the form of shares and 1,867,081,100 shares in the form of GDRs, namely 37,341,622 GDRs).

Under the tender offer, the Fund repurchased 150,000,000 shares (90,057,550 in the form of shares and 59,942,450 shares in the form of GDRs, namely 1,198,849 GDRs) at a purchase price of RON 1.21 per share and the USD equivalent of RON 60.50 per GDR, computed in accordance with the terms and conditions of the offer documentation.

The daily execution of the tenth buy-back programme was resumed on 28 August 2019 on BVB and on 29 August 2019 on LSE.

Cancellation of shares acquired within the ninth buy-back programme

On 15 October 2019, the Trade Registry registered Resolution no. 2/4 April 2019 of the Fund's Extraordinary GSM for approving the decrease of the subscribed share capital from RON 4,733,020,898.32 to RON 3,959,264,762.44 pursuant to the cancellation of 1,487,992,569 own shares acquired during the ninth buy-back programme, endorsed by the FSA through Endorsement no. 285/9 October 2019.

The eleventh buy-back programme

During 15 November 2019 GSM the shareholders approved the eleventh buy-back programme for a maximum number of 800,000,000 shares and/ or equivalent GDRs corresponding to shares, starting with 1 January 2020 until 31 December 2020, at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The shares repurchased during the buy-back programme will be cancelled. The Fund selected Auerbach-Grayson in consortium with Swiss Capital to provide brokerage services for the programme. The Fund is allowed to buy back daily up to 25% of the average daily volume of the Fund's shares (in the form of ordinary shares or GDRs) on the regulated market on which the purchase is carried out, calculated in accordance with the applicable law.

On 7 January 2020 the Fund submitted to the FSA an application for endorsement of a tender offer for buy-back of up to 200 million own shares in relation to the eleventh buy-back programme. For further details regarding the public tender offer process in relation to the eleventh buy-back programme, please see section *Subsequent Events*.

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

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

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

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

Article 75 from Norm no. 39/2015 mentions that the negative balance arising on the cancellation of equity instruments may be covered from the retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting. As at 31 December 2019, the Fund's equity elements that could be used to cover the negative reserve are sufficient and include retained earnings, reserves and share capital.

Buy-back program 10 impact on equity during 2019	<i>All amounts in RON</i>
Acquisition cost	439,032,611
Total costs directly related to transactions, out of which:	6,975,980
FSA fees	1,949,923
Stock Exchange fees (BSE and LSE)	315,541
Legal advisory fees	175,182
Brokerage fees	87,810
Romanian Central Depository fees	28,377
Other professional fees	16,938
Distribution fees*	4,402,209
Total impact on equity of buy-back program 10 during 2019	446,008,591

Source: Fondul Proprietatea

*FTIS distribution fees related to buy-backs which are recognised directly in equity together with the underlying shares

Coverage of the negative reserves

The total negative reserves recorded by the Fund as at 31 December 2018 of RON 80,910,369 were related to the partial cancellation of the shares acquired within the seventh buy-back programme and the cancellation of all the shares acquired within the eighth buy-back programme. During the 4 April 2019 Annual GSM, the shareholders approved the coverage of the negative reserves in amount of RON 80,910,369, as recorded in the annual audited IFRS financial statements of the Fund, from 2016 profit remained under unallocated retained earnings.

The table below shows the movement of the negative reserves during 2019:

	<i>All amounts in RON</i>
Opening balance of the negative reserve as at 1 January 2019 (audited)	80,910,369
Coverage of negative reserves according with OGM Resolution no. 2/ 4 April 2019	(80,910,369)
Negative equity reserve arising on the cancelation of the shares acquired within the 9th buyback programme according to EGM resolution no. 2/ 4 April 2019 (on 15 October 2019)	640,744,712
Closing balance of the negative equity reserve at 31 December 2019 (audited)	640,744,712

Source: Fondul Proprietatea

The table below shows additional details on the negative reserve booked during 2019:

Negative reserve recorded during 2019		Buy-back programme 9
Number of shares cancelled during 1 January – 31 December 2019	(1)	1,487,992,569
Total costs (including transaction costs and other costs), representing the accounting value of the shares cancelled (RON)	(2)	1,414,500,848
Correspondent Nominal Value at the cancelation date (NV = RON 0.52 per share) (RON)	(3)=(1)*NV	773,756,136
Negative equity reserve on the cancelation (RON)	(4)=(3)-(2)	(640,744,712)

Source: Fondul Proprietatea

During the 4 April 2019 GSM the shareholders also approved the allocation to other reserves of RON 640,744,712 to be available for covering the negative reserves recorded at the date when the cancellation of the shares acquired during the ninth buy-back programme is effective, as follows:

- RON 233,482,390 representing the non-distributable amount from the 2018 audited profit;
- RON 407,262,322 from the 2017 profit remained under unallocated retained earnings.

The actual coverage of this negative reserve using the amount of RON 640,744,712 transferred to other reserves will be subject to shareholders' approval during the 2020 Annual GSM.

The table below shows additional details on the estimated negative reserve that will arise upon the cancelation of the treasury shares in balance as at 31 December 2019:

Negative reserve that will arise on cancelation of the treasury shares in balance as at 31 December 2019		Buy-back programme 10
Number of shares to be cancelled	(1)	403,812,443
Total costs as at 31 December 2019 (including transaction costs and other costs), representing the accounting value of the shares to be cancelled in the future (RON)	(2)	446,008,591
Correspondent nominal value (NV = RON 0.52 per share) as at 31 December 2019 (RON)	(3)=(1)*NV	209,982,470
Estimated negative reserve to be booked on cancelation (RON)	(4)=(3)-(2)	(236,026,121)

Source: Fondul Proprietatea

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

Distributions to Shareholders

Annual Cash Distribution Policy

On 15 May 2019 the Investment Manager published the updated Annual Cash Distribution Policy of the Fund, included below.

1. Scope

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

2. General principles

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

The AIFM intends to recommend to shareholders for their approval a 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 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 DCM.

3. Cash distributions

Under current Romanian legislation and the Constitutive Act, each fully paid share gives its owner the right to receive cash distributions (in the form of dividends or other types of cash distributions, such as return of capital). Unpaid shares and treasury shares will not be entitled to receive cash distributions. Cash distributions are paid to the shareholders on a pro rata basis, proportionately to their participation in the paid share capital of the Fund.

a. Dividend distributions

In the absence of exceptional market conditions or circumstances, and subject to any restrictions under Romanian legal 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 expenses and taxation and
- iv. less compulsory allocations to reserves according to the regulations in force.

The AIFM may propose the dividend level up to the amount computed as above, by considering the on-going measures imposed by DCM and the available cash. Any dividend distribution will be based on audited financial statements.

b. Return of capital

In case of a return of capital, the distributable amount is subject to the restrictions under Romanian legal or tax regulations and to available funding and 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.

4. Payment of Cash Distributions

The cash distributions will be proposed by the AIFM and paid in compliance with the GSM 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 in compliance with the effective laws.

5. Review of the Annual Cash Distribution Policy

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.fondulproprietatea.ro/about-fund/fund-overview/corporate-governance> and any update to the policy shall be disseminated to the market and uploaded on the website.

Distributions history

Key information on the Fund's distributions history is included in the table below:

Description	Paid in	Gross distribution declared (RON)	Gross distribution per share (RON)	Total number of shares*	Status of distribution payment (%)	Deadline for distribution collection by shareholders
2006 Dividend	2007	36,076,046	0.00250	14,240,540,675		30 June 2012 (Status of limitation occurred)
2007 Dividend	2008	89,997,678	0.00660	13,644,179,910		30 June 2012 (Status of limitation occurred)
2008-2009 Dividend (aggregate)	2010	1,124,316,804	0.08160	13,778,392,208		11 October 2013 (Status of limitation occurred)
2010 Dividend	2011	432,729,046	0.03141	13,776,792,208		30 June 2014 (Status of limitation occurred)
2011 Dividend	2012	507,658,517	0.03854	13,172,250,055		30 June 2015 (Status of limitation occurred)
2012 Dividend	2013	536,437,206	0.04089	13,119,031,695		28 June 2016 (Status of limitation occurred)
Distribution - Return of capital	2014	601,325,852	0.05000	12,026,517,031		25 July 2017 (Status of limitation occurred)
Distribution - Return of capital	2015	534,322,868	0.05000	10,686,457,366		29 June 2018 (Status of limitation occurred)
Distribution - Return of capital	2016	516,886,344	0.05000	10,337,726,877	> 99%	27 June 2019 (Status of limitation occurred)
Distribution - Return of capital	March 2017	480,543,496	0.05000	9,610,869,928	>99%	27 March 2020
Distribution - Return of capital	June 2017	443,502,747	0.05000	8,870,054,948	>99%	30 June 2020
2017 Dividend	June 2018	499,976,344	0.0678	7,374,282,346	>98%	29 June 2021
2018 Dividend	July 2019	642,318,808	0.0903	7,113,165,099	>96%	1 July 2022

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 GSM approving the dividend distribution or return of capital.

2018 Dividend Distribution

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 Romanian Central Depository, according to the legislation in force, as follows:

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

Also, as an important notice to shareholders, this dividend payment is subject to the general statute of limitation. As such, shareholders may request the payments only within a three-year term starting with the Payment Date, namely by 1 July 2022.

Distribution to shareholders with payment dates in 2017 and 2018

During 2017 and 2018 the Fund performed three cash distributions to shareholders:

1) Cash distribution in March 2017

During the 31 October 2016 GSM, the Fund's shareholders approved the return of RON 0.05 per share, following the share capital decrease through the reduction of the nominal value of the Fund's share from RON 0.85 to RON 0.57 (the share capital decrease incorporate two operations: coverage of accounting losses and distribution to shareholders).

The shareholders registered in the shareholders' registry with Romanian Central Depository as at 7 March 2017 have the right to receive RON 0.05 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment started on 27 March 2017. By 31 December 2019, shareholders have collected 99.4% of the total distribution.

The payment of the amounts due to the Fund's shareholders related to March 2017 cash distribution is subject to the general statute of limitation. As such, the shareholders may request these payments only within a three-year term with effect from the payment date, namely until 27 March 2020.

2) Cash distribution in June 2017

During the 28 February 2017 GSM, the Fund's shareholders approved the return of RON 0.05 per share, following the share capital decrease through the reduction of the nominal value of the Fund's share from RON 0.57 to RON 0.52.

The shareholders registered in the shareholders' registry with Romanian Central Depository as at 12 June 2017 have the right to receive RON 0.05 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment started on 30 June 2017. By 31 December 2019, shareholders have collected 99.4% of the total distribution.

The payment of the amounts due to the Fund's shareholders related to June 2017 cash distribution is subject to the general statute of limitation. As such, the shareholders may request these payments only within a three-year term with effect from the payment date, namely until 30 June 2020.

3) Cash distribution in June 2018

On 26 April 2018 shareholders approved the distribution of a gross dividend of RON 0.0678 per share, with Ex-date 8 June 2018 and Registration date 11 June 2018. The Fund started the payment of dividends on 29 June 2018 and by 31 December 2019 shareholders had collected 98.9% of the total dividend distribution of RON 500.0 million.

This dividend payment is subject to the general statute of limitation. As such, shareholders may request the payments only within a three-year term starting with the Payment Date, namely by 29 June 2021.

Analysis of the NAV evolution

NAV methodology

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

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

CNVM Regulation no. 4/2010, as subsequently amended, allows the NAV calculation based on best international practice suitable for a listed closed-end fund.

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

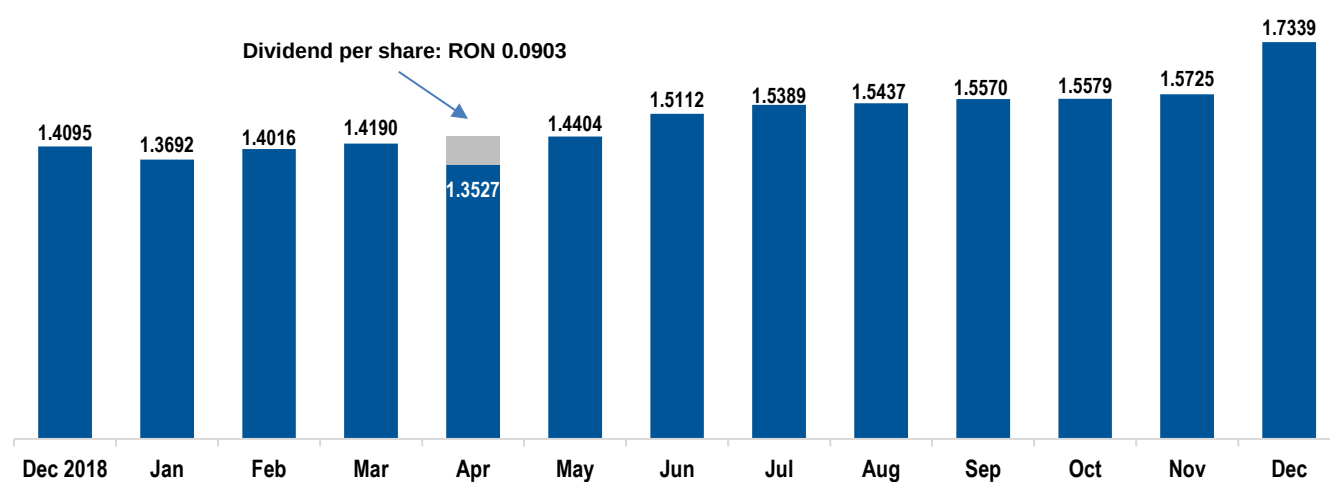
Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards.

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

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

NAV per share (RON per share)

The following chart shows information on the monthly published NAVs per share for the period 31 December 2018 to 31 December 2019:



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

During the **first quarter of 2019**, the NAV per share had an overall increase of 0.7% compared to the end of the previous year, mainly due to the positive share price evolution of the Fund's listed holdings, principally OMV Petrom SA (impact on the Fund's NAV of RON 328.5 million or RON 0.0453 per share) and due to the tenth buy-back programme carried out by the Fund during this period.

During the **second quarter of 2019** the NAV per share had an overall increase of 6.5% compared to the end of the previous quarter, mainly due to the recording of 2018 dividend receivables from portfolio companies, the valuation update for the unlisted holdings in the Fund's portfolio, the positive share price evolution of OMV Petrom SA and to the tenth buy-back programme carried out by the Fund during this period, netted off by the dividends payable approved by shareholders during the 2019 Annual GSM.

In June 2019 the Fund performed valuation updates for 8 unlisted holdings representing 94.4% from the Fund's total unlisted portfolio at 31 May 2019. The valuation was performed with the assistance of KPMG Advisory, in accordance with International Valuation Standards. The valuation date was 31 March 2019 and the reports also considered any relevant corporate actions (e.g. dividend distributions). The total impact of the valuation update was an increase of RON 426.4 million, compared to 31 May 2019 NAV, as detailed in the table below:

No.	Portfolio company	Value in 28 June 2019 NAV (RON million)	Value in 31 May 2019 NAV (RON million)	Impact on total NAV (RON million)	% 28 June 2019 NAV vs. 31 May 2019 NAV	Impact on NAV per share ¹ (RON)
1	Hidroelectrica SA	4,144.0	3,955.0	189.0	+4.8%	0.0266
2	CN Aeroporturi Bucuresti SA	912.0	861.0	51.0	+5.9%	0.0072
3	E-Distributie Banat SA	515.4	472.0	43.4	+9.2%	0.0061
4	Engie Romania SA	489.0	445.0	44.0	+9.9%	0.0062
5	E-Distributie Muntenia SA	424.9	389.0	35.9	+9.2%	0.0050
6	E-Distributie Dobrogea SA	326.3	288.0	38.3	+13.3%	0.0054
7	Societatea Nationala a Sariei SA	272.8	250.0	22.8	+9.1%	0.0032
8	Zirom SA	29.1	27.1	2.0	+7.4%	0.0003
TOTAL		7,113.5	6,687.1	426.4	+6.4%	0.0599

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

During the **third quarter of 2019**, the NAV per share had an upward trend compared to the end of the previous quarter, mainly due to the positive share price evolution of OMV Petrom SA (impact on the Fund's NAV of RON 155.7 million or RON 0.0219 per share) and due to the tenth buy-back programme tender offer carried by the Fund during this period.

During the **last quarter of 2019** the NAV per share increased by 11.4%, mainly due to the update of the unlisted portfolio companies' valuation.

Valuation updates in accordance with the International Valuation Standards were prepared for 19 unlisted holdings with the assistance of KPMG Advisory and Darian DRS, representing 100% of the unlisted portfolio. The valuation date was 30 September 2019, but the valuations considered the subsequent developments until 31 December 2019, such as the distribution of special dividends by Hidroelectrica SA, CN Aeroporturi Bucuresti SA and Administratia Porturilor Dunarii Maritime SA, the share capital increase performed by Zirom SA and the changes in the regulatory framework for energy companies – the cancellation of most of the provisions of GEO 114/2018.

The overall impact of the valuation adjustments on the unlisted holdings of the Fund is detailed in the table below:

No.	Portfolio company	Value in 31 Dec 2019 NAV (RON million)	Value in 29 Nov 2019 NAV (RON million)	Impact on total NAV (RON million)	% 31 Dec 2019 NAV vs. 29 Nov 2019 NAV	Impact on NAV per share ² (RON)
1	Hidroelectrica SA	4,886.5	4,144.0	742.5	+17.9%	0.1083
2	CN Aeroporturi Bucuresti SA	1,022.9	912.0	110.9	+12.2%	0.0162
3	E-Distributie Banat SA	519.3	515.4	3.9	+0.8%	0.0006
4	Engie Romania SA	512.4	489.0	23.4	+4.8%	0.0034
5	E-Distributie Muntenia SA	428.5	424.9	3.6	+0.8%	0.0005
6	E-Distributie Dobrogea SA	321.5	326.3	(4.8)	-1.5%	(0.0007)
7	Societatea Nationala a Sariei SA	275.4	272.8	2.6	+1.0%	0.0004
8	CN Administratia Porturilor Maritime SA	248.7	244.0	4.7	+1.9%	0.0007
9	ENEL Energie Muntenia SA	41.7	58.0	(16.3)	-28.1%	(0.0024)
10	Zirom SA	31.7	29.2	2.5	+8.6%	0.0004
11	ENEL Energie SA	26.3	44.0	(17.7)	-40.2%	(0.0026)
12	CN Administratia Canalelor Navigabile SA	14.9	14.6	0.3	+2.1%	0.0000
13	Aeroportul International Timisoara - Traian Vuia SA	13.9	20.0	(6.1)	-30.5%	(0.0009)
14	Posta Romana SA	11.5	6.7	4.8	+71.6%	0.0007

¹ Computed based on the number of shares used in NAV per share computation as at 31 May 2019

² Computed based on the number of shares used in NAV per share computation as at 29 Nov 2019

No.	Portfolio company	Value in 31 Dec 2019 NAV (RON million)	Value in 29 Nov 2019 NAV (RON million)	Impact on total NAV (RON million)	% 31 Dec 2019 NAV vs. 29 Nov 2019 NAV	Impact on NAV per share ² (RON)
15	CN Administratia Porturilor Dunarii Maritime SA	4.2	4.0	0.2	+5.0%	0.0000
16	CN Administratia Porturilor Dunarii Fluviale SA	1.7	1.7	-	-	-
17	Plafar SA	1.7	2.9	(1.2)	-41.4%	(0.0002)
18	Aeroportul International Mihail Kogalniceanu - Constanta SA	1.4	1.5	(0.1)	-6.7%	(0.0000)
19	Complexul Energetic Oltenia SA	-	-	-	-	-
TOTAL		8,364.2	7,511.0	853.2	+11.4%	0.1245

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

Valuation of Hidroelectrica SA

On 28 December 2018 the Government approved a fiscal package through GEO 114/2018 targeting, among others, the electricity and gas sectors. GEO 114/2018 was approved on very short notice, without public consultation and significant regulatory clarifications were still pending from ANRE at the date of 31 December 2018 NAV publication (on 11 January 2019). Consequently, its impact on the Fund's holdings could not be reliably assessed and reflected for the 31 December 2018 NAV purposes.

On 18 January 2019, ANRE issued for public consultation the methodology for the calculation of the regulated electricity prices and quantities to be sold based on regulated contracts by producers to the suppliers of last resort, which was subsequently approved in February 2019 by ANRE Order no. 10/1 February 2019. On 6 February 2019 ANRE also issued Order no. 11 which sets the methodology for calculating the regulated electricity prices to final consumers by the suppliers of last resort. The publication of ANRE's additional methodology represents a subsequent adjusting event for IFRS financial statements for the year ended 31 December 2018 and was reflected accordingly.

The Sole Director performed a scenario analysis regarding the potential impact of the new regulatory requirements on the value of the Fund's holdings and following this the fair value of Hidroelectrica SA was adjusted downwards by RON 391.0 million in the 31 December 2018 IFRS financial statements compared to the value of the company included in 31 December 2018 NAV report. The total value of the Fund's holding in Hidroelectrica SA included in the IFRS financial statements as at 31 December 2018 is RON 3,885.0 million and this value was also reflected in 31 January 2019 NAV report of the Fund. The 31 January 2019 NAV and the IFRS financial statements for the year ended 31 December 2018 were published on 15 February 2019. Further to the above, as part of the implementation process of the GEO 114/2018, on 25 February 2019 ANRE issued Decision no. 324 on the approval of electricity regulated tariffs and amount of electricity to be delivered under regulated contracts by Hidroelectrica during the period 1 March 2019 – 31 December 2019 and the valuation of Hidroelectrica SA was updated in 28 February 2019 NAV to RON 3,955 million (total impact was an increase of RON 70 million).

Following the valuation update for the unlisted holdings in the Fund's portfolio in June 2019, the value of the holding in Hidroelectrica SA was increased to RON 4,144 million on the back of the company's strong performance in the first half of 2019. The report also considers the dividend of RON 1,798.7 million approved by the company's shareholders during the 29 May 2019 GSM. The Fund also performed the valuation update of the company for the 31 December 2019 reporting and the value of the company increased by RON 742.5 million as a result of the good financial results during the period and following the changes in the regulatory environment, most of the provisions of GEO 114/2018 being repealed.

The table below summarises the changes in the valuation of the Fund's holding in Hidroelectrica SA between 30 June 2018 and 31 December 2019:

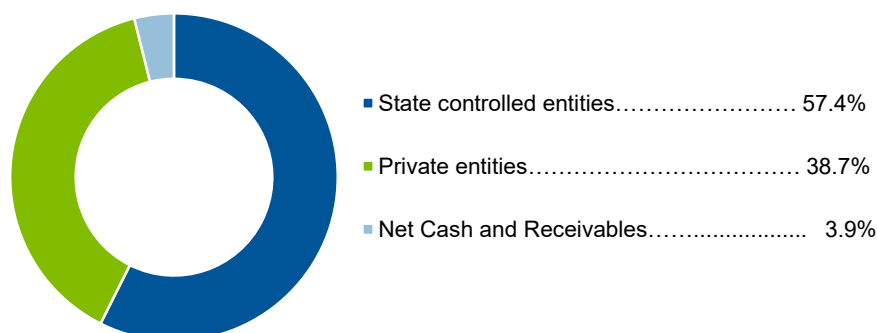
Reporting date	Value of FP holding in Hidroelectrica SA (RON million)	Change vs. previous valuation (RON million)	Change vs. previous valuation (%)
30 June 2018	3,531.0	-	-
31 December 2018	4,276.0	745.0	+21%
31 January 2019	3,885.0	(391.0)	-9%
28 February 2019	3,955.0	70.0	+2%
30 June 2019	4,144.0	189.0	+5%
31 December 2019	4,886.5	742.5	+18%

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

Investment Strategy and Portfolio Analysis

The Fund's investment objective is the maximisation of returns to shareholders and the increase of the net asset value per share via investments mainly in Romanian equities and equity-linked securities. The equity exposure amounted to 96.1% of the Fund's NAV as at 31 December 2019. As at that date, the portfolio was composed of holdings in 33 companies (7 listed and 26 unlisted), a combination of privately held and state-controlled entities.

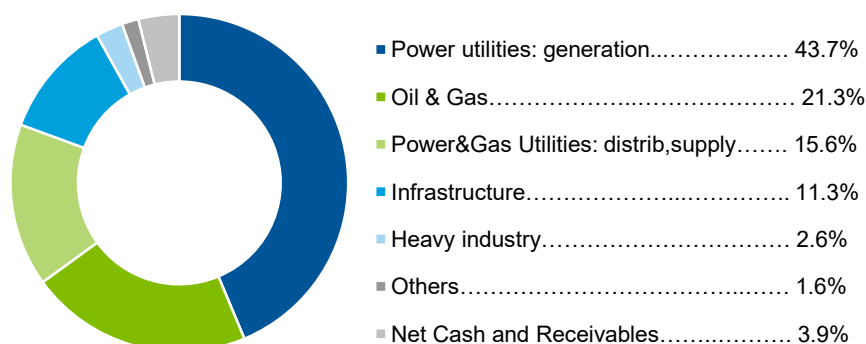
Portfolio Structure – by Controlling Ownership



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

Source: Fondul Proprietatea, data as at 31 December 2019, % in total NAV

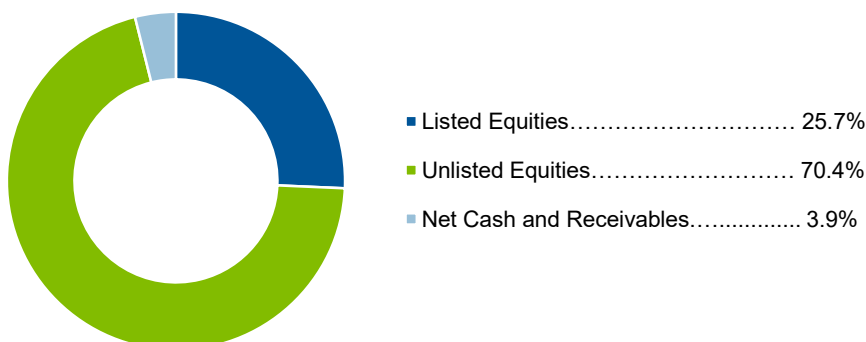
Portfolio Structure – by Sector



- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 80.6% of the NAV), through several listed and unlisted Romanian companies

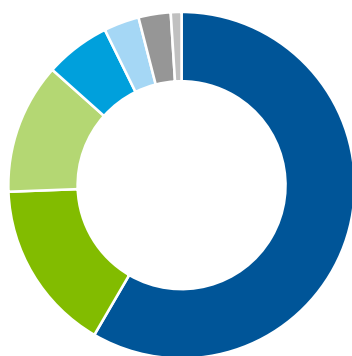
Source: Fondul Proprietatea, data as at 31 December 2019, % in total NAV

Portfolio Structure – by Asset Type¹



Source: Fondul Proprietatea, data as at 31 December 2019, % in total NAV

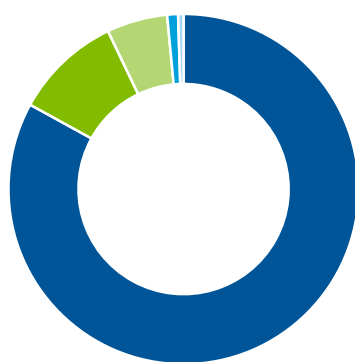
¹ Note: the value of listed shares compared to total assets of the Fund based on NAV values is 25.6% as at 31 December 2019

Portfolio Structure – Unlisted holdings

■ Hidroelectrica SA.....	58.4%
■ Enel Group companies.....	16.0%
■ CN Aeroporturi Bucuresti SA.....	12.2%
■ Engie Romania SA.....	6.1%
■ Societatea Nationala a Sarii SA.....	3.3%
■ CN Administratia Porturilor Maritime SA	3.0%
■ Others.....	1.0%

- The largest unlisted holding is Hidroelectrica SA (41.2% of the NAV)

Source: Fondul Proprietatea, data as at 31 December 2019; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

Portfolio Structure – Listed holdings

■ OMV Petrom SA.....	83.0%
■ Nuclearelectrica SA.....	9.9%
■ Alro SA.....	5.6%
■ Romaero SA.....	1.0%
■ Others.....	0.5%

- The largest listed holding is OMV Petrom SA (21.3% of the NAV)

Source: Fondul Proprietatea, data as at 31 December 2019; the chart reflects the company NAV value as a % in total NAV value of listed holdings

Top 10 equity investments

No	Name	Fund's stake (%)	Value as at 31 December 2019 ¹ (RON million)	% of NAV as at 30 December 2019 ¹
1	Hidroelectrica SA	19.94%	4,886.5	41.2%
2	OMV Petrom SA	9.99%	2,531.6	21.3%
3	CN Aeroporturi Bucuresti SA	20.00%	1,022.9	8.6%
4	E-Distributie Banat SA	24.13%	519.3	4.4%
5	Engie Romania SA	12.00%	512.4	4.3%
6	E-Distributie Muntenia SA	12.00%	428.5	3.6%
7	E-Distributie Dobrogea SA	24.09%	321.5	2.7%
8	Nuclearelectrica SA	7.05%	303.3	2.6%
9	Societatea Nationala a Sarii SA	49.00%	275.4	2.3%
10	CN Administratia Porturilor Maritime SA	20.00%	248.7	2.1%
Top 10 equity holdings			11,050.1	93.1%
Total equity holdings			11,413.1	96.1%
Net cash and receivables			458.3	3.9%
Total NAV			11,871.4	100.0%

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

¹ Rounded to one decimal

Key portfolio developments during the period

Dividends

During 2019, 13 companies in the Fund's portfolio declared dividends for the 2018 financial year. In addition, 6 companies declared special dividends during 2019. The total amount of gross dividend income recorded by the Fund in 2019 is RON 942.9 million and the most significant amounts relate to Hidroelectrica SA and OMV Petrom SA.

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

Participation in share capital increases

In January 2019 the Fund subscribed to the share capital increase of CN Aeroporturi Bucuresti SA with a cash contribution of RON 67,292,520. This amount has been considered in the fair valuation of the Fund's holding in this company during the valuation updates performed in December 2018 and June 2019. In September 2019, the company's shareholders decided to reperform the land valuation report, thus cancelling the share capital increase. Following the decision, the Fund's cash contribution was paid back by the company.

In March 2019 the Fund subscribed to the share capital increase of E-Distributie Banat SA with a cash contribution of RON 30,030, which will become effective at the registration with the Romanian Trade Register, after all legal steps are concluded – as at the date of this report this is ongoing.

In September and December 2019, the Fund subscribed to the share capital increases of Zirom SA with cash contributions of RON 1,500,000 and RON 4,800,000 respectively, which were effective on 23 September 2019 and 8 January 2020, the dates of registration with the Romanian Trade Register.

Disposals

In 2019 the Fund sold its entire holding of 2.4% in BRD – Groupe Societe Generale SA, for a total value of RON 200.9 million.

Energy sector updates

The impact of GEO 114/2018

On 28 December 2018 the Government approved a fiscal package through GEO 114/2018, targeting the electricity, gas, telecom, banking and private pension fund sectors. Subsequently, some of its provisions relevant for the companies in the Fund's portfolio have been materially amended through GEO 19/2019 and GEO 1/2020.

The main provisions of the initial form of the GEO with an impact on the Fund's portfolio are presented below:

- 2% tax on turnover for companies in the electricity and gas sectors;
- capping gas prices at the level of the producers as follows: for households at RON 68 MWh until February 2022 and for industrial consumers at a mix between RON 68 MWh, import price, and storage cost;
- capping electricity prices at the level of the producers for households at a price set by ANRE;
- asset tax on banks: a progressive tax rate linked to the 3-month and 6-month quarterly ROBOR average;
- changes to the Pillar II pension funds:
 - option to transfer from Pillar II to Pillar I after at least 5 years of contributions to Pillar II;
 - the reduction of the contribution fee from 2.5% to 1%;
 - higher capital requirements for the Pillar II Pension fund managers.

For the implementation of the above legislation concerning the supply of electricity to household consumers, ANRE issued in February 2019 the following regulations:

- Order no. 10/ 1 February 2019 regarding the methodology for the calculation of the regulated electricity prices and quantities to be sold based on regulated contracts by producers to the suppliers of last resort;
- Order no. 11/ 6 February 2019 regarding the methodology for the calculation of regulated electricity prices by suppliers of last resort to final consumers.

According to these regulatory provisions, the electricity producers operating nuclear or hydro production units were required to sell up to 65% of their expected output on the regulated market, at prices approved by ANRE based on a cost plus 5% methodology. Also, according to the methodology, the obligation to sell firm quantities of electricity

based on regulated contracts was determined by ANRE in the ascending order of the prices established according to the methodology. For March - December 2019 period, the 65% limit was not applicable.

For the period 1 March 2019 – 31 December 2019 nine electricity producers were obliged by ANRE to sell part of their electricity production through regulated contracts to suppliers of last instance, totalling a volume of 4.3 TWh. Details regarding the regulated quantities and prices for the companies in the Fund's portfolio for the period 1 March 2019 – 31 December 2019 are included in the table below:

Company	Volume	Price
Hidroelectrica SA	1.64 TWh	RON 111.61 per MWh
OMV Petrom SA	1.14 TWh	RON 259.58 per MWh
Nuclearelectrica SA	1.38 TWh	RON 188.33 per MWh
CE Oltenia SA	22.8 GWh	RON 218.15 per MWh

Source: ANRE Decisions 324, 325, 326 and 331 from 25 February 2019

Updates on the regulatory requirements in the energy sector

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

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

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

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

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

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

Source: ANRE Decision no. 2101 from 12 December 2019

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

- eliminating starting with January 2021 of regulated contracts for the supply of electricity by producers to suppliers of last resort in connection to household consumption;
- 2% tax on turnover for companies in the electricity and gas sectors was eliminated. Subsequently, for 2020, ANRE set a 0.1% contribution on the turnover for electricity producers, in line with the practice before the adoption of OUG 114/2018;
- eliminating the RON 68 per MWh cap on gas prices for households and thermal energy producers that supply heating to the centralised systems starting 1 July 2020, instead of 1 March 2022;
- the regulated rate of return for energy distribution companies will be determined by ANRE and the provision from GEO 19/2019 which sets the current rate at 6.9% will be effective until the end of April 2020;
- the higher capital requirements for the Pillar II Pension fund managers were removed;
- the option to transfer from Pillar II to Pillar I (public pension system) was removed.

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

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

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

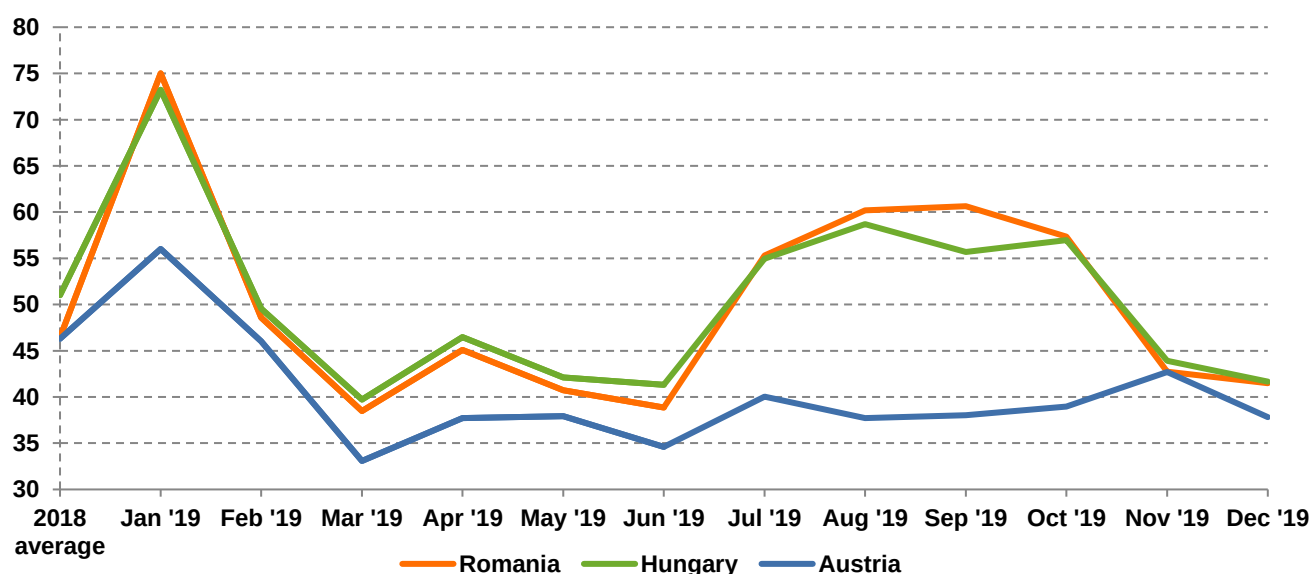
According to ANRE's Order no. 14/ 5 February 2020, RRR for gas distribution companies will be determined by the regulator. The provision from GEO 19/2019 which sets the current rate at 6.9% will be in effect for the first 120 days of the year 2020. A new level will be applied for the following 62 days until 30 June 2020, and this will be set by the regulator by the end of April 2020.

Amendments to the Offshore Law

In September 2019 the Ministry of Energy published a draft law with positive amendments to the new Offshore Law. The main changes are as follows:

- Provisions of GEO 114/2018 and GEO 19/2019 will not apply to local offshore gas producers;
- Windfall tax will be applied to gas volumes sold above the price of RON 100 per MWh with the same range of quotas as per the initial law being maintained;
- Reference price for the royalty calculation is changed to the realized weighted average price (from the Austrian benchmark previously used);
- Deductibility threshold of investment for the computation of the windfall tax to be increased from 30% to 60%;
- Minimum amount of offshore gas to be traded on the local market reduced from 50% to 20% until end of 2021; no requirement beginning 2022;
- More assurance given to the stability of the existent fiscal system applied for the entire duration of the offshore exploitation.

Electricity prices (EUR/ MWh)



Source: LinkedIn EnergyLive charts

Energy resources (thousand tonnes barrels of oil equivalent)

	January – December 2019			January – December 2018			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	4,330.3	3,711.7	618.6	4,619.6	4,067.1	552.5	-6.3%	-8.7%	+12.0%
Crude oil	12,003.3	3,338.4	8,664.9	11,638.0	3,373.0	8,265.0	+3.1%	-1.0%	+4.8%
Usable natural gas	10,194.9	8,077.5	2,117.4	9,494.0	8,296.2	1,197.8	+7.4%	-2.6%	+76.8%
Hidro. nuclear. and import energy	5,295.2	4,855.7	439.5	5,294.4	5,042.1	252.3	+0.0%	-3.7%	+74.2%
Import oil products	2,955.3	-	2,955.3	2,997.2	-	2,997.2	-1.4%	-	-1.4%
Others	485.1	-	485.10	453.3	-	453.30	+7.0%	-	+7.0%
Total resources	35,264.1	19,983.3	15,280.8	34,496.5	20,778.4	13,718.1	+2.0%	-3.9%	+10.9%

Source: National Institute of Statistics webpage

Update on the largest 10 portfolio holdings**Hidroelectrica SA**

RON million	2017*	2018	9M 2018	9M 2019
Turnover	3,259.3	4,273.8	3,206.7	3,275.8
Operating profit	1,529.2	2,212.3	1,923.1	1,875.2
Net profit	1,314.9	1,939.3	1,675.8	1,315.1
Dividends**	1,134.4	1,798.7	-	-

Source: Individual IFRS financial statements

*restated

**do not include the special dividends declared by the company in 2018 and 2017

January: At the expiration of the interim mandate of the existing Board, the shareholders re-appointed six out of the seven Board members for an interim four-month mandate. On this occasion, the Fund recommended and voted on the Supervisory Board of Hidroelectrica SA for Mr. Daniel Naftali, VP/ Executive Director of FTIML. Mr. Naftali replaced Ms. Oana Truta.

February: The shareholders appointed Ms. Ioana-Andreea Lambru, Mr. Mihai Liviu Mihalache, Mr. Cristian Stoina, Mr. Karoly Borbely, Ms. Carmen Radu, Mr. Catalin Popescu and Mr. Daniel Naftali as Supervisory Board members for a 4-year mandate.

April: The supervisory board launched the recruitment process for the five members of the Directorate. The announcement was published by Hidroelectrica SA on 10 April 2019.

May: According to management, during Q1 2019 the total turnover of the company increased by 2.1% y.o.y. to RON 989.8 million, EBITDA increased by 2.7% y.o.y. to RON 740.3 million while net profit increased by 2.5% y.o.y. to RON 497.6 million. During the first three months of the year the total energy sold out of own production was 3.30 TWh, down compared to 4.22 TWh during Q1 2018, while total energy sold reached 3.54 TWh, down from 4.28 TWh during Q1 2018.

For the full year 2018, the company reported revenues of RON 4.27 billion, up 31.1% y.o.y, an EBITDA of RON 3.12 billion, up 38.2% y.o.y and a net profit of RON 1.94 billion, up 47.5% y.o.y. The total energy sold from own production during 2018 amounted to 16.77 TWh, 21.4% higher compared to previous year, while total electricity sold amounted to 17.86 TWh, up 24.2% y.o.y.

June: The Supervisory Board finalised the selection process of the five members of the Directorate for a 4-year mandate. Following the process, three of the five previous interim Directorate members retained their positions. Mr. Bogdan Badea was confirmed for a 4-year mandate as CEO of Hidroelectrica SA.

August: According to management, during H1 2019 total turnover of the company increased by 17.9% y.o.y. to RON 2,349.3 million, EBITDA increased by 20.0% y.o.y. to RON 1,748.5 million and profit before tax advanced by 26.2% y.o.y. to RON 1,465.3 million. Overall, the net profit decreased by 8.3% y.o.y. to RON 901.5 million; the decrease compared to H1 2018 was generated by the additional profit tax obligation the company incurred mainly due to the fact that it utilised RON 1,574.2 million of previously untaxed realised revaluation reserves to cover the value adjustments of the historical complex investments.

During the first six months of the year the total energy sold out of own production was 8.95 TWh, down compared to 9.08 TWh during H1 2018, while total energy sold reached 9.62 TWh, up from 9.49 TWh during H1 2018.

November: According to management, during 9M 2019, the total turnover of the company increased by 2.2% y.o.y. to RON 3,275.8 million, EBITDA decreased by 0.6% y.o.y. to RON 2,395.1 million and profit before tax decreased by 1.3% y.o.y. to RON 1,954.3 million, while overall net profit decreased by 21.5% y.o.y. to RON

1,315.1 million. The much higher effective tax rate over the first nine months of 2019 was mainly generated by the additional profit tax obligation the company incurred due to the fact that it utilised RON 1,574.2 million of previously untaxed realised revaluation reserves to cover the value adjustments of the historical complex investments. During the first nine months of the year the total energy sold out of own production was 11.99 TWh, down compared to 13.81 TWh during 9M 2018, while total energy sold reached 12.91 TWh, down from 14.33 TWh during 9M 2018.

Over the period, the realised average price of electricity sold was around RON 225/ MWh, up 13.1% y.o.y, while the 13.2% y.o.y. decrease in electricity sold out of own production was mainly driven by a relatively low level of hydraulicity over the third quarter compared to the same period of the previous year. As such, according to the company, over the July-September period the average level of hydraulicity level on the Danube river was approx. 70% compared to the same period of the previous year, while on the Olt river it was only 58% compared to the same period of the previous year. At the end of September 2019, the company's net cash position stood at RON 2.52 billion.

December: The shareholders approved the distribution of a special dividend of RON 1.0 billion from retained earnings.

According to ANRE Decision 2215/ 23 December 2019, over the first half of 2020 the company would have to sell through regulated contracts a total volume of electricity of 1.84 TWh at a price of RON 102.54 per MWh. Also, according to ANRE Decision 2216/ 23 December 2019, the company could be required to sell through regulated contracts over July-December 2020 period a maximum quantity of electricity of 1.32 TWh.

February: According to management, in 2019 the company recorded a total turnover of RON 4,146.8 million, down 2.7% y.o.y. and an EBITDA of RON 3,003.0 million, down 3.8% y.o.y. Over the full year 2019, total electricity sold out of own production reached 14.8 TWh, down 11.9% y.o.y., while the total electricity sold stood at 15.8 TWh, down 11.2% y.o.y. The average realised price of energy sold in 2019 stood at RON 229.2/ MWh, up 7.3% y.o.y. At the end of 2019, the company's net cash position stood at RON 1.96 billion.

OMV Petrom SA

RON million	2018	2019**	Budget 2018	Budget 2019
Sales	22,523.2	25,485.5	13,680.0	16,762.0
Operating profit	5,212.9	4,245.1	2,936.0	3,966.0
Net profit	4,077.8	3,634.7	2,582.0	3,202.0
Dividends*	1,529.4	1,756.0	-	-

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

*Based on separate IFRS financial statements

**Preliminary results

February: The company published the 2018 preliminary results. The highlights include: the company benefited from increased demand for electricity and fuels and from higher commodity prices. Consolidated sales increased by 25% in Q4 2018 compared to Q4 2017, partially offset by lower sales volumes of natural gas. For the entire 2018, sales increased by 15.9% y.o.y, while operating results of the group improved 59.4% y.o.y to RON 5.2 billion from RON 3.3 billion in 2017. In Q4 2018 Downstream Oil represented 72% of the consolidated sales, while Downstream Gas accounted for 26% and Upstream for 2% (Upstream is largely sold intra group). Net income attributable to stockholders was RON 1.4 billion in Q4 2018 compared to RON 642 million in Q4 2017. For the entire 2018, net profit stood at RON 4.1 billion compared to RON 2.5 billion in 2017.

Company proposed a dividend of RON 0.027 per share, up 35% y.o.y which represents a 38% pay-out ratio. The regulatory instability led management to revisit downwards their growth investment plans and daily average production is expected to decline by approximately 5%. Regarding the Black Sea investment, the company announced that current legislative environment does not provide the necessary prerequisites for a multi-billion investment decision, but they will maintain the dialogue open with the authorities.

May: the company released Q1 2019 results; consolidated sales increased by 11.2% compared to Q1 2018 on the back of higher commodity prices and higher sales volumes of electricity and petroleum products, partially offset by lower sales volumes of natural gas. Operating results increased by 19.3% y.o.y as a result of favourable commodity prices, while net income attributable to shareholders increased by 34.7% compared to first quarter of 2018. Capex was kept flat (2% lower y.o.y.) and net cash position improved to RON 5.2 bn from RON 4.9 bn at the end of 2018.

July: The company released Q2 2019 results; consolidated sales increased by 19% compared to Q2 2018 on the back of higher volumes and prices for petroleum products and higher prices for natural gas. This has more than compensated the lower volumes of natural gas and electricity. Operating results increased by 26.7% in H1 2019 compared to H1 2018, while net income attributable to shareholders increased by 53.3% y.o.y. Capex was lower by 30% y.o.y. In May, the methodology for the reference price for crude oil royalties was changed and it is now linked to Brent quotations. In the same month the company started supplying gas on the regulated market; 2.94 TWh were delivered in Q2 2019 to households and district heating for household suppliers. Company expected the recent legislative changes (GEO 114/2018 and GEO 19/2019) to have an impact of approx. EUR 40 million on operating results in 2019.

August: The company announced the appointment of Mr. Johann Pleininger as temporary member of the Supervisory Board following Mr. Christopher Veit's waiver of his mandate as member of the Supervisory Board. Mr. Johann Pleininger studied mechanical and economic engineering and began his career at OMV in 1977.

October: The company announced a new gas discovery near Totea in Oltenia region after drilling a well at 4,300 meters. Total investment amounts to EUR 50 million. The drilling campaign started in 2018 and was successfully tested in April 2019 for a gas volume of up to 500,000 cubic meters per day.

The company issued Q3 2019 results; consolidated sales increased by 10% in the quarter compared to Q3 2018 as a result of higher sales volumes for petroleum products, higher volumes and prices for natural gas and higher electricity prices. The lower selling prices for petroleum products partially offset the aforementioned increases. The reported operating result of third quarter was 44% lower compared to Q3 2018 due to unfavourable oil prices and the costs estimated for future soil remediation in relation to Arpechim refinery. Operating results for the first 9 months in 2019 are 8% lower compared to the same period of 2018.

December: The company announced that it aims to acquire the participation held by OMV Offshore Bulgaria GmbH in the Han Asparuh exploration license in Bulgaria by acquiring all its shares from OMV Exploration & Production GmbH. The transaction is expected to be closed by mid-2020.

February 2020: The company published the 2019 preliminary results. The highlights include: the company benefited from higher sales volumes and prices for natural gas and higher sales volumes for petroleum products. Consolidated sales increased by 14% in Q4 2019 compared to Q4 2018, despite lower selling prices for petroleum products and lower sales volumes and prices for electricity. For the entire 2019, sales increased by 13.2% y.o.y, while operating results of the group declined by 18.6% y.o.y to RON 4.2 billion from RON 5.2 billion in 2018. In Q4 2019, Downstream Oil represented 48% of the consolidated sales, while Downstream Gas accounted for 27% and Upstream for 25% (Upstream is largely sold intra group). Net income attributable to stockholders was RON 0.9 billion in Q4 2019 compared to RON 1.4 billion in Q4 2018. Company proposed a dividend of RON 0.031 per share, up 15% y.o.y which represents a 48.3% pay-out ratio.

CN Aeroporturi Bucuresti SA

RON million	2018	2019*	Budget 2018	Budget 2019
Operating revenue	992.6	1,049.0	1,189.2	1,067.1
Operating profit	445.9	446.5	428.3	399.5
Net profit	371.8	375.1	368.3	318.5
Dividends**	340.1	-	187.6	162.7

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

*preliminary figures, subject to shareholders approval

**do not include the special dividends declared by the company in 2018 and 2019

January: The company reported the passenger's traffic for 2018 that reached 13.85 million passengers (+7.95% y.o.y.).

April: The board of directors appointed Mr. Alexandru Ivan as interim general manager for a 4-month mandate; in August the board extended his mandate for another 2 months. He previously worked for the company as Head of Acquisitions Department. The company is in the process of selecting a new board of directors and a new interim general manager based on the requirements of Law no. 111/2016.

May: The passenger's traffic increased by 8.5% in Q1 2019 vs. Q1 2018.

September: Shareholders' approved a new valuation report to be performed for the land included in the share capital increase (that was originally approved in 2018). Following the decision, the Fund's cash contribution of RON 67.3 million was paid back by the company.

The company released H1 2019 operating and financial results: 6.88 million passengers (+8.5% y.o.y.), operating revenues of RON 509.3 million (+11.1% y.o.y.), EBITDA of RON 305.7 million (+9.9% y.o.y.), EBIT of RON 226.2 million (+0.3% y.o.y.) and net profit of RON 193.6 million (+0.6% y.o.y.). Based on management estimations, the traffic growth will continue in H2 2019 and the expectation is to reach 15 million passengers by the end of the year.

During 24 September 2019 GSM, shareholders approved the distribution of a special dividend of RON 25.1 million out of the company's retained earnings.

December: The shareholders approved on 10 December the distribution of a special dividend of RON 100 million out of the company's reserves following Fondul Proprietatea's request.

The shareholders acknowledged the expiration of the mandate for 3 board members and appointed new ones on an interim basis for a period of 4 months. The new board members are Mr. Pestesan Cosmin Catalin, Mr. Mihaita Cosmin Florin and Mr. Plaiasu Gabriel.

January 2020: The company reported that passengers' traffic for 2019 reached 14.7 million (+6.4 % y.o.y.). The board of directors appointed Mr. Florin Dimitrescu as General Manager following the resignation of the former general manager.

E-Distributie Banat SA

RON million	2017	2018	Budget 2018	Budget 2019
Operating revenue	550.5	533.7	535.2	516.7
Operating profit (EBIT)	87.4	(213.2)	74.4	(31.2)
Net profit	82.8	(211.9)	66.4	(16.5)
Dividends	31.9	-	-	-

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

May: 2018 annual financial statements are negatively impacted by the impairment losses in amount of RON 229 million related to the revaluation of the regulated asset base following the regulator's decision to decrease the regulated rate of return from 7.7% to 5.66% for 2019-2023 (the RRR was subsequently approved through Government decision at 6.9%).

June: Following the new RRR, the regulator approved the distribution tariffs in place starting with 1 July 2019. On average, they are 2% higher than the tariffs in force since March 2019¹.

July: Mr. Georgios Stassis, Country Manager of Enel in Romania, is announced to become the new General Manager of the Greek energy company Public Power Corp. If the move is confirmed, he will remain in his current position until middle of September and his replacement will be announced soon.

August: Mr. Carlo Pignoloni was appointed Country Manager of Enel in Romania. This is not his first experience in Romania, as he managed the local operations of Enel Green Power during 2008-2011.

December: The shareholders approved the appointment of 3 new members in the company's board based on the recommendation made by the majority shareholder. The new board members are Mr. Carlo Pignoloni, Mr. Gino Celentano and Ms. Mariyam Musrepova. ANRE issued the distribution tariffs in force for 2020 – for more details please see section *Updates on the regulatory requirements in the energy sector* above.

February 2020: the shareholders of the company approved a distribution of special dividends in total amount of RON 886.2 million from retained earnings.

Engie Romania SA

RON million	2017	2018	Budget 2018	Budget 2019
Turnover	4,841.2	5,791.3	4,718.3	6,664.3
Operating profit	422.4	485.7	273.9	360.9
Net profit	342.6	428.7	227.5	313.2
Dividends*	168.6	136.8	-	-

Source: Consolidated IFRS financial statements (2017 figures are restated)/ Budgeted figures based on company's budgets as approved by shareholders, on a consolidated basis

*Dividends are based on the separate financial statements

¹ ANRE Order 75 from 24 June 2019

April: Shareholders approved in principle to transfer the operations of Wirom Gas SA (a subsidiary of the company) to Engie Romania SA (the supply business) and to Distrigaz Sud Retele SRL (the distribution business). It was also approved the merger through absorption by Engie Romania SA of the two wind farms owned by the company: Braila Winds SRL and Alizeu Eolian SA.

June: ANRE approved the new tariffs for distribution and the regulated final prices for the consumers who did not opt for the free market. On the supply side, the final regulated prices are approximately 4% lower compared to last year. For distribution, the tariffs are approximately 6-7% lower compared to 2018. The new tariffs are in effect starting 1 July 2019¹.

September: Shareholders approved the dissolution of Wirom Gas SA, one of the company's subsidiary. The assets of Wirom Gas SA will be transferred to Distrigaz Sud Retele SRL (the distribution business), and to Engie Romania SA (the supply business).

E-Distributie Muntenia SA

RON million	2017	2018	Budget 2018	Budget 2019
Operating revenue	856.6	909.6	886.0	866.4
Operating profit (EBIT)	77.3	(137.8)	97.7	30.5
Net profit	85.9	(114.9)	96.6	35.2
Dividends	-	-	-	-

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

May: 2018 annual financial statements are negatively impacted by the impairment losses in amount of RON 517.3 million related to the revaluation of the regulated asset base following the regulator's decision to decrease the regulated rate of return from 7.7% to 5.66% for 2019-2023 (the RRR was subsequently approved through government decision at 6.9%).

June: Following the new RRR, the regulator approved the distribution tariffs in place starting with 1 July 2019. On average, they are 2% higher than the tariffs in force since March 2019².

July: Mr. Georgios Stassis, Country Manager of Enel in Romania, is announced to become the new General Manager of the Greek energy company Public Power Corp. If the move is confirmed, he will remain in current position until middle of September and his replacement will be announced soon.

August: Mr. Carlo Pignoloni was appointed Country Manager of Enel in Romania. This is not his first experience in Romania, as he managed the local operations of Enel Green Power during 2008-2011.

December: The shareholders approved the appointment of 3 new members in the company's board based on the recommendation made by the majority shareholder. The new board members are Mr. Carlo Pignoloni, Mr. Gino Celentano and Ms. Mariyam Musrepova. ANRE issued the distribution tariffs in force for 2020 – for more details please see section *Updates on the regulatory requirements in the energy sector* above.

February 2020: the shareholders of the company approved a distribution of special dividends in total amount of RON 1,566.3 million from retained earnings.

E-Distributie Dobrogea SA

RON million	2017	2018	Budget 2018	Budget 2019
Operating revenue	475.3	483.7	465.3	459.0
Operating profit (EBIT)	56.6	(143.2)	52.5	(47.4)
Net profit	49.5	(143.3)	44.5	(32.6)
Dividends	17.7	-	-	-

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

May: 2018 annual financial statements are negatively impacted by the impairment losses in amount of RON 171.6 million related to the revaluation of the regulated asset base following the regulator's decision to decrease the regulated rate of return from 7.7% to 5.66% for 2019-2023 (the RRR was subsequently approved through government decision at 6.9%).

¹ ANRE Orders 117 and 125 from 24 June 2019

² ANRE Order 77 from 24 June 2019

June: Following the new RRR, the regulator approved the distribution tariffs in place starting with 1 July 2019. On average, they are 2% higher than the tariffs in force since March 2019¹.

July: Mr. Georgios Stassis, Country Manager of Enel in Romania, is announced to become the new General Manager of the Greek energy company Public Power Corp. If the move is confirmed, he will remain in current position until middle of September and his replacement will be announced soon.

August: Mr. Carlo Pignoloni was appointed Country Manager of Enel in Romania. This is not his first experience in Romania, as he managed the local operations of Enel Green Power during 2008-2011.

December: The shareholders approved the appointment of 3 new members in the company's board based on the recommendation made by the majority shareholder. The new board members are Mr. Carlo Pignoloni, Mr. Gino Celentano and Ms. Mariyam Musrepova. ANRE issued the distribution tariffs in force for 2020 – for more details please see section *Updates on the regulatory requirements in the energy sector* above.

February 2020: the shareholders of the company approved a distribution of special dividends in total amount of RON 502.8 million from retained earnings.

Nuclearelectrica SA

RON million	2018	2019**	Budget 2019	Budget 2020**
Operating revenue	2,128.7	2,367.2	2,383.5	2,547.3
Operating profit	536.5	445.6	445.5	646.4
Net profit	410.6	542.6	350.0	551.5
Dividends*	378.9	454.2	311.7	467.0

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

*do not include the special dividends declared by the company in 2018

**preliminary figures, subject to shareholders approval

February: the Board of Directors approved the appointment of Mr. Cosmin Ghita as General Manager, Mr. Dan Laurentiu Tudor as Deputy General Manager and Mr. Adrian Dumitriu as CFO; all of them will have a 4-year mandate starting with 11 February 2019. The appointment was based on the requirements of GEO 109/2011.

ANRE issued the Decision no. 326/25 February 2019 regarding Nuclearelectrica SA obligation to sell on the regulated market, between 1 March 2019 and 31 December 2019 (March 2019 - April 2019 and July 2019 - December 2019), a quantity of 1.38 TWh (approximately 13.4% of the scheduled production for 2019) at a regulated price of 188.33 RON/MWh.

August: The company reported strong financial results for the first half of 2019, as it registered 21.8% y.o.y increase in sales of electricity, to 1,187.5 million, mainly due to 18% higher y.o.y average price realised on bilateral contracts of 233.6 RON/MWh. The operating result stood at RON 364.2 million, up by 69.2% y.o.y and net profit increased by 59.5%, reaching RON 290.7 million compared to first half of 2018.

November: The company continued to report strong financial results for the first nine months of 2019, due to 16.2% higher y.o.y. sales of electricity of RON 1,771.4 million, based on 18% increase in average price realized on bilateral contracts of 229 RON/MWh. Quantity of energy sold on the free market was almost flat y.o.y. at 7.8 TWh. The operating result stood at RON 520.7 million, up by 36.3% y.o.y. and net profit increased by 29.6% to RON 415.9 million compared to first nine months of 2018. However, in the third quarter of 2019, net profit was 10% lower compared to the same period of 2018, due to higher operating expenses (up by 11% y.o.y.), especially personnel costs, which increased by 8% y.o.y.

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

February 2020: Extraordinary shareholder's meeting was called on 30 March 2020 to approve the increase of the company's share capital with a maximum amount of RON 1.38 million.

¹ ANRE Order 76 from 24 June 2019

Societatea Nationala a Sariei SA (Salrom)

RON million	2017*	2018	H1 2018	H1 2019	Budget 2018	Budget 2019
Operating revenue	389.1	437.5	195.9	209.0	373.5	411.9
Operating profit	102.8	93.3	57.1	57.7	53.2	63.7
Net profit	81.1	76.4	47.7	48.8	42.3	62.2
Dividends	86.4	76.4	-	-	42.3	62.2

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

June: The Board of Directors is conducting a recruitment process according with Law 111/2016 for selecting the new CEO and CFO.

September: The company released H1 2019 financial results: operating revenues of RON 209 million (+6.7% y.o.y.), EBITDA of RON 68 million (+0.9% y.o.y.), EBIT of RON 57.7 million (+1.1% y.o.y.) and net profit of RON 48.8 million (+2.3% y.o.y.).

CN Administratia Porturilor Maritime SA

RON million	2018	2019*	Budget 2019	Budget 2020
Operating revenue	345.2	352.5	352.3	380.0
Operating profit	95.8	97.6	75.5	96.3
Net profit	75.7	96.2	64.7	95.7
Dividends	18.4	-	17.2	25.1

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

January: On 29 January Ms. Daniela Serban, Economic Director and Board member of the company, took over the duties of General Manager on an interim basis, following a definitive Court ruling, annulling the selection procedure and the subsequent appointment in October 2017 of Mr. Dan Nicolae Tivilichi as General Manager with a four-year mandate.

May: For the full year 2018, the company reported operating revenues of RON 345.2 million, up 4.5% y.o.y, an operating profit of RON 95.8 million, up 2.1% y.o.y. and a net profit of RON 75.7 million, down 5.0% y.o.y. The total volume of goods operated in the port reached 61.3 million tonnes, up 5.0% y.o.y. The increase in volumes was driven by a 6.7% y.o.y increase to 37.2 million tonnes in dry-bulk goods, followed by liquid bulk which increased by 5.0% y.o.y to 14.0 million tonnes. Containerised traffic inched up only marginally by 0.6% y.o.y to nearly 6.6 million tonnes.

August: For the first half of 2019, the company reported operating revenues of RON 177.0 million, up 10.0% y.o.y., an operating profit of RON 75.5 million, down 11.4% y.o.y. due to higher maintenance costs and a net profit of RON 72.6 million, down 3.1% y.o.y. The total volume of goods operated in the port reached 30.7 million tonnes, up 13.9% y.o.y. The increase in volumes was driven mainly by a 24.4% y.o.y. increase in the volume of dry-bulk and 3.4% y.o.y. increase in the volume of liquid bulk.

December: The board appointed Mr. Costel Stanca as interim General Manager. Ms. Daniela Serban, who had previously assumed the interim General Manager position, continued her mandate as board member and Economic Director of the company. Before joining the company, Mr. Stanca has been the dean of the Navigation and Maritime and River Transport Faculty in Constanta.

February 2020: for 2019 the company reported preliminary operating revenues of RON 352.5 million, up 2.1% y.o.y., operating profit of RON 97.6 million, up 1.9% y.o.y and a net profit of RON 96.2 million, up 27.1% y.o.y. According to the company, the total volume of goods operated reached 66.6 million tonnes, up 8.64% y.o.y, driven by a 18.7% y.o.y. increase in the volume of cereals, to 21.3 million tonnes.

Bankruptcies, insolvencies and reorganisations

The following companies from the Fund's portfolio are under bankruptcy, insolvency or reorganisation procedures:

- Gerovital Cosmetics SA (sole registration code 334493) is a company under bankruptcy procedure starting with 6 January 2010, according to the decision issued by the Bucharest Court related to the file 22491/3/2007;
- Romplumb SA (sole registration code 2206334) is a company under bankruptcy procedure starting with 15 September 2017, according to the decision issued by the Maramures Court related to the file 729/100/2012;

- Simtex SA (sole registration code 324490) is a company under judicial reorganisation procedure starting with 10 December 2008, according to the decision issued by the Bucharest Court related to the file 5768/3/2008;
- Salubriserv SA (sole registration code 7774360) is a company in judicial reorganisation procedure according to the decision issued by the Mures Court related to the file 108/1371/2015 on 22 December 2016;
- World Trade Center Bucharest SA (sole registration code 364354) is a company under insolvency procedure starting with 8 June 2010, according to the decision issued by the Bucharest Court related to the file 45619/3/2011.

The holdings in these companies are reflected at zero in the NAV reporting.

Forsev SA (sole registration code 1605710) is a company under bankruptcy starting with 18 December 2019, according to the decision issued by the Mehedinti Court related to the file 7883/101/2015. Forsev SA is not reflected as a portfolio company - the Fund has recorded a receivable for the uncollected value of the shares in Forsev SA according to the provisions of the legislation in force, following the delisting of the company after RASDAQ market was closed, for which an impairment adjustment was recorded.

Key Financial Highlights

Evolution of liquid assets

RON million	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Current accounts*	31.9	34.5	631.2	18.6	19.6
Bank deposits	338.4	206.9	207.8	376.4	187.1
Treasury bills and government bonds	137.3	150.7	49.4	66.4	181.2
Dividend receivables	0.0	0.0	227.6	0.0	137.0
Receivable regarding the tender offer guarantee**	0.0	0.0	49.5	-	-
Total liabilities***	(49.0)	(62.5)	(676.4)	(33.1)	(34.5)
Liquid assets less liabilities	458.6	329.6	489.1	428.3	490.4
Net Assets Value	11,871.4	10,735.5	10,734.7	10,171.0	10,219.4
% Liquid assets less liabilities in NAV	3.9%	3.1%	4.6%	4.2%	4.8%

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

**Guarantee transferred in June 2019 to BCR as intermediary of the Tender Offer within the tenth buy-back programme, carried between 15 July and 19 August 2019

***Total liabilities less provisions

The table above shows the change in the net liquid assets of the Fund as a percentage of the NAV. The current accounts and total liabilities positions as at 30 June 2019 are significantly higher as a result of the annual dividend distribution approved by shareholders during the 4 April 2019 GSM, with payment date 1 July 2019. For more details regarding the liquid asset evolution during 2019 please see section *Financial Statements Analysis*.

Cost Ratios of the Fund

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

For the purpose of this calculation, expenses do not include foreign exchange losses, value of equity investments disposed of, impairment adjustments, fair value adjustments, expenses with provisions and income tax expenses.

The Fund elected to use this alternative performance measure due to the fact that applying an industry standard approach to the calculation of ongoing charges creates consistent and comparable data across the sector. Although the OCR figure is based on historical information, it provides shareholders with an indication of the likely level of costs that will be incurred in managing the Fund in the future.

The OCR of the Fund as at 31 December 2019 was 0.75% and including transaction related expenses this was 0.76% (2018: 0.86% and including transaction related expenses this was 0.87%). The Total Expense Ratio of the Fund recorded the same value as OCR for both 31 December 2019 and 31 December 2018.

The lower OCR in 2019 is mainly due to the higher level of management and administration fees in 2018 compared to 2019 (RON 60.5 million in 2018 vs. RON 54.7 million in 2019) and due to the increase with 6.1% in average NAV in 2019 compared to 2018.

Income from operating activity

The income from operating activity mainly comprises the gross dividend income, the changes in fair value of financial instruments at fair value through profit or loss, interest income and the net realised gains/ losses from transactions with financial instruments. The changes in fair value of the equity investments of the Fund are recognised in profit or loss.

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

As at 31 December 2019 the Fund's exposure to Romanian equities accounted for 96.1% of the NAV, the difference of 3.9% being represented by the net cash and receivables.

The BET-XT index, which reflects the performance of the top 25 most traded companies listed on BVB's Regulated Market, including the financial investment companies (SIFs), increased by 34.4% during 2019 compared to the end of 2018.

BET-BK index is a free float market capitalisation weighted index of the Romanian and foreign stocks listed on BVB's regulated market with the highest free-float market capitalisation adjusted with liquidity factors. BET-BK was designed to be used as a benchmark by asset managers and other institutional investors. The calculation methodology reflects on legal requirements and investment limits applying to investment funds. BET-BK increased by 29.7% during 2019 compared to the end of 2018.

The significant correction of the two indices at the end of 2018 was mainly caused by the GEO 114/2018 adopted in December, targeting the electricity, gas, telecom, banking and private pension fund sectors.

BET-XT index evolution



Source: Bloomberg

BET-BK index evolution



Source: Bloomberg

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

Risk Management

Overview of Main Risks

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and with the markets in which it invests. The most important financial risks the Fund is exposed to are market risk, credit risk and liquidity risk. The management monitors the potential adverse effects on the financial performance of the Fund associated with these risk factors. In addition, non-financial risks such as operational risks, legal risks and cyber risks are monitored and mitigated where possible. Starting 29 September 2010, the Fund Management implemented financial risk management procedures consistent with those applied globally by Franklin Templeton.

Description of risk	Mitigating action
Market risk Changes in market prices and rates, such as security prices, changes in interest rates or foreign exchange rates will affect the Fund's income or the value of its holdings.	The Fund implements market risk management techniques to manage and control market risk exposures, keeping them within acceptable levels, while optimising return. The AIFM has an ongoing risk management framework in compliance with requirements of the AIFM Directive.
Security price risk Fluctuations in the value of a security instrument as a result of changes in market prices, whether caused by factors specific to the issuer or factors affecting all instruments traded in the market, can negatively affect the Fund's income or value of its holdings.	Diversification across securities and industries is the primary technique for mitigating equity price risk. All potential investments undergo a thorough due diligence process. Portfolio management reviews the risk/ return profiles of portfolio assets on a regular basis. A detailed pricing policy ensures adequate valuation of the unlisted holdings. Independent valuations are reviewed by Franklin Templeton's Fair Valuation Committee.
Sector concentration risk Large portfolio exposure to a specific industry sector or group of companies expose the Fund to concentration risk and can cause overall Fund performance to be negatively affected by the performance of a specific sector.	Diversification and concentration limits are set and monitored periodically. The companies in which the Fund holds equity instruments operate in different industries, however the Fund has concentrated exposures to the Energy sector ("Oil and gas" and "Power utilities"). Regular review is performed assessing sector by sector risk and return contribution.
Corporate governance risk Poorly managed companies in the Fund's portfolio can negatively affect the Fund's performance due to missing professional skills and missing experience in the industry the company operates in.	The portfolio management team is actively involved with portfolio companies, promoting and enhancing high standards of good corporate governance.
Share price discount to NAV risk Shares of the Fund are traded on the Bucharest and London stock exchanges. Market participants expectations may cause the shares of the Fund to trade at a premium or discount to the Net Asset Value per share of the Fund. Investor returns may be positively or negatively affected by such market factors.	The Fund has implemented several measures to reduce the discount to NAV, including an attractive dividend yield, ongoing buy-back programs as well as transparency, disclosure, and proactive investor relation efforts. A discount objective and related DCM are part of the IPS.
Credit and Counterparty risk There is a risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations; it arises principally from	Cash and short-term money market instruments are diversified across counterparties. An internal Credit Counterparty Committee oversees the selection and approval of authorised counterparties. The committee

Description of risk	Mitigating action
cash and deposits with banks, treasury bills, government bonds and other receivables.	meets periodically and reviews current exposure, credit limits and ratings for counterparties. The committee has the power to assign a counterparty to a “watch list” or “restricted list” thereby limiting or preventing further trades with this.
Liquidity risk The Fund might not be able to meet its financial obligations as they fall due. The Fund’s equity investments include unlisted instruments issued by companies domiciled in Romania, which are not traded on a regulated market and generally may be considered illiquid. As a result, the Fund may not be able to sell certain investments within the time constraints imposed by its own liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of a particular issuer.	As a closed end investment fund, liquidity risk of the Fund is less significant than for an open-end fund, as shareholders do not have the option to redeem their holdings. The Fund’s approach to managing liquidity is to ensure that it has sufficient liquid assets to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund’s reputation. The Fund’s assets are periodically monitored for their liquidity levels under both normal and stressed market conditions.
Operational risk The Fund might incur direct or indirect loss arising from a wide variety of causes associated with the Fund’s processes, service providers, technology and infrastructure, and from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the Fund’s operations.	The Fund’s objective in managing operational risk is to maintain a proper balance between limitation of financial losses and damage to the Fund’s reputation with the overall cost effectiveness, avoiding control procedures that restrict initiative and creativity. The Fund has in place an operational monitoring system, documented through policies and procedures, which ensures escalation and remediation of potential operational issues. The operational monitoring system covers all teams involved with the operations of the Fund.
Legal risk The existence, operation and the initial set-up of the Fund are regulated by local and European regulations. Such regulations may be subject to change and may directly affect the Fund and its shareholders. This risk is sustained by the legislative history of the past years that reveals a series of laws which have changed also the Fund’s portfolio composition.	Representatives of the Fund consult with external agencies and law firms with the aim to anticipate potential regulatory changes and assess their impact on the Fund. In doing so the Fund will strive to optimise its operational efficiency under current and upcoming regulations. Franklin Templeton has internal policies promoting compliance with best practices and regulations.

Source: Fondul Proprietatea

Internal Control and Risk Management

FTIS and FTIML have implemented internal policies and procedures for the Fund to ensure that timely and accurate disclosure is made on all material compliance matters, including the investment restriction breaches, NAV, errors, financial position, performance, ownership and governance. In addition, strict internal rules, designed to protect the Fund’s interests, have been established in the areas of financial reporting, internal control and risk management.

Franklin Templeton’s approach is to use a dedicated team of risk management specialists who are independent of the portfolio managers and provide robust risk and performance analytics and unbiased perspective on the risks and exposures in the portfolios.

FTIS and FTIML have established Compliance departments responsible for managing the compliance risk of the AIFM, the Investment Manager and of the Fund, considering the applicable legislation as well as the internal

policies and procedures. The Compliance Officer is part of Global Compliance team and member of Franklin Templeton International Compliance Team and reports directly to the Luxembourg Compliance Manager – Global Compliance. The Compliance department is responsible for providing regulatory guidance, advice and compliance training to operational departments, assisting them in managing the reputational risk in relation to legal and regulatory requirements and codes of conduct and performing second level compliance controls.

The Fund, FTIS and FTIML are covered by relevant policies, procedures and global good standing practices already implemented within the Franklin Templeton Investment group as required by regulatory requirements.

FTIS has implemented a specific Risk Management Policy applicable to the Fund. The purpose of this policy is to outline the main business processes in place and to establish an effective risk framework which observes regulatory requirements, and thereby enhances the governance structure throughout the business.

Franklin Templeton oversees the key risks based on the Compliance Monitoring Plan. The risk assessment is a critical element of the compliance oversight and monitoring program. The compliance monitoring programme is updated annually with the issues reported monthly by the executive management. The high-risk areas are monitored at least annually to reflect the results of the final risk assessment for each year.

In respect of the portfolio monitoring activity, Franklin Templeton Investment Management Limited United Kingdom has implemented procedures and controls which are designed to ensure that all assets are managed prudently and in accordance with client mandates. In addition, Franklin Templeton has a dedicated Investment Compliance team of specialists who are responsible for the rigorous day-to-day monitoring of all client accounts, including Fondul Proprietatea, against the agreed investment guidelines and constraints.

The front office trade management system has embedded compliance functionality which enables investment restrictions, regulatory and internal requirements to be included within the system. All trade orders (with the exception of foreign exchange trades and certain debt and derivative security trades) are automatically checked against the relevant investment restrictions in the system prior to trading.

Post trade compliance checks are automatically run overnight for all portfolios against the investment restrictions included within the trade management system. Any exceptions are investigated and cleared by Franklin Templeton Investment Compliance team. Investment restrictions that cannot be automated are reviewed periodically.

All active and passive breaches are reported to the relevant investment managers and operating departments. Corrective action is taken as necessary to address and resolve any issues. Trading errors are monitored by the Global Compliance department of Franklin Templeton, which produces monthly reports providing details on material compliance matters and initiatives, updates on monitoring activities and current client complaints and breaches. These reports are circulated to the relevant senior management.

The European and Middle East Risk Committee of Franklin Templeton provides the oversight framework for risk management processes and is made up of senior management from the business areas and key risk and control functions. Meeting quarterly, it reviews risk reports and input from business management and maintains a detailed register of risk items and resolutions.

The Board of Directors of FTIML United Kingdom and the Board of FTIS provide oversight, being aware of the risk management practices and their deployment within the firm, staying apprised of significant risks and management responses.

Risk Management Systems

The AIFM has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor the risks and compliance with risk limits. The AIFM has a risk management process document filed with the regulator of the AIFM and risk management policies which cover the risks associated with the Fund and the adequacy and effectiveness of this framework is reviewed and approved at least annually. Regular reporting is prepared and reviewed by the AIFM Senior Management.

For each relevant risk area, risk limits are set by the AIFM considering the objectives, strategy and risk profile of the Fund. These limits are monitored regularly as required by the nature of the risk area, and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables to the Fund. Diversification and concentration limits are set for market risk and are monitored daily.

An important part of the Fund's assets consists of unlisted securities. The portfolio also has a large exposure to the Oil and Gas and Energy sector. The principal risks in relation to the Fund are therefore market risk, credit risk, and

liquidity risk. Further details in relation to the nature and extent of these risks are presented above in *Overview of Main Risks* section and in the IFRS financial statements of the Fund, *Annex 1* to this report.

Amongst other measures considered regularly, the AIFM is assessing and monitoring market risk through relative Value at Risk (VaR) calculated using the Monte Carlo approach. VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR can be defined as the predicted loss a portfolio can experience at a specified confidence level (e.g. 99%) over a given period of time (e.g. 20 days).

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than 1 month (20 days) and a historical observation period of not less than 1 year (250 days). A 99% 1-month VaR means that the expectation is that 99% of the time over a 1-month period the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk.

The AIFM uses the relative VaR methodology and calculates this figure for the portion of the portfolio that has observable prices in a regulated market (securities listed on the stock exchange). Relative VaR is simply the absolute VaR of the portfolio divided by the absolute VaR of the benchmark. The benchmark used is the one that is most representative of the Fund's strategy and likely risk exposures.

It is noted that the use of this VaR methodology, as any other statistical risk measure, has limitations. There is some probability that the loss could be greater than the VaR amounts and therefore the AIFM can neither guarantee that losses will not exceed the indicated VaR, nor that losses in excess of the VaR amounts will not occur more frequently. Risk statistics are subject to fluctuations and historical figures may not reflect current or future portfolio characteristics.

The AIFM assesses on a regular basis the sensitivity of the Fund's portfolio in relation to a general market drop of the MSCI Romania Index, the MSCI Emerging Markets index and the MSCI Frontier Markets Index.

Fund's equity trading activity is conducted on a Delivery versus Payment basis with approved counterparties only, minimising counterparty exposure. Any counterparty is subject to a review and approval process prior to any trading activity. The risk function of the AIFM prepares and assesses counterparty exposure reports regularly and reviews the reporting provided by FTI Counterparty Credit Committee.

No risk limits set by the AIFM have been exceeded or were likely to be exceeded during 2019.

Liquidity Risk

As at 31 December 2019, no assets held by the Fund were subject to special arrangements arising from their illiquid nature. There are no new arrangements for managing the liquidity/ liquidity risk of the Fund.

The Fund's closed-end structure has relatively low liquidity requirements, reducing the impact of potential illiquidity in the portfolio. The risk function of the AIFM performs a regular assessment of the asset liquidity status using liquidity market data from different sources to ensure that the portfolio is sufficiently liquid in normal and exceptional market conditions.

The Fund's shares are not redeemable, and shareholders do not have the right to require their shares to be purchased by the Fund. Accordingly, the general liquidity management policies ensure that the Fund's portfolio is sufficiently liquid to meet the following main obligations:

- the Fund's operating and financing expenses: in practice, these expenses are typically covered by dividends received from the Fund's holdings; and
- the potential need to repay borrowings at short notice, which might require to be met by the sale of liquid assets.

If required, the Fund has access to a borrowing facility from BRD – Groupe Societe Generale SA until 29 June 2020 for a maximum amount of RON 45 million, which is an additional mitigation factor for liquidity risk.

Leverage under AIFM Directive Considerations

The leverage definition under AIFM Directive is wider than the traditional gearing definition applied. 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 on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Fund's positions (including all holdings like ordinary shares) after deduction of cash balances and cash equivalents, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and cash equivalents and after certain hedging and netting positions are offset against each other if applicable.

The Fund may not utilise its short-term borrowing facility for investment purposes nor is the Investment Manager using derivatives to hedge any risks as of 31 December 2019. The use of derivative financial instruments is permitted.

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.

There was no change to the level of leverage applied for AIFM Directive monitoring and reporting purposes since 1 January 2019.

Therefore, the actual level of leverage recorded under the requirements of AIFM Directive for 31 December 2019 is 1.00 (or 100.00%) using the "commitment" method and 0.965 (or 96.50%) under the "gross" method.

Corporate Governance

Overview

The Fund has a clear and transparent corporate governance framework concluded in 2011, that was updated and enhanced in the subsequent periods in order to meet new demands and opportunities. The framework is published on the Fund's website and presents clearly, for public reference, the main characteristics of the Fund's corporate governance structure, the functions of the Board of Nominees and of the Fund's Sole Director, as well as their powers and responsibilities.

In order to enhance shareholder confidence, the Fund has implemented a transparent decision-making process, based on clear rules. This contributes to the protection of shareholders' rights, improving the overall performance of the Fund, offering better access to capital and risk mitigation.

Compliance with the provisions of the Corporate Governance Code issued by BVB

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 BVB Code of Corporate Governance.

In September 2015 BVB 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 BVB.

For more details please see *Annex 5 Compliance with the corporate governance requirements*.

Management Structure of the Fund

Corporate bodies

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 the Fund Manager as Sole Director of the Fund. Although the Fund is currently administrated under a one-tier system, the role of the Board of Nominees is similar to the role of a Supervisory Board, with a few exceptions.

The powers and duties of the above-mentioned bodies are described in a number of official documents, available on the Fund's website at: <https://www.fondulproprietatea.ro/about-fund/fund-overview/corporate-governance>:

- The Constitutive Act of the Fund, which is included in Annex 4 to this report, together with all the shareholders resolutions that modified the Constitutive Act;
- The Management Agreement, signed between the Fund and FTIS in 2018;
- The IPS approved by shareholders in June 2019 which is included in Annex 6; and
- Other internal regulations.

Commitment to follow the principles of corporate governance

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

FTIS, FTIML, their employees and the members of the Board of Nominees have a duty of care and loyalty towards the Fund. Hence, FTIS, FTIML 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 BVB's Corporate Governance Code and has in place the following policies:

- The Annual Cash Distribution Policy;
- The Nomination and Remuneration Policy;
- The Forecast Policy; and
- The Policy regarding Related Parties Transactions.

General Shareholders Meeting

Overview

Any GSM shall be convened by the Sole Director whenever necessary, with the prior approval of the Board of Nominees, in accordance with the provisions of the law. The date of the meeting may not be less than 30 (thirty) calendar days after publishing the convening notice. The convening notice shall be published in the Official Gazette of Romania, Part IV, and in one of the widely distributed newspapers in Romania.

In exceptional cases, when the Fund's interest requires it, the Board of Nominees may convene the GSM. Any convening notice will be sent to BVB and FSA in accordance with the capital markets regulations. Any convening notice will also be published on the Fund's website in the GSM section, together with any explanatory document related to items included on the meeting agenda.

The annual financial statements are made available starting with the date of the convening notice of the Annual OGM, convened to resolve upon them.

General Shareholders Meeting organisation

The GSM is usually chaired by one of the permanent representatives of the Sole Director, who may designate another person to chair the assembly. The chairman of the Meeting designates two or more technical secretaries to verify the fulfilment of the formalities required by law for the carrying out of the Meeting and for drafting the minutes thereof.

The minutes, signed by the Chairman and by the technical secretaries, shall ascertain the fulfilment of the formalities relating to the convening notice, the date and place of the Meeting, the agenda, the shareholders presence, the number of shares, a summary of the issues discussed, the resolutions passed and, upon the request of the shareholders, the statements made by such shareholders during the meeting.

The resolutions of the GSM shall be drafted pursuant to the minutes and shall be signed by the person empowered by the shareholders to do this. In observance of the capital market regulations, the resolutions of the GSM will be disseminated to BVB and FSA within 24 hours after the event. The resolutions will also be made available on the Fund's website under the respective GSM section.

General Shareholders Meeting main duties

The main duties of the OGM are the following:

- a) to discuss, approve and amend the annual financial statements after reviewing the reports of the AIFM and financial auditor;
- b) to establish the distribution of the net profit and to establish the dividends;
- c) to appoint the members of the Board of Nominees and to cancel their appointment;
- d) to appoint the AIFM in accordance with the law and to cancel its appointment;
- e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;
- f) to set the remuneration level of the members of the Board of Nominees, the AIFM and of the financial auditor for financial audit services for the ongoing fiscal year;
- g) to rule over the management of the AIFM and to evaluate his/ her performances and to discharge him/ her from its management;
- h) to decide on the action in a court of law against the AIFM or, as the case may be, against the financial auditor, for damages caused to Fondul Proprietatea;
- i) to approve the strategy and the development policies of Fondul Proprietatea;
- j) to approve the annual budget for the following financial year;
- k) to decide upon the pledge, lease or creation of movable securities or mortgages on the assets of Fondul Proprietatea;
- l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.

The EGM is entitled to decide mainly upon:

- a) set-up or closing of some secondary units: branches, agencies, representative offices or other such units with no legal personality;
- b) share capital increase;

- c) share capital decrease or re-completion thereof by issuing new shares;
- d) conversion of shares from one category to another;
- e) conversion of a category of bonds to another category or to shares;
- f) issue new bonds;
- g) approval of the admission for trading and selection of the regulated market on which Fondul Proprietatea shares will be traded;
- h) 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 receivables;
- i) change of the management system of Fondul Proprietatea;
- j) limitation or cancellation of the preference right of the shareholders;
- k) approval of the IPS;
- l) any other amendment of the Constitutive Act or any other resolution requiring the approval of the EGM.

During 2019, there were 8 GSMs, and 6 EGM resolutions and 10 OGM resolutions were issued. EGM and OGM resolutions are published on the Fund's webpage.

The Fund's shareholders rights

The rights of the Fund's minority shareholders are adequately protected according to the relevant domestic legislation.

The Fund is committed to communicate with its shareholders effectively and actively and ensure that all shareholders have equal access to public information.

According to the provision of the Constitutive Act in force (*Annex 4* to this report), each share issued by the Fund which is rightfully owned and paid in by a shareholder carries the following rights: (i) voting right at the GSM, (ii) right to elect and revoke the members of the Board of Nominees as well as to elect and revoke the Sole Director and (iii) right to participate in the distribution of profits.

Currently, the Constitutive Act does not specify any further special conditions on such rights than those specified by the law.

The Romanian legislation imposes various restrictions regarding the unpaid shares and as a result, as long as the Romanian state has unpaid shares, it has no voting rights for those unpaid shares and has no right to receive dividends or return of capital in relation to them.

With respect to the right to receive dividends, the Constitutive Act sets out that the Fund's net profit shall be distributed based on the resolution of the GSM, each shareholder being entitled to receive dividends proportionally with the number of paid in shares held in the Fund's share capital. Pursuant to Law 24/2017, the payment of dividends shall be carried out no later than 6 months from the date of the GSM approving the dividend distribution.

Other than as presented above, no rights, preference or restrictions are attached to the shares. Pursuant to the Companies' Law, as a rule, the shares issued by a company entitle each holder to equal rights. Such rights mainly refer to the shareholders' involvement in the operations of a company and the resulting benefits and are regulated by the applicable laws. Shareholders must exercise their rights in good faith, without breaching the interest of other shareholders or that of the company. The Fund ensures a fair treatment of investors and there is no preferential treatment for any investor.

The Fund is committed to encourage shareholders to participate in GSMs, to fully exercise their rights, and to raise questions concerning items debated during such meetings. GSMs enable and encourage dialogue between the shareholders and the Fund and its representatives. The Fund encourages its shareholders to take part in meetings, and those who cannot attend are able to vote in absence by sending the votes to the Fund's headquarters, using the voting bulletin for the votes by correspondence made available by the Fund at the headquarters and/ or on the Fund's website.

Furthermore, the Fund ensures that its shareholders have access to relevant material information, so as to allow them to fully exercise their rights. The Fund has a dedicated section on its website (*Investor Relations - GSM Documentation*) that can be easily identified and accessed. This information typically includes: the time and place of meetings; information on how to exercise voting rights, including the proxy process with relevant forms;

meeting agendas, as well as detailed documents relating to specific agenda items and draft of shareholders resolutions.

The Investment Manager has established a dedicated experienced investor relations team, responsible for handling relationship with both private and institutional investors, locally and abroad.

In conclusion, the Fund currently observes the one paid share, one vote, and one dividend principle. There are no shares conferring the right to more than one vote or preference shares.

Shareholders holding at least 5% of the paid in share capital may ask for calling of a GSM. Such shareholders have also the right to add new items on the agenda of a GSM, provided such proposals are accompanied by a justification or a draft resolution proposed for approval and copies of the identification documents of the shareholders who made the proposals.

Proposals with respect to adding new items on the agenda of such GSM can be submitted at the Fund's headquarters, or by e-mail having attached an extended electronic signature, in compliance with Law 455/2001 on digital signature.

Likewise, the shareholders holding at least 5% of the paid in share capital are entitled to propose revised versions of resolutions for the items listed on the agenda or proposed by other shareholders for the agenda of the GSM.

The shareholders may attend the GSMs in person or may be represented either by their legal representatives or by representatives having a special proxy, based on the special proxy template made available by the Fund. Such proxy template may be obtained from the Fund's headquarters and/ or can be found on the Fund's website, under the respective GSM section item.

The shareholders of the Fund, regardless of the stake of the share capital held, may submit written questions with respect to the items on the agenda of the GSMs. The shareholders may also send such questions by e-mail. The answers will be provided during the GSM based on public information or non-public and non-material information.

Should the questions require elaborate answers, a Q&A (questions and answers) form will be made available on the Fund's website. The disclosure of commercially sensitive information that could result in a loss or competitive disadvantage for the Fund will be avoided when providing the answers, in order to protect shareholders interest.

A shareholder who was absent at a GSM or has voted against a certain resolution and has requested that its vote against the resolution is registered in the minutes of that GSM is entitled to challenge such resolution within 15 days as of its publication in the Official Gazette of Romania, Part IV. Also, claims regarding an absolute nullity of a shareholder resolution may be filed at any time.

Fees, charges and expenses which are directly or indirectly borne by investors

Please see section "*Key Financial Highlights*" for more details regarding the ongoing charge ratio of the Fund and section "*Financial Statements Analysis*" more information regarding the Sole Director remuneration.

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

Potential increase of the share capital of the Fund

The share capital of the Fund can be increased with the approval of the EGM, in accordance with the provisions of the Romanian law:

- by issuing new shares in exchange for cash contributions, based on the offering documentation approved according to legislation in force;
- by incorporation of reserves, except for legal reserves and of the reserves created out of the revaluation of the patrimony, as well as of the benefits and issuing premiums.

The share capital increase shall be registered at the Trade Register Office, on the basis of the resolution of the Fund's GSM.

The share capital cannot be increased by issuing new shares if there are unpaid existing shares in the share capital of the Fund.

Board of Nominees and the Consultative Committees

The Board of Nominees consists of five members appointed by the OGM in accordance with the provisions of the Constitutive Act in force.

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, which remains fully liable for decisions taken within its field of competence.

An independent member is defined as one who does not maintain, nor has recently maintained, directly or indirectly, any business relationship with the Fund or persons linked to the Fund, or shareholders of the Fund, of such significance as to potentially influence them.

The Board of Nominees ensures that consultative committees (Nomination and Remuneration Committee and Audit and Valuation Committee) are constituted to examine specific topics chosen by the Board and to report to the Board. At least one independent Board of Nominees member sits on each such committee. The mandate of each member of the Board of Nominees imposes the same type of restrictions around confidentiality of information and the same type of reporting and consent requirements on the individual's ability to personally trade in the Fund's shares as the restrictions that are in place for the staff of FTIS and FTIML.

Beginning with 2016 the Fund implemented the annual evaluation of the members of the Board in order to fully comply with the BVB Corporate Governance Code – for more details please see section *Nomination and Remuneration Committee* below.

The members of the Board of Nominees may be shareholders of the Fund.

Composition of Board of Nominees and activities during 2019

The structure of the Board of Nominees as at 31 December 2019 was the following:

Name	Position	First appointment date	Current mandate until	Length of service
Mr Piotr Rymaszewski	Chairman	5 April 2012	5 April 2021	7 years and 8 months
Mr Mark Gitenstein	Member	23 April 2013	30 September 2022	6 years and 8 months
Mr Julian Rupert Francis Healy	Member	21 March 2012	5 April 2021	7 years and 9 months
Mr Steven Cornelis van Groningen	Member	13 April 2012	14 April 2021	7 years and 8 months
Mrs Vivian Nicoli	Member	30 September 2019	30 September 2022	3 months

Source: Fondul Proprietatea

On 8 August 2019 Mr. Sorin Mindrutescu, the Chairman of the Board decided to step down with immediate effect from the positions held within the Fund's Board and Consultative Committees and the previous mandate of Mr Gitenstein ended in September 2019. During the 4 September 2019 GSM, shareholders decided to re-appoint Mr. Gitenstein for a new 3-year mandate starting with 29 September 2019. During the same GSM the shareholders also appointed Mrs. Vivian Nicoli for a 3-year mandate starting with 29 September 2019.

During 2019 there were:

- 15 formal meetings of the Board of Nominees;
- 8 meetings of the Audit and Valuation Committee;
- 6 meetings of Nomination and Remuneration Committee.

There were also informal conference calls and meetings during the year for discussing current subjects regarding the Fund's activity.

Mr Piotr Rymaszewski is the Chairman of the Board and he has an extensive experience in finance, turnaround, real estate and law. He is a CEO of Onyx Asset Management (formerly Octava Asset Management Sp. z o.o.) and Octava SA, a company listed on the Warsaw Stock Exchange. Starting with 2017 he is an independent non-executive Director in Digi Communications N.V., company listed on BVB. Mr Rymaszewski also acts as a non-executive director in several listed and unlisted companies, representing institutional investors. As at 31 December 2019 Mr Rymaszewski held no shares issued by the Fund. Mr. Rymaszewski is an independent member. Mr Rymaszewski attended 14 Board's meetings during 2019 and chaired seven of them.

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 Senator Joe Biden. He is the author of *Matters of Principle*, an award-winning book on his experience managing the Judiciary Committee staff during the confirmation battle over 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, Alianta, which seeks to improve Romania's image in the US and strengthen the Romanian-American alliance.

As at 31 December 2019, Mr Gitenstein held 400 GDRs having as support shares issued by the Fund. Mr Gitenstein is an independent member. Mr Gitenstein attended all Board's meetings during 2019.

Mr Julian Healy has long and extensive experience of banking and investment management in emerging markets and particularly in Central and Eastern Europe. He is a Member of the Institute of Chartered Accountants in England and Wales. Mr Healy also acts as a non-executive director in a number of other companies. Mr Healy chairs the Audit and Valuation Committee.

As at 31 December 2019, Mr Healy held no shares issued by the Fund. Mr. Healy is an independent member. Mr Healy attended all Board's meetings during 2019 and chaired three of them when the Chairman of the meeting could not attend.

Mr Steven Cornelis van Groningen has extensive experience in banking and is the President and CEO of Raiffeisen Bank Romania SA. Mr van Groningen previously held senior management positions in ABN AMRO Bank (in Romania, Russia and Hungary). Mr van Groningen is the President of Confederatia Patronala Concordia, a former President of the Foreign Investors Council in Romania and former President of The Council of Banking Employers in Romania. Mr van Groningen is chairing Nomination and Remuneration Committee.

As at 31 December 2019 Mr van Groningen held 522,708 shares issued by the Fund. Mr. van Groningen attended 13 board meetings during 2019.

Mrs. Vivian Nicoli has an extensive experience of infrastructure investment and asset management in Europe and particularly in Central and Eastern Europe. She also has acted as a non-executive director in a number of other companies.

As at 31 December 2019, Mrs Nicoli held no shares issued by the Fund. Mrs. Nicoli is an independent member. Mrs. Nicoli attended all Board's meetings after her appointment in September 2019.

Duties of Board of Nominees

The main duties of the Board of Nominees include:

- 1) Requesting, if necessary, the insertion of supplementary matters in the text of the GSM calling notice, following the information received from the AIFM with regard to the summoning of the OGM or EGM;
- 2) Receiving from the AIFM the answers to the written requests submitted by shareholders before the GSM date, on topics regarding Fund activity;
- 3) Receiving from the AIFM the annual financial statements, the annual activity report presented by the AIFM and the financial auditors' report, before being made available to shareholders and analysing them, in order to formulate an opinion to be presented to both the AIFM and to the GSM;
- 4) Receiving from the AIFM for analysis the annual report and the management policy of Fondul Proprietatea and presenting an opinion to the AIFM and to the GSM regarding such;
- 5) Receiving from the AIFM for analysis the annual budget, before it is submitted for approval to the GSM and presenting an opinion to the AIFM and to the GSM regarding such;

- 6) Receiving from the AIFM for analysis the strategy and the development policies of Fondul Proprietatea, before these are submitted for approval to the GSM, and presenting an opinion to the AIFM and to the GSM regarding such;
- 7) Receiving from the AIFM for analysis and approval the framework for carrying out Fondul Proprietatea operations, as well as any other Fondul Proprietatea regulations issued by the AIFM according to legal provisions in force, capital market rules and regulations;
- 8) Receiving from the AIFM for analysis the proposal to the OGM for concluding the financial audit agreement and presenting an opinion to the AIFM and to the GSM regarding such;
- 9) Reviewing on a regular basis the IPS of Fondul Proprietatea and presenting an opinion to the GSM at any time it deems necessary, but in any case, at least once a year to the Annual OGM;
- 10) Receiving the internal auditor's report and presenting an opinion to the AIFM and to the GSM regarding such;
- 11) Monitoring the following, based on information and reports received from the AIFM:
 - the list of all portfolio investments and percentage breakdown by each investment type;
 - the list of major transactions implemented in the Fund portfolio for the period under review;
 - the total profit of the portfolio and comparison of profit with the appropriate market benchmark;
 - comparison of the obtained profit with the initial objective;
 - the extent of compliance with the investment policy, as well as any variations and actions taken to obtain the correct results;
 - the performance evaluation report.

The Board of Nominees shall draft and present to the GSM an annual report regarding the monitoring activity performed or a monitoring report for another period agreed by the GSM;

- 12) Representing the GSM in relation with the AIFM regarding the communication between the two corporate bodies, except for the cases expressly regulated by the Constitutive Act regarding the direct communication between the GSM and the AIFM;
- 13) Verifying the report of the AIFM and permanently overseeing the management of the Fund, verifying if the operations carried out by the AIFM are following the applicable law, the Constitutive Act or any relevant decision of the GSM;
- 14) Calling upon the GSM, under the conditions of art. 13 paragraphs (11) and (14) of the Constitutive Act;
- 15) Participating to the GSM and presenting the reports in all cases provided by the Constitutive Act or regarding any issue it deems to be relevant for the GSM;
- 16) Proposes to the GSM the prior approval or rejection of 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 receivables;
- 17) Recommending to the GSM the termination of the management contract for the case when the Board of Nominees considers this is to the benefit of the shareholders;
- 18) Recommending to the GSM on any other issues the Board of Nominees considers relevant to the shareholders;
- 19) Recommending to the EGM the appointment of the public offer intermediate and his remuneration, following the proposal of the AIFM, when it becomes necessary that such a company is appointed, related to the admission to trading of Fondul Proprietatea;
- 20) Approving the delegation by the AIFM of certain activities. The delegation will be in force after the approval of FSA, where required by legislation in force;
- 21) Monitoring the AIFM performance in accordance with the Management Agreement.

For more details regarding the activity of the Board of Nominees during 2019, please see the annual activity report of the Board, available on the Fund's webpage in the *Investor Relations – GSM Information* section.

Committees

Audit and Valuation Committee

A permanent Audit and Valuation Committee composed of five Board of Nominees members was established to help the governing bodies of the Fund in the area of internal control and financial reporting. This committee reviews the annual financial statements and the proposal for profit distribution and performs other activities under the European audit regulation. In addition, the Audit and Valuation Committee analyses the proposal for appointing the independent financial auditor, who is appointed by shareholders at an OGM.

The Committee also supervises the Fund's risk management strategy and its financial performance and assesses any issues brought to its attention by the internal auditor.

The Sole Director reports to the Audit and Valuation Committee at least once per year on the internal audit plan and on any material relevant matters.

The Audit and Valuation Committee includes members that have the necessary expertise in the area of financial audit and accounting. As at 31 December 2019 the members of the Audit and Valuation Committee were Mr Julian Healy (as Chairman), Mr Mark Gitenstein, Mr Steven van Groningen, Mrs. Vivian Nicoli and Mr Piotr Rymaszewski.

Nomination and Remuneration Committee

A Nomination and Remuneration Committee composed of five Board of Nominees members was established to help the governing bodies of the Fund in the area of nomination and changes in remuneration.

As at 31 December 2019 the Nomination and Remuneration Committee members were Mr Steven van Groningen (as Chairman), Mr Mark Gitenstein, Mr Julian Healy, Mrs. Vivian Nicoli and Mr Piotr Rymaszewski.

The Nomination and Remuneration Committee fully implemented the requirements of the remuneration policy, undertaking an annual evaluation of members of the Board of Nominees and of the Committees. The independence of each member of the Board of Nominees has also been analysed. During 2019, the Chairman led the evaluation process which included the completion of questionnaires and discussions between the Nomination and Remuneration Committee and each member of the Board of Nominees and of Committees. The experience, balance of skills, diversity and knowledge of the Board of Nominees was considered as well as Board effectiveness, role and structure. In July 2019 Mr Sorin Mindrutescu decided not to run for another term, as a result of his expressed wish to observe the rigorous corporate governance standards of the LSE, which provide that a Board member of listed investment companies cannot be considered independent after serving in that position for more than nine years.

Formal performance evaluations will continue to take place at least annually. The Nomination and Remuneration Committee considers succession planning as part of its responsibilities, making recommendations to the Board of Nominees and shareholders when required. Three members of the Board of Nominees will have served for nine years as members of the Board during the next year. As a result, a plan for succession is under way.

The Sole Director and AIFM

The Sole Director of the Fund is Franklin Templeton International Services S.à r.l., a société à responsabilité limitée qualifying as an alternative investment fund manager under Article 101-1 of the Luxembourg Act of 17 December 2010 concerning undertakings for collective investment, as amended from time to time, 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. FTIS qualifies as an AIFM under Chapter 2 of the Luxembourg Law of 12 July 2013 on alternative investment fund managers and is entitled to carry out services in Romania in accordance with the Law 74/2015 being registered with the registry kept by the FSA and is authorised to carry out the management of a fund such as Fondul Proprietatea (including, without limitation, risk management and portfolio management).

The Sole Director is appointed and revoked by the OGM. The duration of the mandate as the AIFM and Sole Director of the Fund is of 2 years starting 1 April 2018 and will continue with a new 2-year mandate to start on 1 April 2020. The Sole Director issues decisions regularly and whenever necessary for the daily operations of the Fund.

FTIS has delegated the role of Investment Manager as well as certain administrative functions to FTIML. For details regarding the delegated activities please read *Delegated management functions* section below.

The Sole Director is responsible for the Fund's executive management. FTIS as Sole Director and AIFM, as well as FTIML as Investment Manager act in the best interest of the Fund and protect the general interests of the shareholders.

In June 2009, Franklin Templeton Investment Management Limited United Kingdom was designated the winner of the international tender procedure organised by the Fund for the selection of the Fund's Investment Manager and Sole Director. Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch was the Sole Director of the Fund between 29 September 2010 and 31 March 2016.

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 1 April 2020.

Neither FTIS nor FTIML had any agreement, understanding or family relationship with the shareholders responsible for appointing it to the position of Sole Director and Investment Manager. On 31 December 2019 neither FTIS nor FTIML held any shares issued by the Fund.

Franklin Templeton Investment Management Limited United Kingdom is authorised and regulated by the UK Financial Conduct Authority and is registered as a foreign investment adviser with the United States Securities and Exchange Commission.

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 Regulation;
- 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 anti-corruption 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.

The main duties of the Sole Director

As provided by the Constitutive Act, the Management Agreement and the IPS, the main duties of FTIS performed under the control of the GSM and monitored by the Board of Nominees, are:

- fulfilling the necessary and useful operations to achieve the Fund's business objective, except for the operations reserved by the law for the GSM, having all the obligations attributed to it by the applicable law;
- establishing a reference date for shareholders entitled to vote within the GSM, under the law, and drafting the text of GSM 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;
- giving responses on the aspects concerning the business of Fondul Proprietatea, upon the written request submitted by any shareholder before the date of the GSM, after obtaining the prior approval of the Board of Nominees;

- ensuring that a copy of or extract of the GSM 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 announcement of the Annual OGM is published;
- preparing the annual financial statements, drafting the annual activity report, examining the financial auditors' report, presenting them to the Board of Nominees before submitting such documents to the GSM and making proposals on the distribution of the profit to the GSM, after obtaining the prior approval of the Board of Nominees;
- managing the relationship with Romanian Central Depository with regard to its shareholders register functions;
- preparing an annual report on the management and business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the GSM;
- proposing to the Board of Nominees for prior approval and further, to the GSM for final approval, the annual budget and business plan;
- proposing to the Board of Nominees for the prior approval and further, to the GSM for final approval, the general strategy in accordance with the IPS;
- implementing the IPS and achieving a proper balance between profits and the risks related to the Fondul Proprietatea portfolio;
- informing the Board of Nominees periodically on any significant changes in the activities and portfolio structure of the Fund;
- approving the outsourcing of certain activities, within the limits of the approved budget; delegating the execution of certain activities, with the prior endorsement of the FSA, where required by applicable legislation;
- submitting to the approval of the EGM 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 receivables;
- entering into contracts 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 receivables, without the GSM approval;
- 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;
- approving the internal audit procedure and the internal audit plan;
- deciding on the relocation of the registered office, provided that the registered office shall always be registered in Romania;
- making available to the Board of Nominees the reports and other necessary documents for exercising the monitoring duties, in accordance with the Constitutive Act;
- 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;
- calling the GSM to decide whenever an issue appears on which the Board of Nominees has a disagreement with the AIFM, which cannot be resolved amiably;
- proposing to the Board of Nominees the EGM recommendation 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 Fondul Proprietatea.

The Sole Director coordinates the strategy of the Fund.

The Sole Director ensures that the provisions of the relevant European and Romanian capital markets legislation are complied with and implemented by the Fund, as presented above within this section. Likewise, 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 employees of the Sole Director qualify as insiders and the persons closely related to them and to the Sole Director have the duty to report to the Sole Director and to the FSA any and all trading/ business performed for their own account with (i) shares or other securities issued by the Fund and admitted for trading on regulated

markets; and/ or (ii) derivative financial instruments relating to securities issued by the Fund and/ or (iii) any other instruments relating thereto.

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.

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 organisation 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 persons or companies closely related to them must comply with the normal industry standards and applicable corporate regulations.

During 2019, the Sole Director issued 41 resolutions on all matters requiring its approval in accordance with the Constitutive Act.

Permanent representatives of the Fund

As at 31 December 2019, Eric Bedell, Craig Blair, John Hosie, Rafal Kwasny, Calin Metes, Johan Meyer, Daniel Naftali, Luis Perez, Boris Petrovic and Denise Voss are the permanent representatives of the Sole Director, with Johan Meyer being also the portfolio manager of the Fund.

Eric Bedell is a Conducting Officer for FTIS, overseeing IT, Cybersecurity and Privacy activities, managing both UCITS and AIFs. Mr Bedell joined Franklin Templeton Investments in 2018 as Global Data Protection Officer. In May 2019, he took a role of conducting officer of Franklin Templeton Investments' Luxembourg-domiciled UCITS. Prior to joining Franklin Templeton Investments, Mr. Bedell worked in Luxembourg for 20 years for different companies acting in roles ranging from IT Security Officer to Managing Director of an IT Security solutions company. Mr. Bedell holds several certifications such as: PECB CDPO and ISO27001 LI. He is co-chairing the ALFI - Cybersecurity Communication group and is co-chairing the Association pour la Protection des Données Luxembourgeoise awareness group.

As at 31 December 2019, Mr Bedell held no shares issued by the Fund.

Craig Blair is the General Manager, Member of the Board and a Conducting Officer for FTIS in Luxembourg, where he has worked since 2004. During this period, Mr Blair held several roles within the organisation in the fund administration department. Mr Blair holds an MBA from Manchester Business School, is a Member of the Chartered Institute of Management Accountants and holds a Law degree from Leicester University.

As at 31 December 2019, Mr Blair held no shares issued by the Fund.

John Hosie is the Conducting Officer responsible for Administration and Valuation for FTIS. Mr. Hosie joined Franklin Templeton Investments in 2001, holding roles within Fund Administration and the Program Management Office prior to taking up his current role as Conducting Officer and Director of Fund Administration Luxembourg in September 2018. Mr. Hosie holds a B.A. Honors Degree in Business Management from Napier University in Edinburgh.

As at 31 December 2019, Mr Hosie held no shares issued by the Fund.

Rafal Kwasny is Conducting Officer and Head of Transfer Agency in Europe, Middle East and Africa at FTIS. He has over 20 years of experience in financial services and prior to moving to asset management he worked on the asset servicers' side leading Businesses, Product Management and Operations in Luxembourg, Ireland and Poland, working for HSBC, BNP Paribas Securities Services, Citibank and UniCredit Group. He is also the co-Chairman of the ALFI Transfer Agency and Distribution Operations Forum and Steering Committee. Mr Kwasny holds an Executive MBA degree from College of Business at the University of Illinois.

As at 31 December 2019, Mr Kwasny held no shares issued by the Fund.

Calin Metes is one of FTIML Directors. He joined Franklin Templeton in 2010. He has 13 years of experience, out of which 9 with Franklin Templeton. Prior to that, Mr Metes was portfolio manager at Raiffeisen Asset Management and held the position of investment analyst at Finas Invest. Mr Metes' expertise includes research and analysis of public companies in Romania and within the region, namely Greece and Bulgaria, with the purpose of making investment recommendations for the funds managed by Franklin Templeton. Mr Metes holds a master's degree in Banking and Capital Markets, a master's degree in Management of Political Organisations, a BA in

Banking and Stock Exchanges and a BA in Political Sciences, each from Babes-Bolyai University in Cluj. Mr. Metes holds the Chartered Financial Analyst (CFA) diploma.

As at 31 December 2019, Mr Metes held no shares issued by the Fund.

Johan Meyer is the CEO of FTIML and the Portfolio Manager of Fondul Proprietatea starting with 1 April 2018. Effective from 1 November 2016 he was appointed Co-CEO of FTIML and Co-Portfolio Manager of Fondul Proprietatea. He joined Franklin Templeton Investments in 2004. Prior to his role in Romania, he was Managing Director South Africa, and the Director of Africa Strategy for 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 31 December 2019, Mr Meyer held no shares issued by the Fund.

Daniel Naftali is one of FTIML Directors. He joined Franklin Templeton in 2010. He has 13 years of experience, out of which 9 within Franklin Templeton. Prior to joining Franklin Templeton, Mr. Naftali acted as an investment analyst at Raiffeisen Asset Management Romania, and analyst at Alpha Finance Romania. Mr Naftali holds a bachelor's degree in International Securities, Investment and Banking from the ICMA Centre, Reading University, UK, a master's degree in Banking and Insurance from the University of Orleans, France, and a bachelor's degree in Banking and Finance from the Academy of Economic Studies in Bucharest. He also is a CAIA Charter holder.

As at 31 December 2019, Mr Naftali held no shares issued by the Fund.

Luis Perez is the Conducting Officer in charge of Compliance and AML/ Combating the Financing of Terrorism for FTIS. Mr. Perez joined Franklin Templeton Investments in 2006, where he served successively as the registered Compliance Officer and AML Reporting Officer of FTIS, Head of Compliance Europe and Head of Compliance Europe, Middle East, Africa and India until his nomination as Conducting Officer in 2019. Prior to joining FTIS, Mr. Perez worked as a business cycle analyst at the University of Louvain, Belgium, in the Audit Division of Arthur Andersen Luxembourg, as the Head of Regulatory Reporting and Investment Compliance for State Street Luxembourg and as the registered Compliance officer of The Bank of New York (Luxembourg), totalling 30 years of industry experience. Mr. Perez holds a M.A. in Economics from the University of Louvain-La-Neuve, Belgium.

As at 31 December 2019 Mr Perez held no shares issued by the Fund.

Boris Petrovic is the Conducting Officer coordinating Risk Management, Senior Risk Manager at FTIS, based in Frankfurt. Mr. Petrovic has 7 years of experience at Franklin Templeton as the lead risk manager for European and Middle Eastern equity strategies and overseeing the European equity risk operations team. Mr. Petrovic has 14 years of experience in the financial industry, as risk manager for an insurance asset management company, as a risk manager on the equity derivatives trading desk of a large German bank and working in risk management for a company offering hedge fund solutions. Mr. Petrovic holds a Diploma in Mathematics from the University of Freiburg (Germany) with a specialization in Financial Mathematics, Certified Financial Analyst (CFA) designation from the CFA Institute and Financial Risk Manager (FRM) designation from GARP.

As at 31 December 2019 Mr Petrovic held no shares issued by the Fund.

Denise Voss was a conducting officer and a Board Member of FTIS, Franklin Templeton Investments' Luxembourg based management company, managing both UCITS and AIFs. Ms Voss joined Franklin Templeton Investments in 1995 where she served as a general manager of the Luxembourg subsidiary until December 2005. Between 2006 and 2013, she held the role of conducting officer of Franklin Templeton Investments' Luxembourg-domiciled UCITS. Prior to joining Franklin Templeton Investments, Ms Voss worked in the audit division of Coopers & Lybrand in Boston, USA and Luxembourg, for over nine years. Ms Voss holds a Massachusetts Certified Public Accountant license and obtained an undergraduate degree from Tufts University, as well as a master's degree in accountancy from Bentley College. She is Chairman of ALFI and has been a member of the ALFI Board of Directors since 2007. Ms. Voss is also past chairman of the European Fund and Asset Management Association (EFAMA) - Investor Education working group.

As at 31 December 2019 Ms Voss held no shares issued by the Fund.

Legal representatives of the Investment Manager

At the date of this report, Johan Meyer is the CEO of the Investment Manager and Calin Metes and Daniel Naftali are Directors of Investment Manager, all three being legal representatives of the Investment Manager, each of them having full management powers in this regard.

Effective on 1 April 2018, Mr Johan Meyer is the CEO of FTIML and the Portfolio Manager of Fondul Proprietatea.

The remuneration of the Sole Director

The fees due to AIFM are approved by shareholders and are part of the management agreements. The fees payable to the AIFM are calculated in RON and paid EUR in compliance with the provisions below. The amount calculated in RON is converted into EUR using the official exchange rate for RON to EUR published by National Bank of Romania in the last banking day of the period invoiced.

1. The Base Fee is calculated according to the following formula:

Base Fee Rate multiplied by the notional amount, multiplied by the number of calendar days during the applicable calculation period divided by 365

where:

Base Fee Rate = 60 basis points per year;

1 basis point = 0.0001; and

Notional amount = the market capitalisation 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 settled own shares together with the number of the Fund 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" is computed based on the daily average market prices of the Fund's shares and corresponding daily volumes, as published by BVB on 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 is an aggregation of the computation for each sub-period.

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 to 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 is the rate applied for the prior trading day.

2. The Distribution Fee is calculated as follows:

100 basis points of the distributions made available from 1 April 2018 up to and including 31 March 2020, where distributions means:

- (a) repurchases of Fund shares;
- (b) repurchases of Fund GDRs and/ or depositary interests;
- (c) dividends; and
- (d) returns of share capital.

The calculation of the Distribution Fee is made when such distributions become available to shareholders. In case of a repurchase of own shares or GDRs, the calculation of the Distribution Fee is made at the date when the own shares repurchase transactions or own GDRs repurchase transactions are settled (i.e. settlement date).

For GDRs transactions, the Distribution fee is computed taking into account the official exchange rate published by the National Bank of Romania for the date of settlement of 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 due to the AIFM.

3. Payments

(a) The Base Fee is paid by the Fund quarterly, based on the invoices issued by the AIFM within twenty (20) business days following the end of the quarter for which payment is to be made.

(b) The Distribution Fee is paid by the Fund quarterly, based on the invoices issued by the AIFM within twenty (20) business days following the end of the quarter for which the Distribution Fee was calculated.

(c) The invoices for the Base Fee and the Distribution Fee are submitted to the Depositary Bank.

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

(e) The payment of each fee is made within 30 business days of the receipt of the applicable invoice.

4. Verification

The payment of the Base Fee and the Distribution Fee is arranged only after the verification and certification by the Depositary Bank of the correctness 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.

Remuneration Policy of the AIFM

FTIS, as AIFM, has a remuneration policy in place applicable to the AIFs under its management. The costs described within this section represent the remuneration costs borne by the AIFM and do not represent an additional cost for the Fund. The policy has been designed to discourage excessive risk taking, integrating in its performance management systems the risk criteria specific to the business units it covers. The policy has a governance structure aimed at preventing internal conflicts of interests.

The AIFM fully implemented the remuneration policy during 2019 – a summary of this is available at the link: https://www.franklintempleton.lu/download/en-lu/common/ilrkbd6k/FTIS-Remuneration_Statement_Final.pdf.

There are procedures in place for the preparation, update, review and approval of the policy as well as for communication and implementation of the policy. Senior management, human resources, internal audit and other functions are involved in this process and the policy is approved by FTIS.

Fixed remuneration is defined as base salary plus other benefits which may include pension contributions, life insurance premiums or private medical insurance premiums. Levels of fixed remuneration are set with reference to job complexity, level of responsibility, performance and benchmarking data; these levels are reviewed on a periodical basis.

Variable remuneration is defined as annual bonuses, long term awards in the form of performance share grants, or bonus payments. The levels of variable remuneration are set with reference to overall corporate and business unit performance, as well as individual performance.

The full Remuneration Policy of the AIFM is available at the registered office of the AIFM. Details regarding the remuneration paid by FTIS during the year ended 30 September 2019 (the financial year of the FTIS is ending on 30 September and the figures are presented as such) are included in the table below:

Name	All amounts in EUR
Total amount of fixed remuneration paid by FTIS and its delegates during the year ended on 30 September 2019	349,615
Total amount of variable remuneration paid by FTIS and its delegates during the year ended on 30 September 2019	106,670
Number of staff of FTIS and its delegates as at 30 September 2019	173
Total amount of compensation paid by FTIS and its delegates to Senior managers during the year ended on 30 September 2019	140,567
Total amount paid by FTIS and its delegates to other members of staff who have a material impact on the profile of AIF during year ended on 30 September 2019	-

Source: FTIS

Potential professional liability risks for AIFM

The AIFM will always maintain the capital requirements and insurance required under AIFM Directive and national legislation. The AIFM has in place the following insurance:

- (a) Professional liability to provide against any failure to duly perform the management agreement;
- (b) Fidelity bond to provide against any failure to account to the Fund for any money or investments.

Delegated management functions

FTIS has delegated the role of Investment Manager as well as certain administrative functions to FTIML.

The delegation of the portfolio management allows FTIML, among others, to:

- manage the investment, realisation and reinvestment of the assets of the Fund with power at its discretion, to purchase, subscribe to, acquire or deal in investments and securities and to sell, redeem, exchange, vary or transpose the same, provided that FTIML observes and complies with the Constitutive Act, the IPS, any guidelines, directives and instructions given by FTIS, and all local laws and regulations the Fund is subject to and, if the case, any applicable FSA decisions;
- exercise all rights of voting conferred by the investments and securities of the Fund;
- enter into contracts in the name of the Fund in order to apply the investments policy and objectives;
- take appropriate arrangements in order to supervise the performance of the portfolio management activities by its staff;
- take reasonable steps to manage the risks associated with portfolio management;
- on receipt, give instructions to pay to and/ or deposit with the Depositary Bank of the Fund all moneys, investments and securities received by it on behalf of the Fund;
- participate, institute or join, at the Fund's costs, any proceeding or similar action including but not limited to any class action with respect to the assets of the Fund, except the legal actions in front of courts or arbitral courts (in respect of the latter FTIML being also authorised to engage on behalf of the Fund legal counsel to provide legal representation), in accordance with the Constitutive Act, the IPS and the relevant legislation and regulations in force;
- present reports to the Board of Nominees of the Fund;
- cooperate with FTIS in view of distributing dividends and other non-dividend distributions and executing buy-back programmes and tenders, in each case subject to all necessary shareholder approvals and in compliance with applicable laws and regulations;
- evaluate the investments and the securities, price movements in respect of such investments and securities and other factors FTIML considers relevant for its management of the investment, realisation and re-investment of the assets of the Fund;
- analyse the progress of all investments and securities in the portfolio of the Fund and provide the reports requested by FTIS;
- analyse the source of funds required for buy-back of shares or other purposes;
- analyse all actions that FTIML considers advisable or necessary to undertake in order to implement the IPS of the Fund regarding investments and securities; and
- prepare materials for any reports required by FTIS.

The delegation of the administration services allows FTIML, among others, to:

- manage the relationship with Romanian Central Depositary regarding its shareholders register functions;
- keep all the books, records, agreements, forms, papers, files and other corporate documents required by Romanian law;
- calculate and publish the Fund's net asset value and the net asset value per share;
- monitor the compliance with the regulations in force, except for the services of regulatory compliance monitoring of the delegated activities;

- receive notices, correspondence, telegrams, telex messages, telephonic advice or other representations and communications for account of the Fund;
- keep with due diligence the Fund documents and information entrusted to it;
- co-ordinate the preparation and dispatch of statements, reports, notices, announcements, proxies, minutes and other documents to shareholders, investors and to the Board of Nominees;
- co-operate at drafting of the entire documentation for calling the GSM of the Fund;
- draft the annual budget;
- co-operate at drafting the IPS;
- propose the conclusion of the financial audit agreement;
- propose the change of the location of the Fund's registered office;
- co-operate at the organisation of the GSM and of the meeting of the Board of Nominees;
- provide for any legal filings and publications and file any tax returns;
- maintain contact with all supervisory, regulatory, tax or other state authorities or Fund-related professional organisations in Romania, complying with any information request from these authorities (including the current reports);
- co-operate at the preparation of the annual reports, accounts, financial reports, financial statements and of any other documents for investors or for the relevant authorities in accordance with applicable laws, regulations or the Constitutive Act;
- manage investor queries and send responses and other relevant documents to the investors;
- perform public relations activities;
- perform marketing activities (such as investor road-shows, group and one-on-one meetings with institutional investors, participate in various global and regional emerging and frontier market conferences, organise Analyst and Investor Days events).

Brexit potential impact on the activity of the Fund

Brexit would have a potential impact on the activity of the Fund considering the delegation of management functions presented above. The AIFM prepared a plan for avoiding any potential risks, which involves the termination of delegation agreement from FTIS to FTIML and the transfer of all Investment Manager's delegated activities back to the AIFM, that opened a branch in Bucharest for rendering portfolio management functions and administrative services. The Bucharest Branch of FTIS was already established and the transfer date will be announced during 2020.

The depositary of the Fund

The Fund has appointed BRD – Groupe Societe Generale SA as its depositary and custodian, 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 for a three-year term and was extended during 2019 for another three years until 20 May 2022.

The Depositary has the following obligations under the agreement in place:

- Physically safeguards 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 Depositary and are transferable securities including those which embed derivatives, money market instruments or units of collective investment undertakings (the Custody Assets);
- Verifies the ownership of, and maintain records on, 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);
- Keeps in custody the Custody Assets belonging to the Fund, separately from the Depositary's assets or other funds' assets, and registers them separately thus, as to be identifiable as the Fund's property;

- Settles the transactions with Custody Assets and Non-Custody 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 Depository's regulations;
- Collects the interests and other income related to the Custody Assets and exercises the rights conferred by such Custody Assets, in accordance with the proper instructions received from the Fund. The Depository 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;
- Certifies the existence and the value of the net assets, and the unit value of the net assets, and transmits it to the Fund and to the FSA, within the terms, form, conditions and regular intervals established by the regulations;
- Makes the payment of the equivalent value of the financial instruments or participation interests purchased by the Fund, makes the payment of all the financial duties, including the payment of interests, taxes, fees and other operational costs of the Fund, makes payments for any other purposes, according to the proper instructions received from the Fund;
- Validates and certifies the calculation of the AIFM for the fees owed by the Fund to it;
- Provides proxy voting services upon request and according to the instructions received;
- Carries out any other activities provided by laws and regulations as part of its responsibility.

Liability in case of safe-keeping of Custody Assets:

- In case of loss of a Custody Asset by the Depository or by a third party to whom the custody was delegated by the Depository, the Depository shall be liable to the Fund in the conditions set forth by Article 21 (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 EU Regulation 231/2013. In such conditions, unless the Depository proves the existence of an exoneration cause set forth by the EU Regulation 231/2013, the Depository shall return to the Fund 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;
- In case of other damages produced by the Depository in connection with safe-keeping of Custody Assets other than losses of such 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 respect the legal provisions and the damages are not due to the Depository's negligence, fraud, breach of agreement, bad faith or wilful default.

Liability in case of safe-keeping of Non-Custody Assets and other duties of the Depository:

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

Other aspects

The auditor of the Fund

The auditor of the Fund for the year ended 31 December 2019 is Deloitte Audit SRL, registered with the Trade Registry under no. J40/6775/1995, having Sole Registration Code 7756924, member of the Chamber of Financial Auditors of Romania and registered in the Public Registry of Financial Auditors of ASPAAS with number 25.

The Foreign Account Tax Compliance Act

FATCA is a United States federal law that requires United States persons, including individuals who live outside the United States, to report their financial accounts held outside of the US, and requires foreign financial institutions to report to the Internal Revenue Service about their US clients. Romania, like most of the European countries, concluded an intergovernmental agreement to facilitate the implementation of FATCA requirements.

The Fund complies with all reporting requirements imposed by FATCA provisions.

Packaged retail and insurance-based investment products

Packaged retail investment and insurance products are at the core of the retail investment market. In order to tackle any potential shortcomings, the EU has adopted a regulation on PRIIPs, which obliges those who produce or sell investment products to provide investors with key information documents.

The key information documents for Fondul Proprietatea are published on the webpage of the Fund.

Market Abuse Regulation

EU Regulation 596/2014 on market abuse, 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 and Directive 2014/57/EU on criminal sanctions for market abuse were published in the Official Journal of the European Union on 12 June 2014 and apply as of 3 July 2016.

The Market Abuse Regulation aims at enhancing market integrity and investor protection. AIFM updated the internal regulations applicable to the Fund in order to implement the Market Abuse Regulation.

Gender and nationality diversity

The Fund, FTIS and FTIML support gender and ethnic diversity and promotion of women in management positions.

Franklin Templeton culture is founded on diversity, inclusion, and empowerment and the selection policy is to appoint the best qualified person for the job, considering factors such as diversity of gender, experience and qualification. As a global company, Franklin Templeton believes it benefits from the unique skills and experiences of an inclusive workforce made up of employees who span different generations, capabilities and cultural identification.

There is one female member in the Board of Nominees, and FTIS and FTIML have women involved in the management of the Fund. Also, people from more than 12 different nationalities are involved in the management of the Fund, this being in line with the diversity of the shareholders of the Fund.

Treatment of corporate information

The members of the Board of Nominees and all employees of FTIS/ FTIML shall keep confidential any documents and information acquired in the performance of their duties.

General Data Protection Regulation

The GDPR was approved and adopted by the EU Parliament in April 2016. The regulation took effect on 25 May 2018. The Fund has fully implemented GDPR.

Conflicts of interests

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

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

Financial Statements Analysis

The audited financial statements for the year ended 31 December 2019, prepared in accordance with IFRS and applying the FSA Norm 39/2015 with subsequent amendments, are included in full in *Annex 1* to this report. The captions in the Statement of Financial Position and Statement of Comprehensive Income presented in the Annual Report may differ from the ones included in the IFRS financial statements due to other regulatory requirements.

This section provides an overview of the Fund's financial position and performance for the year ended 31 December 2019. The analysis presents the main developments during 2019, for more details regarding the comparative amounts please see the corresponding section in *Annex 1 IFRS Financial Statements*.

Statement of Financial Position

RON million	31 December 2019	31 December 2018	31 December 2017	31 December 2019 vs. 31 December 2018 (%)
	Audited	Audited	Audited	
Cash and current accounts	31.9	19.6	19.2	
Deposits with banks	338.4	187.1	1,276.7	
Treasury bills	-	49.6	46.3	
Government bonds	137.3	131.6	195.9	
Dividend receivables	-	137.0	-	
Equity investments	11,413.1	9,337.4	9,278.2	
Other assets	0.3	1.5	10.7	
Total assets	11,921.0	9,863.8	10,827.0	+20.9%
Payables	16.7	14.8	15.2	
Other liabilities	32.8	20.6	21.6	
Total liabilities	49.5	35.4	36.8	+39.8%
Total equity	11,871.5	9,828.4	10,790.2	+20.8%
Total liabilities and equity	11,921.0	9,863.8	10,827.0	+20.9%

Source: IFRS financial statements

Overview

The cash and cash equivalents of the Fund in 2019 included term **deposits with banks, government bonds** and **treasury bills** issued by the Ministry of Public Finance of Romania. All instruments are denominated in RON and have maturities of up to one year.

The net increase in **equity investments** of RON 2,075.7 million during 2019 is mainly due to the increase in fair value of Hidroelectrica SA (RON 1.0 billion) and OMV Petrom SA (RON 838.2 million), partially netted off by the disposal of BRD – Groupe Societe Generale SA shares (RON 200.9 million).

Equity investments

Classification and measurement of equity investments

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

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

The equity investments at fair value through profit or loss are initially recognised at fair value and the transaction costs are recorded in profit or loss. They are subsequently measured at fair value with all changes in fair value accounted for through profit or loss. Equity investments at fair value through profit or loss are not subject to impairment testing.

Valuation

As at 31 December 2019 substantially all the equity investments of the Fund were carried at fair value.

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

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

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

Capital Expenditure

Capital expenditure comprises the costs for the acquisition and upgrade of the intangible assets of the Fund, which include the value of the licences, the implementation costs and the updates of the Fund's accounting and reporting software, net of the accumulated amortisation. During 2019 the Fund did not incur any capital expenditure costs (during 2018: RON 112,321).

Statement of Comprehensive Income

RON million	2019 Audited	2018 Audited	2017 Audited
Net unrealised gain from equity investments at fair value through profit or loss	2,260.3	225.3	222.8
Gross dividend income	942.9	776.2	740.4
Net realised gain/ (loss) from disposal of equity investments at fair value through profit or loss	9.9	4.5	(1.4)
Interest income	9.9	9.8	11.9
(Impairment losses)/ Reversal of impairment losses on receivables, net	(10.3)	0.2	36.4
Net realised gain from disposal of non-current assets held for sale	-	-	330.6
Net realised gain on disposal of equity investments classified as available for sale	-	-	38.5
Impairment losses on equity investments classified as available for sale	-	-	(8.0)
Other income/ (expenses), net*	3.4	2.9	0.9
Net operating income	3,216.1	1,018.9	1,372.1
Administration fees recognised in profit or loss	(50.3)	(46.8)	(63.0)
Other operating expenses	(25.6)	(26.5)	(34.5)
Operating expenses	(75.9)	(73.3)	(97.5)
Finance costs	(0.4)	(0.3)	(0.2)
Profit before income tax	3,139.8	945.3	1,274.4
Income tax expense	(9.9)	(10.2)	15.5
Profit for the year	3,129.9	935.1	1,289.9
Other comprehensive income	-	-	(85.4)
Total comprehensive income for the year	3,129.9	935.1	1,204.5

Source: IFRS financial statements

* Other items of income/ (expense), net included mainly the net gain/ (loss) from revaluation of government securities at fair value, net foreign exchange gain/ (loss) and other operating income/ (expenses).

The **net unrealised gain from equity investments at fair value through profit or loss** for 2019 of RON 2,260.3 million was mainly generated by Hidroelectrica SA (RON 1.0 billion, increase in fair value of 25.8% as a result of the company's strong performance) and OMV Petrom SA (RON 838.2 million, increase in share price of 49.5%).

Gross dividend income for 2019 included the dividend income earned from the Fund's portfolio companies, mainly Hidroelectrica SA (RON 558.2 million), OMV Petrom SA (RON 152.9 million), CN Aeroporturi Bucuresti SA (RON 93.0 million), Societatea Nationala a Sarii SA (RON 37.4 million), Alro SA (RON 33.3 million), Nuclearelectrica SA (RON 26.7 million), BRD Groupe Societe Generale SA (RON 18.3 million) and Engie Romania SA (RON 16.4 million). From the total gross dividend income for the year ended 31 December 2019 a total amount of RON 259.3 million represented special cash distributions.

The **net realised gain from disposal of equity investments at fair value through profit or loss** for 2019 was generated by the disposal of the holding in BRD Groupe Societe Generale SA.

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

The **net impairment losses** of RON 10.3 million are mainly related to the impairment adjustment recorded for the outstanding dividend receivables from CN Aeroporturi Bucuresti SA of RON 10.7 million.

Additional details on the **administration fees** for the period and comparatives are presented below:

RON million	2019 Audited	2018 Audited	2017 Audited
Recognised in profit or loss	50.3	46.8	63.1
Base fee	43.9	41.8	46.8
Distribution fee for return of capital/ dividends	6.4	5.0	16.3
Recognised in other comprehensive income	4.4	13.7	15.0
Distribution fee for buy-back programmes	4.4	13.7	15.0
Total administration fees	54.7	60.5	78.1

Source: IFRS financial statements

For the year ended 31 December 2017, the **other comprehensive income** mainly comprised the changes in fair value of available for sale equity investments (mainly Hidroelectrica SA and Alro SA), net of related deferred tax. Starting 1 January 2018, all equity investments are classified as fair value through profit or loss, following the implementation of IFRS 9. All amounts recorded through other comprehensive income have been transferred to retained earnings on the date of initial application.

Other operating expenses

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

RON million	2019 Audited	2018 Audited	2017 Audited
FSA monthly fees	9.8	9.3	10.2
Transaction costs	1.5	1.4	8.4
Depository fees	0.7	0.6	0.7
Other expenses	13.6	15.2	15.2
Other operating expenses	25.6	26.5	34.5

Source: IFRS financial statements

In 2019, **other expenses** caption comprised mainly legal and litigation assistance expenses, Board of Nominees remuneration and related expenses, portfolio valuation expenses, PR expenses, investor relations expenses and expenses with external audit.

Statement of Cash Flows

RON million	2019 Audited	2018 Audited	2017 Audited
Cash flows from operating activities			
Dividends received (net of withholding tax)	1,059.7	629.2	737.6
Proceeds from disposal of equity investments	200.9	173.0	1,231.9
Proceeds from transactions with treasury bills and bonds	188.6	129.9	1,505.7
Interest received	9.5	11.2	13.6
Amounts collected from the depository Bank of the Fund's GDRs	3.9	4.5	7.1
Acquisitions of treasury bills and bonds	(174.5)	(151.6)	(501.1)
Suppliers and other taxes and fees paid	(103.2)	(114.3)	(130.4)
Subscriptions to share capital increase of portfolio companies	(6.3)	(2.5)	(2.7)
Other payments, net	(1.4)	(0.9)	(1.7)
Net cash flows from operating activities	1,177.2	678.5	2,860.0
Cash flows from financing activities			
Dividends paid (net of withholding tax)	(599.8)	(469.8)	-
Acquisition of treasury shares	(440.4)	(1,369.7)	(819.2)
Payments to shareholders related to the return of capital	(3.1)	(7.5)	(910.5)
Payment of interest and fees related to the short-term bank loans	(0.5)	(0.3)	(0.2)
Short term bank loans drawings	-	-	237.0
Repayment of short-term bank loans	-	-	(237.0)
Net cash flows used in financing activities	(1,043.8)	(1,847.3)	(1,729.9)

RON million	2019 Audited	2018 Audited	2017 Audited
Net increase/ (decrease) in cash and cash equivalents	133.4	(1,168.8)	1,130.1
Cash and cash equivalents at the beginning of the year	272.4	1,441.2	311.1
Cash and cash equivalents at the end of the year	405.8	272.4	1,441.2
	31 December 2019 Audited	31 December 2018 Audited	31 December 2017 Audited
Cash and current accounts	31.9	19.6	19.2
Bank deposits with original maturities of less than three months	338.3	187.1	1,275.8
Treasury bills and government bonds with original maturities of less than three months	35.6	65.7	146.2
	405.8	272.4	1,441.2

Source: IFRS financial statements

During 2019 **the proceeds from disposal of equity investments** were related to the disposal of the entire holding in BRD – Groupe Societe Generale SA.

Subscriptions to share capital increase of portfolio companies in 2019 refer to the amounts paid for the share capital increases of E-Distributie Banat SA and Zirom SA.

Dividends paid for 2019 included the net payments to shareholders regarding the dividend distribution of RON 0.0903 per share approved by shareholders during the 4 April 2019 GSM, with payment date 1 July 2019.

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

Related Party Transactions

The transactions with related parties were performed in the normal course of business. For more details, please see *Annex 1 "IFRS Financial Statements" Note 20*.

Subsequent Events

Tender Offer within the eleventh buy-back programme

On 7 January 2020 the Fund submitted to the FSA an application for the endorsement of a tender offer to accelerate the eleventh buy-back programme. Under the tender offer the Fund intended to repurchase up to 200,000,000 shares from its shareholders, both in the form of shares and GDRs.

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

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

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

For more details regarding the ongoing tender offer please read the documentation published on the Fund website at *Investor Relations - Tender Offers* section.

AIF Law

The AIF Law entered into force on 23 January 2020, repealing, among others, a number of the relevant provisions of Law 247/2005 regulating the Fund, starting with 23 July 2020. According to the AIF Law, the Fund is expressly qualified as an alternative investment fund oriented to retail investors. Within six months as of the entry into force of the AIF Law (i.e. until 23 July 2020), the Fund shall amend its functioning documentation in accordance with the AIF Law and apply for the required endorsements.

From the date of the entry into force of the AIF Law, the Fund will be subject to specific limitations on the permitted investments, as detailed under Article 35 of the AIF Law. For a transitional period of six (6) months after the entry into force of the AIF Law (i.e. until 23 July 2020), in addition to the specific limitations on the permitted investments detailed under Article 35 of the AIF Law, the Fund will still be subject to the limitations on the permitted investments set out under Article 7¹ of Law no. 247/2005. All investment restrictions are published on the Fund webpage at the section *Investments - Investment Strategy*.

Special dividends distributed by E-Distributie Banat SA, E-Distributie Dobrogea SA and E-Distributie Muntenia SA

On 14 February 2020 the GSMs of E-Distributie Banat SA, E-Distributie Dobrogea SA and E-Distributie Muntenia SA approved a special distribution of dividends of RON 2,955,241,912 from retained earnings, as follows:

- E-Distributie Banat SA - RON 886,157,421;
- E-Distributie Dobrogea SA - RON 502,748,433;
- E-Distributie Muntenia SA - RON 1,566,336,058.

The Fund is a minority shareholder in each of these companies owning 24.13% in E-Distributie Banat SA, 24.09% in E-Distributie Dobrogea SA and 12% in E-Distributie Muntenia SA. The Fund recorded on 14 February 2020 a total dividend receivable of RON 522.9 million as follows:

- from E-Distributie Banat SA - RON 213.8 million;
- from E-Distributie Dobrogea SA - RON 121.1 million;
- from E-Distributie Muntenia SA - RON 188.0 million.

GEO 1/2020 for modifying GEO 114/2018 regarding some fiscal-budgetary measures

On 23 December 2019 the Romanian Government assumed its responsibility in Parliament for the changes included in the draft law for modifying GEO 114/2018 regarding some fiscal-budgetary measures and the amendment and completion of some normative acts. This project was challenged in front of the Romanian Constitutional Court and consequently the amendments could not enter into force.

On 12 February 2020, the Constitutional Court admitted the unconstitutionality objection to the draft law, respectively they raised issues on the fact that the draft prepared by the Government replicates the provisions of an already existing draft law which currently is subject to Parliament approval and the unconstitutionality of the provision regarding the prohibition of cumulating the salary with the state pension. The draft has not entered into force as a law.

In January 2020, the Government issued GEO 1/2020 regarding some fiscal-budgetary measures and the amendment and completion of some normative acts that mainly stipulates (replicating the provisions of the draft law from December 2019 - same provisions, different type of act):

- eliminating the cap on gas prices for households and thermal energy producers that supply heating to the centralised systems starting 1 July 2020;
- removing the 2% tax on turnover for companies in the electricity and natural gas sectors;
- eliminating the option to transfer from Pillar II to Pillar I (public pension system);
- eliminating the share capital increase requirements for the private pension fund managers and the provisions regarding their management fees;
- removing the tax on financial assets that was paid by banks;
- eliminating the turnover taxation for the telecom companies;
- freezing the dignitary allowances during 2020;
- prohibition of cumulating the salary with the state pension;

On 10 February 2020 the Senate rejected GEO 1/2020 and currently the draft Law for rejecting GEO 1/2020 is in discussion in the committees of Chamber of Deputies, as deciding chamber of the Romanian Parliament within the legislative process. The deadline for discussion is 25 February 2020, and before entering into force the draft needs to follow the steps below:

- be discussed and voted by the plenum of the Chamber of Deputies;
- give members of the Parliament the right to ask for constitutional check;
- be promulgated by the President of Romania; and
- be published in the Official Gazette of Romania.

However, GEO 1/2020 currently remains in force and its provisions are still applicable during the entire process described above. If GEO 1/2020 is rejected by the Parliament or it is declared unconstitutional by the Romanian Constitutional Court, such a decision would not have retrospective effects and would produce effect only for future. The Fund continues to closely monitor any changes in the legislative environment and assess their potential impact on the activity of the portfolio companies.

Signatures:

26 February 2020

Johan Meyer

Permanent Representative

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

Prepared by

Catalin Cadaru

Financial Reporting Manager

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

Annex 1

FONDUL PROPRIETATEA SA

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and applying the Financial Supervisory Authority ("FSA") Norm no. 39/ 28 December 2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by the FSA – Financial Investments and Instruments Sector ("Norm 39/2015")

(This is a translation from the official Romanian version)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Fondul Proprietatea S.A.

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of Fondul Proprietatea S.A. (the "Fund"), with registered office in 78-80 Buzesti street, District 1, Bucharest, Romania, identified by unique tax registration code 18253260, which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.
2. The financial statements as at December 31, 2019 are identified as follows:
 - Total Equity RON 11,871,451,989
 - Net profit for the financial year RON 3,129,870,912
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by European Union and applying Financial Supervisory Authority ("FSA") Norm no. 39/28 December 2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorized, regulated and supervised by the FSA - Financial Investments and Instruments Sector (referred to herein as "FSA Norm no. 39 / 2015")..

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named "the Regulation") and Law 162/2017 regarding statutory audit of the annual financial statements ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
<i>Valuation of equity investments</i> Refer to note 16 to the financial statements. The Fund's investment in equity investments represents 96% of the total assets of the Fund. This was a key area of focus in our audit due to the complexity involved in valuing some of these investments, the significance of the judgments and estimates included in the valuation. The determination of fair value for the Level 3 equity investments, representing 74% of the Fund's total equity investments, involves significant judgments and a high degree of estimates made by the independent valuers appointed by the Fund. These investments represent participations held by the Fund in unlisted Romanian companies, with a significant part of them being state owned companies. These valuations have been performed as of September 30, 2019. Accordingly, valuation and accounting of equity investments is considered to be a key audit matter.	We have assessed the key controls over the valuation process of the Fund's equity investments. Our analysis of the design and implementation of the controls provided a basis for us to establish the planned nature, timing and extent of our detailed audit procedures. For the material listed equity investments, we have assessed the frequency of the trading in order to identify illiquid equity securities and we have assessed the accuracy of the closing share market price as of 31 December 2019 or from the last of trading available at the end of the reporting period. For a sample of unquoted equity investments with significant valuation inputs, we involved our own internal valuation specialists to critically assess the valuation methodology, significant assumptions and inputs used by the external valuers. We have also assessed the Fund management's analyses for the period subsequent to the date of the valuation reports (i.e. from 30 September 2019 to 31 December 2019), in order to identify significant events which may have a significant impact on the fair value of the equity investments at the date of the financial statements. We have assessed the accuracy of the changes in fair value that have been reflected in the financial statements. We have considered whether the financial statements appropriately reflect all material disclosures in relation to equity investments. We assessed the presentation of the fair value hierarchy policy and disclosures regarding significant unobservable inputs in accordance with disclosures of IFRS 13 <i>Fair Value Measurement</i>.

Reporting Requirements Concerning the Annual Sole Director's Report

6. The Sole Director is responsible for preparation and presentation of the other information. The other information comprises the Sole Director's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements for the year ended December 31, 2019, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Sole Director's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of FSA Norm no. 39 / 2015, article no. 8-13.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- the information included in the Sole Director's report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;
- the Sole Director's report has been prepared, in all material respects, in accordance with the provisions of FSA Norm no. 39/2015, article no. 8-13.

Moreover, based on our knowledge and understanding concerning the Fund and its environment gained during the audit on the financial statements prepared as at December 31, 2019, we are required to report if we have identified a material misstatement of this Sole Director's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and applying FSA Norm no. 39 / 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on October 26, 2017 to audit the financial statements of Fondul Proprietatea S.A. for the financial year ended December 31, 2019 following the tender organized by the Sole Director of the Fund. The uninterrupted total duration of our commitment is 13 years, covering the financial years ended December 31, 2007 until December 31, 2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Fund that we issued the same date we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- No non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Irina Dobre.

Irina Dobre, Audit Partner

For signature, please refer to the original Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 3344

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under FA 25

The Mark Building, 84-98 and 100-102 Calea Griviței,
8th Floor and 9th Floor, District 1
Bucharest, Romania
February 26, 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019
 (all amounts are in RON unless otherwise stated)

		Year ended	Year ended
	<i>Note</i>	31 December 2019	31 December 2018
Net gain from equity investments at fair value through profit or loss	6	2,270,241,487	229,752,209
Gross dividend income	7	942,894,907	776,233,923
Interest income		9,867,055	9,759,337
Other income, net		3,938,407	3,548,807
(Impairment losses) /Reversal of impairment losses on receivables, net	4(b) iv)	(10,345,916)	181,374
Net foreign exchange loss		(510,220)	(594,477)
Net operating income		3,216,085,720	1,018,881,173
Operating expenses	8	(75,879,626)	(73,294,555)
Finance costs	9	(437,667)	(330,667)
Profit before income tax		3,139,768,427	945,255,951
Income tax	10	(9,897,515)	(10,163,966)
Profit for the period		3,129,870,912	935,091,985
Other comprehensive income		-	-
Total comprehensive income for the period		3,129,870,912	935,091,985
Basic and diluted earnings per share	11	0.4436	0.1236

The annual financial statements were authorised for issue on 26 February 2020 by:

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

Johan Meyer

Permanent Representative

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

Catalin Cadaru

Financial Reporting Manager

The notes on pages 84 to 122 are an integral part of these annual financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	31 December 2019	31 December 2018
Assets			
Cash and current accounts	12	83,551	77,346
Distributions bank accounts	12	31,799,616	19,570,055
Deposits with banks	12	338,381,995	187,116,149
Treasury bills	13	-	49,636,197
Government bonds	13	137,303,498	131,613,207
Dividends receivable	14	-	137,018,231
Equity investments	16	11,413,083,382	9,337,440,399
Other assets		332,386	1,324,379
Total assets		11,920,984,428	9,863,795,963
Liabilities			
Payable to shareholders	17 (a)	31,988,947	19,657,190
Other liabilities and provisions	17 (b)	17,543,492	15,692,915
Total liabilities		49,532,439	35,350,105
Equity			
Paid share capital	18 (a)	3,770,082,341	4,543,838,477
Reserves related to the unpaid share capital	18 (b)	189,182,422	189,182,422
Other reserves	18 (c)	536,545,225	297,678,692
Treasury shares	18 (d)	(446,008,591)	(1,414,500,848)
Retained earnings		7,821,650,592	6,212,247,115
Total equity		11,871,451,989	9,828,445,858
Total liabilities and equity		11,920,984,428	9,863,795,963

The notes on pages 84 to 122 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

		Reserves related to the unpaid share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
	Share capital	capital				
Balance as at 1 January 2019	4,543,838,477	189,182,422	297,678,692	(1,414,500,848)	6,212,247,115	9,828,445,858
Profit for the period	-	-	-	-	3,129,870,912	3,129,870,912
Coverage of losses from cancellation of treasury shares (<i>see Note 18 (c)</i>)	-	-	80,910,369	-	(80,910,369)	-
Profit appropriation to other reserves (<i>see Note 18 (c)</i>)	-	-	640,744,712	-	(640,744,712)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	721,655,081	-	2,408,215,831	3,129,870,912
Transactions with owners, recorded directly in equity						
Dividends declared	-	-	-	-	(642,318,808)	(642,318,808)
Transfer to legal reserves (<i>see Note 18 (c)</i>)	-	-	156,493,546	-	(156,493,546)	-
Acquisition of treasury shares	-	-	-	(446,008,591)	-	(446,008,591)
Cancellation of treasury shares (773,756,136)		-	(640,744,712)	1,414,500,848	-	-
Distributions for which the statute of limitation occurred	-	-	1,462,618	-	-	1,462,618
Total transactions with owners recorded directly in equity	(773,756,136)	-	(482,788,548)	968,492,257	(798,812,354)	(1,086,864,781)
Balance as at 31 December 2019	3,770,082,341	189,182,422	536,545,225	(446,008,591)	7,821,650,592	11,871,451,989

The notes on pages 84 to 122 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

		Reserves related to the unpaid share capital	Fair value reserve on available for sale financial assets, net of deferred tax	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2018	4,664,852,363	189,182,422	4,248,175,069	254,954,179	(218,255,507)	1,651,335,627	10,790,244,153
Changes on initial application of IFRS 9	-	-	(4,248,175,069)	-	-	4,248,175,069	-
Restated balance as at 1 January 2018	4,664,852,363	189,182,422	-	254,954,179	(218,255,507)	5,899,510,696	10,790,244,153
Profit for the period	-	-	-	-	-	935,091,985	935,091,985
Coverage of losses from cancellation of treasury shares	-	-	-	75,624,623	-	(75,624,623)	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	75,624,623	-	859,467,362	935,091,985
Transactions with owners, recorded directly in equity							
Dividends declared	-	-	-	-	-	(499,976,344)	(499,976,344)
Transfer to legal reserves	-	-	-	46,754,599	-	(46,754,599)	-
Acquisition of treasury shares	-	-	-	-	(1,398,169,596)	-	(1,398,169,596)
Cancellation of treasury shares	(121,013,886)	-	-	(80,910,369)	201,924,255	-	-
Distributions for which the statute of limitation occurred	-	-	-	1,255,660	-	-	1,255,660
Total transactions with owners recorded directly in equity	(121,013,886)	-	-	(32,900,110)	(1,196,245,341)	(546,730,943)	(1,896,890,280)
Balance as at 31 December 2018	4,543,838,477	189,182,422	-	297,678,692	(1,414,500,848)	6,212,247,115	9,828,445,858

The notes on pages 84 to 122 are an integral part of these annual financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities		
Dividends received (net of withholding tax)	1,059,655,125	629,191,080
Proceeds from disposal of equity investments	200,906,333	173,047,862
Proceeds from transactions with treasury bills and bonds	188,627,069	129,900,148
Interest received	9,539,497	11,217,848
Amounts collected from the depository Bank of the Fund's GDRs	3,903,730	4,518,246
Acquisition of treasury bills and bonds	(174,521,938)	(151,605,451)
Suppliers and other taxes and fees paid	(103,234,951)	(114,297,470)
Subscriptions to share capital increase of portfolio companies	(6,330,030)	(2,498,120)
Other payments, net	(1,366,555)	(977,857)
Net cash flows from operating activities	1,177,178,280	678,496,286
Cash flows from financing activities		
Dividends paid (net of withholding tax)	(599,767,099)	(469,767,740)
Acquisition cost of treasury shares	(440,362,147)	(1,369,777,763)
Payments to shareholders related to the return of capital	(3,142,228)	(7,507,550)
Payment of fees related to the short term bank loans	(486,578)	(275,556)
Net cash flows used in financing activities	(1,043,758,052)	(1,847,328,609)
Net increase/ (decrease) in cash and cash equivalents	133,420,228	(1,168,832,323)
Cash and cash equivalents at the beginning of the period	272,355,893	1,441,188,216
Cash and cash equivalents at the end of the period as per the Statement of Cash Flows	405,776,121	272,355,893
Reconciliation of Statement of Cash Flows with the equivalent items reported in the Statement of Financial Position		
	31 December 2019	31 December 2018
Cash and current accounts (<i>see Note 12</i>)	83,551	77,346
Distributions bank accounts (<i>see Note 12</i>)	31,799,616	19,570,055
Bank deposits with original maturities of less than three months (<i>see Note 12</i>)	338,295,751	187,106,218
Treasury bills and government bonds with original maturities of less than three months (<i>see Note 4 (b)</i>)	35,597,203	65,602,274
	405,776,121	272,355,893
Interest accrued on bank deposits (<i>see Note 12</i>)	86,244	9,931
Treasury bills and government bonds with original maturities of more than three months and less than one year (<i>see Note 4 (b)</i>)	101,706,295	115,647,130
Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position	507,568,660	388,012,954

The notes on pages 84 to 122 are an integral part of these annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

1. General information

Fondul Proprietatea SA (referred to as “Fondul Proprietatea” or “the Fund”) was incorporated as a joint stock company and is operating as an undertaking for collective investment, in the form of a closed end investment company, established in accordance with Law no. 247/2005 on the reform in the field of property and justice and other adjacent measures, as subsequently amended (“Law 247/2005”) and registered in Bucharest on 28 December 2005. The address of the Fund’s registered office is 78 - 80, Buzești Street, 7th Floor, District 1, Bucharest.

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

The Fund undertakes its activities in accordance with Law 24/2017 on issuers of financial instruments and market operations, Law 74/2015 regarding Alternative Investment Fund Managers, Law 247/2005, Law 297/2004 regarding the capital market, as subsequently amended and Companies Law 31/1990 republished as subsequently amended and it is an entity authorised, regulated and supervised by the FSA, as an issuer. Until 2013, FSA was known as the National Securities Commission (“CNVM”). In accordance with its Constitutive Act, the main activity of the Fund is the management and administration of its portfolio.

The Fund was established to allow the payment in shares equivalent to the compensation payable in respect of abusive expropriations undertaken by the Romanian State during the communist period, when properties were not returned in kind. Beginning with 15 March 2013, the date when Government Emergency Ordinance no. 4/2012 entered into force, the compensation process was suspended. In January 2015 the Law no. 10/2015 on amending Title VII of Law no. 247/2005 entered into force confirming that the Romanian State will no longer use the compensation scheme using Fondul Proprietatea shares.

The Fund is managed by Franklin Templeton International Services S.à r.l. (“FTIS”) as its Sole Director and Alternative Investment Fund Manager (“AIFM”) under the Directive 2011/61/EU on Alternative Investment Fund Managers and local implementation regulations. The initial FTIS’ mandate for a period of two years commenced on 1 April 2016 and expired on 31 March 2018. On 14 February 2018, the Fund’s shareholders approved the renewal of FTIS’ mandate for another two years starting with 1 April 2018 under a new Management Agreement which became effective starting with the same date (i.e. 1 April 2018). Under both agreements FTIS has delegated the role of Investment Manager as well as certain administrative functions to Franklin Templeton Investment Management Limited United Kingdom, Bucharest Branch (“FTIML” or “Investment Manager”) for the entire duration of its mandate as AIFM.

During the 28 June 2019 shareholders meeting, the Fund’s shareholders approved a new mandate of FTIS as AIFM and Sole Director of the Fund for the period 1 April 2020 – 31 March 2022.

Starting with 29 September 2010 until 31 March 2016, the Sole Director and the Investment Manager of the Fund was FTIML.

Since 25 January 2011, Fondul Proprietatea has been a listed company on the spot regulated market managed by the Bucharest Stock Exchange in Tier I shares of the Equity Sector of the market (renamed as of 5 January 2015 as Premium Tier shares), under ISIN number ROFPTAACNOR5 with the market symbol “FP”.

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

2. Basis of preparation

(a) Statement of compliance

These financial statements are the annual statutory financial statements of Fondul Proprietatea for the year ended 31 December 2019 prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and applying the FSA Norm 39/2015. These financial statements are available starting with 28 February 2020, on the Fund's official webpage, www.fondulproprietatea.ro, and at the Fund's registered office.

The Fund is an investment entity and does not consolidate its subsidiaries as it applies IFRS 10, IFRS 12 and IAS 27 (Investment Entities). In consequence, the Fund does not prepare consolidated financial statements, the separate financial statements being the Fund's only financial statements. The Fund has reassessed the criteria for being an investment entity for the year ended 31 December 2019 and continues to meet them.

(b) Basis of measurement

These annual financial statements have been prepared on a fair value basis for the main part of the Fund's assets (equity investments, treasury bills and government bonds, respectively), and on the historical cost or amortised cost basis for the rest of the items included in the financial statements.

(c) Functional and presentation currency

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

(d) Foreign currency

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

The exchange rates of the main foreign currencies, published by the National Bank of Romania at 31 December 2019 were as follows: 4.7793 RON/EUR, 4.2608 RON/USD and 5.6088 RON/GBP (31 December 2018: 4.6639 RON/EUR, 4.0736 RON/USD and 5.1931 RON/GBP).

(e) Use of estimates

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

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

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

- Note 4 – Risk management;
- Note 15 – Deferred tax;
- Note 16 – Equity investments;
- Note 19 – Contingencies.

3. Significant accounting policies

The significant accounting policies applied in these annual financial statements are the same as those applied in the Fund's financial statements for the year ended 31 December 2018 and have been applied consistently to all periods presented in these annual financial statements.

(a) Subsidiaries and associates

Subsidiaries are entities controlled by the Fund. The Fund controls an investee when the Fund is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates are those entities in which the Fund has significant influence over the financial and operating policies, but not control or joint control. The existence of significant influence is assessed, in each reporting year, by analysing the ownership structure of the companies in which the Fund holds 20% or more of the voting power of the investee, their articles of incorporation and the Fund's power to participate in the financial and operating policy decisions of the investee.

However, the Fund does not exercise significant influence in several companies in which it holds between 20% and 50% of the voting power, where the Fund's rights as minority shareholder are protective in nature, and not participative and where the major shareholder, or a group of shareholders holding majority ownership of the investee, operate without regard to the views of the Fund.

Also, in situations where the Fund holds less than 20% of the voting power of an investee, but it is a significant shareholder and demonstrates that it has significant influence through Board representation and participates in the policy making decisions, the investee is considered an associate.

As at 31 December 2019 and 31 December 2018, there were three portfolio companies, which met the criteria for classification as subsidiaries, and two portfolio companies which met the criteria for classification as associates. The lists of subsidiaries and associates as at 31 December 2019 and 31 December 2018 are disclosed in Note 20 (b) and (c).

(b) Financial assets and liabilities

i) Recognition

The Fund recognises financial assets and liabilities on the date it becomes a party to the contractual provisions of the instrument. The Fund applies trade date accounting.

Financial assets and liabilities are recognised initially at fair value plus, in case of financial assets and financial liabilities not measured at fair value through profit or loss, any directly attributable transaction costs (including brokerage fees).

Mergers of portfolio companies are recognised at the date when the merger is registered with the Trade Register.

ii) Classification

- *Financial assets at fair value through profit or loss*

As result of the adoption of IFRS 9, as at 1 January 2018 the Fund classified all its equity investments as equity investments at fair value through profit or loss (the default option under IFRS 9).

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are recorded in profit or loss. Subsequent measurement is at fair value and all changes in fair value are accounted for through profit or loss. Financial assets at fair value through profit or loss are not subject to the review for impairment.

3. Significant accounting policies (continued)**(b) Financial assets and liabilities (continued)****ii) Classification (continued)**

- *Financial assets and liabilities at amortised cost*

Financial assets and liabilities are measured at amortised cost using the effective interest method, less any impairment losses (of financial assets). Financial assets and liabilities at amortised cost include cash and current accounts, deposits with banks, dividends receivable, payables to shareholders, amounts due to service suppliers and other receivables and payables.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

- *Financial assets reclassified as non-current assets held for sale*

See accounting policy 3(c) for details.

iii) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or have expired.

iv) Offsetting

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

v) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, in the most advantageous market to which the Fund has access at that date.

When available, the Fund measures the fair value of an equity instrument using quoted prices in an active market for that instrument at the reporting date. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair values of equity instruments that are not traded in an active market are determined and approved by the Fund's Sole Director, based on independently appraised valuation reports, using valuation techniques in accordance with International Valuation Standards.

The Fund uses a variety of methods and makes assumptions that are based on the market conditions existing at each reporting date. Valuation techniques used are recognised as standard within the industry and include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants, making maximum use of observable market inputs and relying as little as possible on entity-specific inputs. Some of the inputs to these models may not be observable in the market and are therefore estimated based on various assumptions.

The valuation techniques selected incorporate all the factors that market participants would consider in pricing a transaction.

3. Significant accounting policies (continued)**(b) Financial assets and liabilities (continued)****v) Fair value measurement (continued)**

The output of a valuation model is always an estimate/ an approximation of a fair value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Therefore, where appropriate, the valuations are adjusted to reflect additional factors, including model risk, liquidity risk and counterparty risk.

vi) Identification and measurement of impairment

The Fund recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or on other receivables. No impairment loss is recognised for the Fund's investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund recognises lifetime expected credit losses when there has been a significant increase in credit risk since the initial recognition of the instrument. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. The Fund's assessment of whether lifetime expected credit losses should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months expected credit losses represents the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(c) Non-current assets held for sale

An asset is classified as a non-current asset held for sale and presented separately in the statement of financial position when the following criteria are met: the Fund is committed to selling the asset, an active plan of sale has commenced, the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale is expected to be completed within twelve months without significant changes to the plan. According to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* the instruments in the scope of IFRS 9 *Financial Instruments* continue to be measured according to this standard after the reclassification as non-current assets held for sale. The disclosures in the financial statements for non-current assets held for sale are in accordance to IFRS 5.

There were no assets in the Fund's portfolio classified as non-current assets held for sale as at 31 December 2019 and 31 December 2018.

(d) Cash and current accounts and deposits with banks

Cash and current accounts include petty cash and current accounts held with banks. Deposits with banks include deposits with original maturities of less than one year. Cash and current accounts and deposits with banks are carried at amortised cost, which approximate their fair value.

Deposits with banks, Government bonds and treasury bills with original maturities of less than three months are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(e) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect. The share capital accounting presentation and measurement are generally following the legal requirements. Due to the complexity of the legal framework and necessary approvals with respect to share capital transactions, only successful completion of the legal steps can trigger the accounting recognition.

3. Significant accounting policies (continued)

(f) Treasury shares

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

The GDRs bought back by the Fund are accounted for exactly as the own ordinary shares repurchased, as a deduction to shareholders' equity. This is the result of the application of substance over form principle, due to the fact that buy-back via GDRs is only a technical/ legal form of the transaction, the substance of the transaction being that the Fund buys back its own shares, giving the same rights to both the holders of the Fund's ordinary shares and to the holders of the Fund's GDRs, to take part in the buy-back programmes carried out by the Fund.

The cancellation of treasury shares is performed in accordance with the shareholder's approval after all legal requirements are fulfilled. At cancellation, the treasury shares balance is netted off against the share capital and reserves.

The cancellation of treasury shares may trigger gains or losses, depending on the treasury shares' acquisition value as compared to their nominal value. The gains or losses resulted from the cancellation of the treasury shares are directly recognised within the shareholders' equity and distinctively presented in the notes to the financial statements.

(g) Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are estimated by discounting the expected future cash outflows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(h) Dividend income

Dividend income related to listed equity investments is recognised in profit or loss on the ex-dividend date. Dividend distributions from unlisted equity investments are recognised in profit or loss as dividend income when declared, at the date when the dividend distribution is approved by the General Shareholders Meeting ("GSM") of the respective company.

When the Fund receives or chooses to receive dividends in the form of additional shares rather than cash, the dividend income is recognised for the amount of the cash dividend alternative, with the corresponding debit treated as an additional investment.

When bonus shares are received with no cash alternative and if only certain shareholders are granted additional shares, these are measured at fair value and a corresponding amount of dividend income is recognised. However, if all shareholders receive bonus shares in proportion to their shareholdings, no dividend income is recognised as the fair value of the Fund's interest is unaffected by the bonus share issue.

For overdue dividend receivables, the Fund initiates legal recovery measures (conciliation, litigations, etc.). The Fund is entitled to charge penalties for overdue amounts from net dividends, applying the legal penalty interest rate according to the legislation in force. Penalty income on dividends is recognised when collection is virtually certain.

Dividend income is presented gross of dividend withholding taxes, which are separately recognised as income tax expense. Dividend withholding taxes are calculated in accordance with the provisions of the Romanian Fiscal Code.

3. Significant accounting policies (continued)

(i) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Interest income relates to current accounts, deposits held with banks, treasury bills and government bonds. In case of financial assets at fair value through profit or loss, the Fund's accounting policy is to record the accrued interest income separately from the changes in fair value.

(j) Gains and losses from disposal of equity investments

Gains and losses from the disposal of equity investments are recognised in profit or loss at the date of derecognising the financial asset and are calculated as the difference between the consideration received (including any new asset obtained less any new liability assumed) and the carrying amount of the financial asset at the disposal date.

The realised gains and losses from the disposal of equity investments classified as financial assets at fair value through profit or loss are presented in the statement of comprehensive income under the caption "Net gain from equity investments at fair value through profit or loss", together with the unrealised gains and losses from the change in the fair value of these instruments.

The realised gains and losses from the disposal of equity investments classified as non-current assets held for sale are presented in the statement of comprehensive income under the caption "Realised net gain from disposal of non-current assets held for sale".

(k) Foreign currency gains and losses

Foreign currency gains and losses are recognised in profit or loss on a net basis and include the realised and unrealised foreign exchange differences. The Fund's investments and most part of its transactions are denominated in RON.

(l) Expenses

All expenses are recognised in profit or loss on an accrual basis.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax also includes dividend withholding taxes.

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in equity (other comprehensive income), in which case it is recognised in equity (other comprehensive income).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the reporting year. Current tax for current and prior years is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior years exceeds the amount due for those years, the excess is recognised as an asset.

The deferred tax is the amount of future income taxes expected to be payable (recoverable) in respect of taxable temporary differences.

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax liabilities are the amounts of income taxes payable in future years in respect of taxable temporary differences.

3. Significant accounting policies (continued)

(m) Income tax (continued)

Deferred tax assets are the amounts of income taxes recoverable in future years in respect of: (a) deductible temporary differences; and (b) the carry forward of unused tax losses. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, which intend to settle current tax liabilities and assets on a net basis or whose tax assets and liabilities will be realised simultaneously.

Deferred tax is measured at the tax rates that are expected to be applied in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously recognised in equity (other comprehensive income), which are recognised in equity (other comprehensive income).

During 2019 and 2018, the applicable standard tax rate was 16%. The applicable dividend withholding tax was nil in case of holdings over 10% of the total share capital of the issuer, held for an uninterrupted period of at least one year and 5% in case of the other holdings.

(n) Distributions to shareholders

According to the Fund's cash distribution policy, the distributions to shareholders may comprise dividend distributions and returns of capital, subject to corporate approvals, legal provisions in force and existence of financial sources.

Dividends declared by the Fund are recorded as dividend payable at the date when these are approved by the Fund's GSM, as this is the date when from legal point of view, the Fund's liability to shareholders arises.

Returns of capital declared by the Fund are recorded as payable at the date when all legal requirements and substantive conditions stipulated in the Fund's GSM resolution approving the respective distribution are met.

According to the provisions of the legislation in force, the statute of limitation occurs three years after the date when the respective distribution commenced except for specific instances that are individually assessed. Starting with the date when the statute of limitation occurred, the shareholders are no longer entitled to collect the respective distribution.

At the date when the statute of limitation for distributions occurs, the Fund records the value of the outstanding uncollected distribution through retained earnings or reserves, as applicable.

(o) Basic and diluted earnings per share

Basic and diluted earnings/ (loss) per share is calculated by dividing the profit or loss for the year by the weighted average number of ordinary paid shares in issue during the year, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares.

The weighted average number of ordinary shares outstanding during the year is the number of ordinary paid shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back during the year (based on their settlement date) multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the reporting year.

As at 31 December 2019 and 31 December 2018, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted earnings per share are the same.

3. Significant accounting policies (continued)

(p) Board of Nominees members' benefits

The Fund has no employees, but from the benefits point of view, the members of the Board of Nominees have the same fiscal treatment as employees, as they have mandate agreements (as opposed to labour agreements). During the normal course of business, the Fund makes payments due to the state health and social security funds related to the remuneration of the members of the Board of Nominees in accordance with the regulations in force. Such costs are recognised in profit or loss as part of the remunerations.

The members of the Board of Nominees are members of the pension plan of the Romanian State except those members who are registered as contributors in other countries from the European Union and provided to the Fund the certificates required according with the applicable legislation in force. The Fund does not operate any pension plan or post-retirement benefits plan and therefore has no obligations regarding pensions.

(q) Standards and interpretations effective in the current year

The following new standards, amendments to the existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union ("EU"), applicable to the Fund, are effective for the current reporting period:

- IFRS 16 "Leases" – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19 "Employee Benefits" - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019);
- Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)" resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019);
- IFRIC 23 "Uncertainty over Income Tax Treatments" – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The Fund's accounting policies are updated on a regular basis in order to comply with the effective standards. The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Fund's financial statements.

(r) Standards and interpretations issued by the IASB and adopted by the EU but not yet effective

At the date of authorisation of these annual financial statements, the following amendments to the existing standards issued by IASB and adopted by the EU are not yet effective:

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

The Fund anticipates that none of these will have a material impact on its annual financial statements in the year of initial application. The Fund will apply these standards starting with their effective date.

3. Significant accounting policies (continued)

(s) Standards and interpretations issued by the IASB but not yet adopted by the EU

At the date of authorisation of these annual financial statements, IFRSs as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following standards and amendments to the existing standards applicable to the Fund, which were not endorsed as at the reporting date of these financial statements:

- Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures” - Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Fund estimates that the adoption of these new standards and amendments to the existing standards will have no material impact on its annual financial statements in the year of initial application.

4. Risk management

The Fund’s investment portfolio comprises listed and unlisted equity investments.

The Fund’s investing activities expose it to various types of risks that are associated with the financial instruments and with the markets in which it invests. The most important types of financial risks to which the Fund is exposed are market risk, credit risk and liquidity risk.

The management of the Fund implemented financial risk management procedures consistent with those applied globally by FTIS.

(a) Market risk

Market risk is the risk that changes in market prices and rates, such as equity prices, interest rates and foreign exchange rates will affect the Fund’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to its issuer or factors affecting all instruments traded in the market.

Equity price risk arises from changes in the value of equity investments and it is the primary risk impacting the Fund. Diversification across securities and industries, to the extent possible, is the primary technique for mitigating equity price risk. The companies in which the Fund holds equity instruments operate in different industries. The Fund has concentrated exposures to the “Power utilities: generation”, “Power and gas utilities: distribution and supply” and “Oil and gas” sectors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(a) Market risk (continued)***(i) Equity price risk (continued)*

The Fund's exposure to industries is detailed below:

	31 December 2019	31 December 2018
Power utilities: generation	5,189,786,742	4,058,549,777
Oil and gas	2,531,605,991	1,693,400,875
Power and gas utilities: distribution, supply	1,849,700,000	1,696,000,000
Infrastructure	1,338,147,171	1,172,803,600
Heavy industry	307,105,400	277,129,000
Aluminium	170,550,231	224,484,919
Postal services	11,500,000	6,700,000
Banks	-	190,965,914
Others	14,687,847	17,406,314
	11,413,083,382	9,337,440,399

As at 31 December 2019, the Fund has equity investments of RON 3,005,442,964 listed on the Bucharest Stock Exchange, which are included in the BET-BK index (31 December 2018: RON 2,282,401,486).

For the listed liquid investments, a ten per cent increase in the BET-BK index at 31 December 2019 would have impacted the profit or loss and increased equity by RON 323,233,053 (31 December 2018: RON 273,204,517). An equal change in the opposite direction as at 31 December 2019 would have impacted the profit or loss and decreased equity by RON 323,233,053 (31 December 2018: RON 273,204,517).

This analysis assumes that all other variables remain constant.

(ii) Interest rate risk

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.

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

Fixed rate instruments	31 December 2019	31 December 2018
Bank deposits with original maturities of less than three months	338,295,751	187,106,218
Government bonds	134,732,025	129,768,275
Treasury bills	-	49,305,782
	473,027,776	366,180,275

The above balances of fixed rate instruments do not include the related accrued interest.

(iii) Currency risk

The Fund's exposure to currency risk is not significant. The Fund held current accounts with banks and receivables and payables denominated in foreign currencies (EUR, USD and GBP), but the balances were immaterial during the reporting period.

During 2019, the local currency depreciated compared to the EUR (from 4.6639 RON/EUR at 31 December 2018 to 4.7793 RON/EUR at 31 December 2019), the USD (from 4.0736 RON/USD at 31 December 2018 to 4.2608 RON/USD at 31 December 2019) and to the GBP (from 5.1931 RON/GBP at 31 December 2018 to 5.6088 RON/GBP at 31 December 2019).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(a) Market risk (continued)***(iii) Currency risk (continued)*

The Fund's exposure to currency risk was as follows:

RON	31 December 2019	31 December 2018
Monetary assets		
Petty cash	114	198
Cash and current accounts	73,169	73,046
Distributions bank accounts	31,799,616	19,570,055
Deposits with banks	338,381,995	187,116,149
Treasury bills	-	49,636,197
Government bonds	137,303,498	131,613,207
Dividends receivable	-	137,018,231
Other financial assets	30,030	-
	507,588,422	525,027,083
Monetary liabilities		
Other financial liabilities	(33,034,313)	(21,878,229)
	474,554,109	503,148,854
EUR (in RON equivalent)	31 December 2019	31 December 2018
Monetary assets		
Current accounts with banks	3,905	1,775
Monetary liabilities		
Other financial liabilities	(13,431,153)	(10,776,338)
	(13,427,248)	(10,774,563)
USD (in RON equivalent)	31 December 2019	31 December 2018
Monetary assets		
Current accounts with banks	2,804	930
Monetary liabilities		
Other financial liabilities	(512,325)	(489,816)
	(509,521)	(488,886)
GBP (in RON equivalent)		
Monetary assets		
Current accounts with banks	3,559	1,397
Monetary liabilities		
Other financial liabilities	-	(37,637)
	3,559	(36,240)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(a) Market risk (continued)***(iii) Currency risk (continued)*

A ten percent strengthening of the RON against the EUR, USD and GBP respectively as at 31 December 2019 and 31 December 2018 would have the following impact on profit or loss (the analysis assumes that all other variables remain constant), impact expressed in RON:

Profit / (loss)	31 December 2019	31 December 2018
EUR	1,342,725	1,077,456
USD	50,952	48,889
GBP	(356)	3,624

As at 31 December 2019 and 31 December 2018, the Fund did not hold any equity investment denominated in a currency other than RON.

(b) Credit and counterparty risk

Credit risk is the risk of financial loss to the Fund if counterparties to financial instruments fail to meet their contractual obligations, and arises principally from cash and deposits with banks, treasury bills, government bonds and other receivables.

(i) Cash and deposits with banks

The Fund's maximum exposure to credit risk from cash and deposits with banks was RON 370,265,048 at 31 December 2019 (31 December 2018: RON 206,763,352). Cash and deposits with banks are held with the following banks:

	31 December 2019	31 December 2018
Cash and deposits held with banks		
Banca Comerciala Romana	121,599,961	44,357,360
ING Bank	85,019,692	44,317,134
Unicredit Bank	85,004,808	44,603,734
BRD - Groupe Societe Generale	42,106,015	73,482,658
Citi Bank	36,532,565	1,450
Raiffeisen Bank	2,007	1,016
	370,265,048	206,763,352

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 was made and the exposure limits were decided upon based on their credit ratings.

All current accounts and deposit balances are assessed to have low credit risk as they are held with reputable banking institutions.

(ii) Treasury bills

The Fund has no treasury bills as at 31 December 2019. The Fund's maximum exposure to credit risk from treasury bills as at 31 December 2018 was RON 49,636,197. These items are assessed to have low credit risk being issued by the Ministry of Public Finance of Romania.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(b) Credit and counterparty risk (continued)***(ii) Treasury bills (continued)*

As of 31 December 2018, the Fund held the following discount treasury bills, denominated in RON:

ISIN	Value as at 31 December 2018	No. of units	Yield to maturity	Maturity date
ROX16RE0GF33	24,825,390	5,000	3.00%	27-Mar-2019
ROX16RE0GF33	24,810,807	5,000	3.25%	27-Mar-2019
Total	49,636,197			

(iii) Government bonds

The Fund's maximum exposure to credit risk from government bonds was RON 137,303,498 as at 31 December 2019 (31 December 2018: RON 131,613,207). These items are assessed to have low credit risk being issued by the Ministry of Public Finance of Romania.

As at 31 December 2019, the Fund held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2019	No. of units	Coupon rate	Maturity date
RO1620DBN017	137,303,498	27,000	2.25%	26-Feb-2020
Total	137,303,498			

As at 31 December 2018, the Fund held the following government bonds, denominated in RON:

ISIN	Value as at 31 December 2018	No. of units	Coupon rate	Maturity date
RO1519DBN037	66,010,933	13,000	2.50%	29-Apr-2019
RO1619DBN035	65,602,274	13,000	1.35%	25-Feb-2019
Total	131,613,207			

(iv) Other assets

As at 31 December 2019 and 31 December 2018, the Fund has no significant credit risk from other assets.

As at 31 December 2019, the Fund has a dividend receivable in total amount of RON 11,379,669, for which a corresponding impairment adjustment was recorded, mainly comprising the outstanding dividend from CN Aeroporturi Bucuresti SA of RON 10,668,574.

As at 31 December 2018, the Fund has a receivable from dividends of RON 137,018,231 from Hidroelectrica SA which was cashed in January 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(c) Liquidity risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. The following tables present the split of the Fund's financial assets and financial liabilities by residual maturities:

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity	Total
31 December 2019					
Financial assets					
Cash and current accounts	83,551	-	-	-	83,551
Distributions bank accounts	31,799,616	-	-	-	31,799,616
Deposits with banks	338,381,995	-	-	-	338,381,995
Treasury bills	-	-	-	-	-
Government bonds	-	137,303,498	-	-	137,303,498
Dividends receivable	-	-	-	-	-
Equity investments	-	-	-	11,413,083,382	11,413,083,382
Other financial assets	30,030	-	-	-	30,030
	370,295,192	137,303,498	-	11,413,083,382	11,920,682,072
Financial liabilities					
Other financial liabilities	46,977,791	-	-	-	46,977,791
	46,977,791	-	-	-	46,977,791

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(c) Liquidity risk (continued)**

	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity	Total
31 December 2018					
Financial assets					
Cash and current accounts	77,346	-	-	-	77,346
Distributions bank accounts	19,570,055	-	-	-	19,570,055
Deposits with banks	187,116,149	-	-	-	187,116,149
Treasury bills	-	49,636,197	-	-	49,636,197
Government bonds	-	65,602,274	66,010,933	-	131,613,207
Dividends receivable	137,018,231	-	-	-	137,018,231
Equity investments	-	-	-	9,337,440,399	9,337,440,399
	343,781,781	115,238,471	66,010,933	9,337,440,399	9,862,471,584
Financial liabilities					
Other financial liabilities	33,182,020	-	-	-	33,182,020
	33,182,020	-	-	-	33,182,020

The Fund's equity investments include unlisted instruments issued by companies domiciled in Romania which may be considered illiquid and listed but not liquid instruments (respectively 74% of total equity investments as at 31 December 2019 and 76% of total equity investments as at 31 December 2018). Not all shares listed on the Bucharest Stock Exchange are considered liquid due to insufficient volumes of transactions. Liquidity can vary over time and from market to market and some investments may take longer to sell. As a result, the Fund may not be able to sell some of its investments in these instruments within the time constraints imposed by its own liquidity requirements, or to respond to specific events such as deterioration in the credit worthiness of any particular issuer. As a closed ended investment fund, liquidity risks attributable to the Fund are less significant than for an open-ended fund. The Fund prudently manages liquidity risk by maintaining sufficient liquid assets to finance current liabilities.

4. Risk management (continued)

(d) Taxation risk

The Fund had to conform to European Union legislation from 1 January 2007 when Romania became a member of the European Union. Interpretation of the text and practical implementation procedures of the EU tax regulations could vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities as compared to the Fund's treatment.

Furthermore, the Romanian Government has several agencies that are authorised to conduct audits (controls) of companies operating in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Fund will continue to be subject to regular controls as new laws and regulations are issued.

The frequent changes of Romanian tax legislation without observing the transparency rules also increase the uncertainty and tax risk.

(e) Operating environment

Equity markets may be exposed to temporary higher levels of volatility triggered by uncertainty surrounding political events either locally or globally. Such events may in particular affect the oil and energy sectors, which represent an important part of the Fund's portfolio. Commodity markets may as well experience prolonged volatility given the uncertainty regarding global trade relationships and increasing protectionism.

Both political uncertainty and fluctuation in commodity prices, particularly in the energy sector, can have an impact on the Romanian economy and consequently on the Fund's portfolio companies. Management cannot predict all developments which could have an impact on the Romanian economy and consequently what effect, if any, they could have on the performance of the Fund and its financial statements. Management cannot reliably estimate the effects on the Fund's financial statements of any further deterioration in the liquidity of the financial markets and devaluation of financial assets influenced by the increased volatility in the equity and currency markets.

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, service providers, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the Fund's operations.

The Fund's objective in managing operational risk is to maintain a proper balance between limitation of financial losses and damage to the Fund's reputation and overall cost effectiveness, avoiding control procedures that restrict initiative and creativity.

(g) Capital management

The Fund's policy is to maintain a strong capital base to sustain shareholders' confidence and future developments.

The Fund's shareholders' equity comprises share capital, reserves and retained earnings, net of treasury shares. The shareholders' equity was RON 11,871,451,989 at 31 December 2019 (31 December 2018: RON 9,828,445,858).

The Fund is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities**Accounting classifications and fair values**

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

	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
31 December 2019					
Cash and current accounts	83,551	-	-	83,551	83,551
Distributions bank accounts	31,799,616	-	-	31,799,616	31,799,616
Deposits with banks	338,381,995	-	-	338,381,995	338,381,995
Government bonds	-	137,303,498	-	137,303,498	137,303,498
Equity investments	-	11,413,083,382	-	11,413,083,382	11,413,083,382
Other financial assets	30,030	-	-	30,030	30,030
Other financial liabilities	-	-	(46,977,791)	(46,977,791)	(46,977,791)
	370,295,192	11,550,386,880	(46,977,791)	11,873,704,281	11,873,704,281
	Other financial assets at amortised cost	Fair value through profit or loss	Other financial liabilities at amortised cost	Total carrying amount	Fair value
31 December 2018					
Cash and current accounts	77,346	-	-	77,346	77,346
Distributions bank accounts	19,570,055	-	-	19,570,055	19,570,055
Deposits with banks	187,116,149	-	-	187,116,149	187,116,149
Treasury bills	-	49,636,197	-	49,636,197	49,636,197
Government bonds	-	131,613,207	-	131,613,207	131,613,207
Dividends receivable	137,018,231	-	-	137,018,231	137,018,231
Equity investments	-	9,337,440,399	-	9,337,440,399	9,337,440,399
Other financial liabilities	-	-	(33,182,020)	(33,182,020)	(33,182,020)
	343,781,781	9,518,689,803	(33,182,020)	9,829,289,564	9,829,289,564

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(all amounts are in RON unless otherwise stated)

6. Net gain from equity investments at fair value through profit or loss

	Year ended 31 December 2019	Year ended 31 December 2018
Unrealised net gain from equity investments at fair value through profit or loss	2,260,308,898	225,307,490
Realised net gain from disposal of equity investments at fair value through profit or loss	9,932,589	4,444,719
Total	2,270,241,487	229,752,209

The unrealised net gain from equity investments at fair value through profit or loss for the year ended 31 December 2019 was mainly generated by the change in fair value for the holding in Hidroelectrica SA (net unrealised gain of RON 1,001,500,000) and OMV Petrom SA (net unrealised gain of RON 838,205,116), as a result of the strong performance of these companies.

The unrealised net gain from equity investments at fair value through profit or loss for the year ended 31 December 2018 was mainly generated by the change in fair value for the holding in Hidroelectrica SA (net unrealised gain of RON 318,851,880), as result of the good profitability and strong cash flow position achieved by the company.

The realised net gain from disposal of equity investments at fair value through profit or loss was calculated as the difference between the proceeds from the disposal and the fair value of the equity investments disposed of at the last annual financial statements date.

The realised net gain from disposal of equity investments at fair value through profit or loss for the year ended 31 December 2019 was generated by the disposal of the holding in BRD Groupe Societe Generale SA (year ended 31 December 2018: by the disposal of the entire holdings in Conpet SA and Palace SA and part of the holdings in Nuclearelectrica SA and BRD Groupe Societe Generale SA).

7. Gross dividend income

	Year ended 31 December 2019	Year ended 31 December 2018
Hidroelectrica SA	558,165,909	363,264,046
OMV Petrom SA	152,915,798	113,270,962
CN Aeroporturi Bucuresti SA	93,039,412	91,193,113
Societatea Nationala a Sarii SA	37,428,152	42,337,557
Alro SA	33,349,130	39,010,085
Nuclearelectrica SA	26,728,073	53,693,617
BRD Groupe Societe Generale SA	18,306,434	36,314,743
Engie Romania SA	16,411,668	20,232,568
CN Administratia Porturilor Maritime SA	3,676,101	4,054,315
Alcom SA	1,602,858	-
E-Distributie Banat SA	-	7,694,517
E-Distributie Dobrogea SA	-	4,269,700
Others	1,271,372	898,700
	942,894,907	776,233,923

The dividend income was subject to 5% Romanian withholding tax in 2019 and 2018. In cases where the relevant shareholding of the Fund was above 10% of total share capital of the paying company, for at least one year prior to the dividend distribution date, a withholding tax exemption was applied.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

7. Gross dividend income (continued)

According to the updated Annual Cash Distribution Policy of the Fund, the special cash distributions received from portfolio companies are not subject to Fund's dividend distribution to shareholders. The Fund Manager may propose the distribution to shareholders of such amounts after considering the on-going measures imposed by the Discount Control Mechanism and the available cash. For the purpose of the Annual Cash Distribution Policy of the Fund, the special cash distributions are the amounts distributed by the portfolio companies from other sources than the annual net profit included in the latest annual financial statements. From the total gross dividend income for the year ended 31 December 2019 a total amount of RON 259,341,245 represented special cash distributions (year ended 31 December 2018: RON 201,260,282).

8. Operating expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Administration fees	50,297,447	46,761,881
Third party services	10,618,654	11,935,929
FSA monthly fees	9,801,000	9,278,307
Intermediaries and other fees related to disposal of portfolio holdings	1,501,030	1,393,640
BON remunerations and related taxes	1,407,175	1,447,380
Depositary bank fee	672,860	636,761
Other operating expenses	1,581,460	1,840,657
	75,879,626	73,294,555

The total administration fees for the year ended 31 December 2019 included the base fee of RON 43,874,259 (year ended 31 December 2018: RON 41,768,231) and the distribution fee of RON 10,825,397 out of which RON 4,402,209 was related to the buy-backs and thus recognised directly in equity as buy-backs acquisition cost (year ended 31 December 2018: RON 18,747,236 out of which RON 13,753,586 represented distribution fee related to the buy-backs recognised directly in equity). The administration fees are invoiced and paid on a quarterly basis.

Third party services for the year ended 31 December 2019 mainly include legal consultancy and litigation assistance of RON 5,108,475 (year ended 31 December 2018: RON 5,356,834), valuation services in relation to the Fund's portfolio of RON 1,297,291 (year ended 31 December 2018: RON 1,561,427), investor's relations expenses of RON 845,075 (year ended 31 December 2018: RON 1,271,660), expenses related to the Board of Nominees such as accommodation, transport and insurance costs of RON 638,637 (year ended 31 December 2018: RON 683,880) and the financial auditor's fees of RON 615,899 (year ended 31 December 2018: RON 788,984).

The audit fees are recorded in the year they relate to. The financial auditor of Fondul Proprietatea for the years 2019 and 2018 was Deloitte Audit SRL.

The total audit fees for the audit of the 2019 annual statutory financial statements, prepared in accordance with IFRS, amount approximately to RON 491,666, including VAT. In addition, during 2019 Deloitte Audit SRL provided other assurance and non-audit services specifically requested by the Financial Supervisory Authority, for a total fee of RON 119,317, including VAT.

The total audit fees for the audit of the 2018 annual statutory financial statements, prepared in accordance with IFRS, amount approximately to RON 523,246, including VAT. In addition, during 2018 Deloitte Audit SRL provided other assurance and non-audit services specifically requested by the Financial Supervisory Authority, for a total fee of RON 111,049, including VAT.

During 2019 and 2018, the FSA fee was 0.0078% per month applied on the total net asset value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

8. Operating expenses (continued)

Intermediaries and other fees related to the disposal of portfolio holdings for the year ended 31 December 2019 mainly include expenses recorded in relation to the consultancy services for the potential disposals of certain unlisted holdings and the brokerage fees for the disposal of the entire holding in BRD - Groupe Societe Generale SA on the open market.

Intermediaries and other fees related to the disposal of portfolio holdings for the year ended 31 December 2018 mainly include expenses recorded in relation to the consultancy services for the potential disposals of certain unlisted holdings and the brokerage fees for the partial disposal of holdings in Nuclearelectrica SA and BRD - Groupe Societe Generale SA and the disposal of the entire holding in Conpet SA and Palace SA on the open market.

Remunerations and related taxes included the remunerations paid to the members of the Board of Nominees as well as the related taxes and contributions payable to the Romanian State budget (see Note 20 (a) for further details).

9. Finance cost

On 29 June 2018, the Fund extended the credit facility concluded with BRD - Groupe Societe Generale SA for a period of two years, until 29 June 2020. The permitted use of the credit facility is for general corporate and operational use and had a maximum committed amount of RON 400,000,000.

The Fund announced on 25 July 2019 that it decided to partially waive the existing credit facility with effective date 19 August 2019. The new maximum committed amount starting 19 August 2019 is RON 45,000,000. All other provisions of the credit facility agreement, including the provisions regarding the additional funding did not change. Thus, the Fund may access, subject to the bank's approval and in accordance with the provisions of the credit facility agreement, additional financing in excess of the committed amount, without exceeding a total amount of RON 245,000,000 at any given time.

The finance costs for the year ended 31 December 2019 of RON 437,667 (the year ended 31 December 2018: RON 330,667) comprise the commitment fee on undrawn amounts from the credit facility.

There are no outstanding amounts from the credit facility as at 31 December 2019 and 31 December 2018.

10. Income tax

There was no current tax and no deferred tax recorded during the year ended 31 December 2019 and the year ended 31 December 2018.

	Year ended 31 December 2019	Year ended 31 December 2018
Reconciliation of effective tax rate		
Net profit for the period	3,129,870,912	935,091,985
Withholding tax on the dividend income	(9,897,515)	(10,163,966)
Profit excluding income tax	3,139,768,427	945,255,951
Income tax using the standard tax rate (16%)	(502,362,948)	(151,240,952)
<i>Impact on the income tax expense of:</i>		
Taxation applied on dividend income	140,965,670	114,033,462
Non-taxable income (other than dividend income)	291,322,079	234,051,729
Profit appropriation to legal reserves	25,038,967	7,480,736
Non-deductible expenses	(92,478,984)	(211,972,904)
Elements similar to revenues (taxable equity items)	(234,019)	(33,816,425)
Fiscal result impact in the current period	127,851,720	31,300,388
Tax on income		
<i>(respectively on dividend income)</i>	(9,897,515)	(10,163,966)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

10. Income tax (continued)

As at 31 December 2019 and 31 December 2018 there is no tax on profit due or to be recovered from the State Budget by the Fund.

See Note 15 *Deferred tax* for details regarding the deferred tax computation and recognition.

11. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary paid shares in issue during the period, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares (based on their settlement date). As at 31 December 2019 and 31 December 2018, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted earnings per share are the same.

	Year ended 31 December 2019	Year ended 31 December 2018
Profit for the period	3,129,870,912	935,091,985
Weighted average number of ordinary shares	7,056,072,680	7,564,813,111
Basic and diluted earnings per share	0.4436	0.1236

12. Cash and current accounts and deposits with banks

	31 December 2019	31 December 2018
Petty cash	114	198
Current accounts with banks	83,437	77,148
Distributions bank accounts	31,799,616	19,570,055
Cash and current accounts	31,883,167	19,647,401

	31 December 2019	31 December 2018
Bank deposits with original maturities of less than three months	338,295,751	187,106,218
Interest accrued on bank deposits	86,244	9,931
Deposits with banks	338,381,995	187,116,149

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.

13. Treasury bills and government bonds

During 2019 and 2018, the Fund acquired discount treasury bills denominated in RON, issued by the Ministry of Public Finance of Romania. The treasury bills balance as at 31 December 2019 is nil. The treasury bills balance as at 31 December 2018 amounted to RON 49,636,197 and comprises treasury bills with residual maturities of less than one year, with implicit interest rates (based on the yield to maturity for the respective issue) ranging between 3.00% – 3.25% per year.

During 2019 and 2018, the Fund acquired coupon government bonds, denominated in RON, issued by the Ministry of Public Finance of Romania. The government bonds as at 31 December 2019 amounted to RON 137,303,498 (31 December 2018: RON 131,613,207) and have residual maturities of less than one year and coupon rate of 2.25% per year (31 December 2018: coupon rates ranging between 1.35% and 2.50% per year).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

14. Dividends receivable

The dividend receivable balance as at 31 December 2019 is nil (see Note 4(b) iv) for more details).

The dividend receivable balance as at 31 December 2018 comprises the special dividend approved during December 2018 by the shareholders of Hidroelectrica SA in amount of RON 137,018,231, in addition to the annual dividend. The payment of this special dividend was performed by Hidroelectrica SA in January 2019.

15. Deferred tax

As at 31 December 2019 and 31 December 2018 there is no difference between the carrying amount and tax base of assets and liabilities that could result in amounts that are deductible/ taxable when determining taxable profit or tax loss of future periods. In consequence, as at 31 December 2019 and 31 December 2018, the net deferred tax position is nil as the Fund did not recognise any deferred tax asset or deferred tax liability.

As at 31 December 2019 the unused fiscal loss carried forward amounts to RON 2,920,055,589 (31 December 2018: RON 3,719,128,842) and will expire at 31 December 2022. As at 31 December 2019 and 31 December 2018 the Fund did not recognise any deferred tax asset for the unused tax losses carried forward as there is a high probability that there will be insufficient future taxable profit against which the loss carried forward can be utilised.

The effective tax rate used to calculate the deferred tax position of the Fund is 16% (standard tax rate).

The movement in the deferred tax position during the year ended 31 December 2019 and the year ended 31 December 2018 is presented in the tables below:

Deferred tax asset/(liability) related to:	Balance at 1 January 2019	Reversed through profit or loss	Balance as at 31 December 2019
Fiscal loss carried forward	-	-	-

Deferred tax asset/(liability) related to:	Balance as at 1 January 2018	Reversed through profit or loss	Balance as at 31 December 2018
Equity investments	(33,615,519)	33,615,519	-
Fiscal loss carried forward	33,615,519	(33,615,519)	-
	-	-	-

16. Equity investments

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

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

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

The movement in the carrying amounts of equity investments at fair value through profit or loss during the year ended 31 December 2019 and the year ended 31 December 2018 is presented below:

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(all amounts are in RON unless otherwise stated)

16. Equity investments (continued)

	12 months ended 31 December 2019	12 months ended 31 December 2018
Opening balance	9,337,440,399	1,891,510,497
Reclassification of equity investments available for sale following the adoption of IFRS 9 (i)	-	7,386,690,848
Net gain from equity investments at fair value through profit or loss (see Note 6)	2,270,241,487	229,752,209
Disposals (ii)	(200,898,504)	(173,011,275)
Subscriptions to share capital increase of portfolio companies (see Note 20(b))	6,300,000	2,498,120
Closing balance	11,413,083,382	9,337,440,399

(i) Reclassification following the adoption of IFRS 9

As result of the adoption of IFRS 9, as at 1 January 2018 (the date of initial application), the existing balance of equity investments available for sale in amount of RON 7,386,690,848 was classified as equity investments at fair value through profit or loss (the default option under IFRS 9). There was no change in the carrying amounts of financial assets and liabilities upon transition to IFRS 9 on 1 January 2018 compared to their previous measurement in accordance with IAS 39.

(ii) Disposals

During the year ended 31 December 2019, the Fund sold its entire holding in BRD Groupe Societe Generale SA.

During the year ended 31 December 2018, the Fund sold its entire holdings in Conpet SA and Palace SA and part of its holdings in Nuclearelectrica SA and BRD Groupe Societe Generale SA.

Portfolio

As at 31 December 2019 and 31 December 2018 the Fund's portfolio comprised the following holdings:

	31 December 2019	31 December 2018
Hidroelectrica SA	4,886,500,000	3,885,000,000
OMV Petrom SA	2,531,605,991	1,693,400,875
CN Aeroporturi Bucuresti SA	1,022,900,000	861,000,000
E-Distributie Banat SA	519,300,000	472,000,000
Engie Romania SA	512,400,000	445,000,000
E-Distributie Muntenia SA	428,500,000	389,000,000
E-Distributie Dobrogea SA	321,500,000	288,000,000
Nuclearelectrica SA	303,286,742	173,549,777
Societatea Nationala a Sariei SA	275,400,000	250,000,000
Administratia Porturilor Maritime SA	248,700,000	244,000,000
Alro SA	170,550,231	224,484,919
Enel Energie Muntenia SA	41,700,000	58,000,000
Zirom SA	31,705,400	27,129,000
Romaero SA	30,431,231	25,971,482
Enel Energie SA	26,300,000	44,000,000
Aeroportul International Traian Vuia Timisoara SA	13,900,000	20,000,000
BRD Groupe Societe Generale SA	-	190,965,914
Other	48,403,787	45,938,432
Total equity investments	11,413,083,382	9,337,440,399

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(all amounts are in RON unless otherwise stated)

16. Equity investments (continued)

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

Fair value hierarchy

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

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

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

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

31 December 2018	Level 1	Level 2	Level 3	Total
Equity investments	2,282,401,486	-	7,055,038,913	9,337,440,399
Treasury bills	49,636,197	-	-	49,636,197
Government bonds	131,613,207	-	-	131,613,207
	2,463,650,890	-	7,055,038,913	9,518,689,803

The table below presents the movement in Level 3 equity investments during the year ended 31 December 2019 and the year ended 31 December 2018:

	12 months ended 31 December 2019	12 months ended 31 December 2018
Opening balance	7,055,038,913	6,884,984,802
Net unrealised gain recognised in profit or loss	1,346,301,505	170,238,933
Subscriptions to share capital increase of portfolio companies (see Note 20(b))	6,300,000	2,498,120
Disposals	-	(2,682,942)
Transfers in/(out) of Level 3	-	-
Closing balance	8,407,640,418	7,055,038,913

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

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

16. Equity investments (continued)

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

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

As the valuation reports were prepared as at 30 September 2019 (for 31 December 2018: as at 30 September 2018), based on financial information available for the companies under valuation at the respective dates, the Fund's management has analysed the period between the date of the valuation reports and the date when these annual financial statements were authorised for issue and updated the valuation reports accordingly. There was no other information known or available to the Fund's management which may have significant impact on the fair values of the equity investments as at the reporting date, as they are presented in these annual financial statements.

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

As a result of strong volatility in the capital markets and severe restrictions in the credit markets both globally and in Romania, notwithstanding any potential economic stabilisation measures that may be put into place by the Romanian State, economic uncertainties arose surrounding the continual availability and cost of credit for the Fund's counterparties, the future development of the market and demand for goods and services they produce.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

16. Equity investments (continued)

The following table sets out information about the significant unobservable inputs used at 31 December 2019 and 31 December 2018 in measuring equity instruments classified as Level 3 in the fair value hierarchy:

Financial assets	Fair value as at 31 December 2019	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	8,407,640,418			
Unlisted equity instruments	8,042,522,140	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.84 - 10.64 (9.29) Discount for lack of marketability: 14.7% or 20% (14.71%)	The higher the EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	308,780,200	Income approach - discounted cash flow method	Weighted average cost of capital: 12.09% or 12.90% or 13.40% (12.95%) Discount for lack of marketability: 12% or 14.6% or 16.2% (14.75%) Discount for lack of control: 0% or 19.1% or 24.9% (17.17%) Long-term revenue growth rate: 2% (2%)	The lower the weighted average cost of capital, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. The lower the discount for the lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	11,500,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 8.79 (8.79) Discount for lack of marketability: 24.2% (24.2%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	1,393,800	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.29 (0.29) Discount for lack of marketability: 14.7% (14.7%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	0	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.49 (0.49)	Irrespective of the evolution of the unobservable inputs, the value of this investment is zero due to the negative equity value of this company generated by a high level of net debts.
Listed illiquid equity instruments	43,444,278	Bucharest Stock Exchange reference price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA.	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

16. Equity investments (continued)

Financial assets	Fair value as at 31 December 2018	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	7,055,038,913			
Unlisted equity instruments	6,726,365,118	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.66 - 10.58 (8.31) Discount for lack of marketability: 15%-20% (15.02%)	The higher the EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	280,045,000	Income approach - discounted cash flow method	Weighted average cost of capital: 12.12% or 13.58% or 13.96% (13.60%) Discount for lack of marketability: 12% or 15% or 17% (15.16%) Discount for lack of control: 0% or 18% or 25% (22.51%) Long-term revenue growth rate: 2% (2%)	The lower the weighted average cost of capital, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. The lower the discount for the lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	6,700,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 13.43 (13.43) Discount for lack of marketability: 24.4% (24.4%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	1,467,000	Market approach - comparable companies (based on Price/Book value multiple)	Price/Book value: 0.3 (0.3) Discount for lack of marketability: 15% (15%)	The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value.
Unlisted equity instruments	0	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.53 (0.53)	Irrespective of the evolution of the unobservable inputs, the value of this investment is zero due to the negative equity value of this company generated by a high level of net debts.
Listed illiquid equity instruments	40,461,795	Bucharest Stock Exchange reference price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA.	

As at 31 December 2019 and 31 December 2018, the Fund's investments in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity are valued at nil.

16. Equity investments (continued)

Significant unobservable inputs are the following:

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

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

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

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

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

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

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

17. Liabilities

(a) Payable to shareholders

The payable to shareholders as at 31 December 2019 in amount of RON 31,988,947 (31 December 2018: RON 19,657,190) comprises the outstanding amounts due to shareholders related to the dividends in total amount of RON 26,264,210 (31 December 2018: RON 9,327,607) and to the returns of capital of RON 5,724,737 (31 December 2018: RON 10,329,583).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

17. Liabilities (continued)**(a) Payable to shareholders (continued)**

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

	12 months ended 31 December 2019	12 months ended 31 December 2018
Opening balance	19,657,190	20,705,311
Gross dividend distributions approved during the period	642,318,809	499,976,344
Payments of the distributions performed from the dedicated bank accounts	(602,909,327)	(478,764,705)
Less the withholding tax payable to State Budget related to the dividend distributions approved during the period	(25,615,106)	(21,004,100)
Distributions for which the statute of limitation occurred	(1,462,618)	(1,255,660)
Closing balance	31,988,947	19,657,190

(b) Other liabilities and provisions

	31 December 2019	31 December 2018
Administration fees	12,907,820	10,776,338
Intermediaries and other transactions fees related to disposal of portfolio holdings	1,035,658	489,816
Provision for litigations	856,247	856,247
Financial Supervisory Authority fees	840,591	778,414
Tax on dividends due to State Budget	762,056	495,092
Payables related to treasury shares under settlement	-	1,027,752
Other liabilities	1,141,120	1,269,256
	17,543,492	15,692,915

18. Shareholders' equity**(a) Share capital**

The movement in the paid share capital is presented below:

	12 months ended 31 December 2019	12 months ended 31 December 2018
Opening balance	4,543,838,477	4,664,852,363
Cancellation of treasury shares	(773,756,136)	(121,013,886)
Closing balance	3,770,082,341	4,543,838,477

During the year ended 31 December 2019, the paid in share capital of the Fund decreased by RON 773,756,135.88 following the cancellation on 15 October 2019 of 1,487,992,569 treasury shares repurchased by the Fund within the ninth buy-back programme.

The following changes in the share capital were recorded during 2018:

- On 29 June 2018, the paid share capital of the Fund decreased by RON 82,424,588 following the cancellation of 158,508,824 treasury shares acquired by the Fund, respectively 90,849,151 shares repurchased within the seventh buy-back programme and 67,659,673 shares repurchased within the eighth buy-back programme.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

18. Shareholders' equity (continued)**(a) Share capital (continued)**

- On 28 December 2018, the paid share capital of the Fund decreased by RON 38,589,298 following the cancellation of 74,210,188 treasury shares acquired by the Fund during the eighth buy-back programme.

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

	31 December 2019	31 December 2018
Number of shares in issue	7,613,970,697	9,101,963,266
Number of paid shares	7,250,158,347	8,738,150,916
Number of unpaid shares	363,812,350	363,812,350
Nominal value per share (RON)	0.52	0.52

The shareholder structure as at 31 December 2019 was as follows:

Shareholder categories	% of subscribed share capital	% of paid share capital
The Bank of New York Mellon (depository bank for the Fund's GDRs)	26.87%	28.22%
Romanian institutional investors	26.09%	27.40%
Romanian private individuals	18.02%	18.93%
Foreign institutional investors	15.95%	16.75%
Foreign private individuals	2.90%	3.04%
Romanian State	0.09%	0.09%
Treasury shares	5.30%	5.57%
Unpaid shares (see Note 18(b))	4.78%	-
Total	100.00%	100.00%

Source: Depozitarul Central SA

(b) Reserves related to the unpaid share capital

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

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

	31 December 2019	31 December 2018
Other reserves	640,744,712	-
Legal reserve	533,826,946	377,333,401
Distributions for which the statute of limitation occurred	2,718,279	1,255,660
Losses from cancellation of treasury shares (negative equity reserves)	(640,744,712)	(80,910,369)
	536,545,225	297,678,692

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

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

The amounts allocated to other reserves are to be used to cover the negative reserves recorded from cancellation of shares acquired during the ninth buy-back programme, subject to Fund's shareholders' approval during 28 April 2020 General Shareholders' Meeting.

As required by the Romanian Companies' Law, a minimum 5% of the profit for the year must be transferred to the legal reserve until the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders. As at 31 December 2019, an amount of RON 156,493,546, representing 5% of the 2019 profit (profit before current profit tax of RON 3,129,870,912), was transferred to the legal reserve. As at 31 December 2018, an amount of RON 46,754,599, representing 5% of the 2018 profit (profit before current profit tax of RON 935,091,985), was transferred to the legal reserve.

Losses from cancellation of treasury shares comprise the negative reserves related to the losses on the cancellation of treasury shares acquired at an acquisition value higher than the nominal value. This amount may be covered from the retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting.

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

The table below shows the changes in the negative reserves recorded as result of the losses from cancellation of treasury shares during the year ended 31 December 2019:

1 January 2019	80,910,369
Coverage of the negative balance existing as at 31 December 2018 from 2016 unallocated profit remained under retained earnings, according to Resolution no.2 of 4 April 2019 Ordinary General Shareholders' Meeting	(80,910,369)
Negative equity reserve arising on the cancellation of shares acquired during the 9 th buy-back programme (recorded on 15 October 2019) according to share capital decrease Resolution no. 2 of 4 April 2019 Extraordinary General Shareholders' Meeting	640,744,712
31 December 2019	640,744,712

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

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

The table below shows the changes in the negative reserves recorded as result of the losses from cancellation of treasury shares during the year ended 31 December 2018:

1 January 2018	256,073,589
Coverage of negative balance according to Resolution of 26 April 2018 shareholders' meeting	(256,073,589)
Negative equity reserve arising on the cancellation of the shares acquired during 7 th buy-back programme (recorded on 29 June 2018) according to shareholders' share capital decrease Resolution no. 4/26 September 2017	31,068,596
Negative equity reserve arising on the partial cancellation of the shares acquired during 8 th buy-back programme (recorded on 29 June 2018) according to shareholders' share capital decrease Resolution no. 4/26 September 2017	24,396,485
Negative equity reserve arising on the cancellation of the remaining balance of shares acquired during 8 th buy-back programme (recorded on 28 December 2018) according to shareholders' share capital decrease Resolution no. 2/ 4 September 2018	25,445,288
31 December 2018	80,910,369

(d) Treasury shares

The Fund started the tenth buy-back programme on 2 January 2019. The table below summarises the details regarding the tenth buy-back programme, respectively the buy-back programme carried during 2019:

	GSM date approving the buy-back programme	Starting date	Completion date	Acquisition price range as approved by GSM
Tenth buy-back programme	14-Nov-2018	1-Jan-2019	31-Dec-2019	RON 0.2 - 2 per share

The tenth buy-back programme refers to the acquisition by the Fund of a maximum number of 750,000,000 shares and/or equivalent global depository receipts corresponding to the Fund's shares.

The movement of the number of treasury shares (including the equivalent shares of GDRs bought-back) during the year ended 31 December 2019 and the year ended 31 December 2018 is presented in the table below:

	Opening balance 1 January 2019	Acquisitions during the period	Cancellations during the period	Closing balance 31 December 2019
Ninth buy-back	1,487,992,569	-	(1,487,992,569)	-
Tenth buy-back	-	403,812,443	-	403,812,443
	1,487,992,569	403,812,443	(1,487,992,569)	403,812,443

	Opening balance 1 January 2018	Acquisitions during the period	Cancellations during the period	Closing balance 31 December 2018
Seventh buy-back	90,849,151	-	(90,849,151)	-
Eighth buy-back	141,869,861	-	(141,869,861)	-
Ninth buy-back	19,159,328	1,468,833,241	-	1,487,992,569
	251,878,340	1,468,833,241	(232,719,012)	1,487,992,569

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

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

The movement of the buy-back programmes carrying amounts during the year ended 31 December 2019 and the year ended 31 December 2018 is presented in the table below:

	Opening balance 1 January 2019	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 31 December 2019
Ninth buy-back	1,414,500,848	-	(1,414,500,848)	-
Tenth buy-back	-	446,008,591	-	446,008,591
	1,414,500,848	446,008,591	(1,414,500,848)	446,008,591

	Opening balance 1 January 2018	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 31 December 2018
Seventh buy-back	78,310,155	-	(78,310,155)	-
Eighth buy-back	123,615,960	(1,860)	(123,614,100)	-
Ninth buy-back	16,329,392	1,398,171,456	-	1,414,500,848
	218,255,507	1,398,169,596	(201,924,255)	1,414,500,848

(e) Dividend distribution

During the 4 April 2019 GSM, the Fund's shareholders approved the distribution of a gross dividend of RON 0.0903 per share, in relation to 2018 statutory profit.

The shareholders registered in the shareholders' registry with the Central Depositary on 10 June 2019 have the right to receive a gross dividend of RON 0.0903 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 1 July 2019 and by 31 December 2019, shareholders had collected almost 97% of the total distribution.

(f) Profit appropriation

As per these annual financial statements, prepared in accordance with the IFRS, the Fund recorded a net profit for the financial year ended 31 December 2019 of RON 3,129,870,912. The Fund's Sole Director proposal, subject for shareholders' approval in accordance with the legislation in force, for the appropriation of the net accounting profit for the 2019 financial year in an amount of RON 3,129,870,912 is as follows:

- RON 156,493,546 to legal reserves;
- RON 439,856,227 to dividends;
- RON 236,026,121 to other reserves;
- RON 2,297,495,018 unallocated profit that remains available to the Fund's shareholders.

19. Contingencies**Litigations**

At 31 December 2019, the Fund was involved in certain litigations, either as defendant or claimant. According to the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets the Fund considers that there are no litigations which may have significant effects on the Fund's financial position or profitability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

19. Contingencies (continued)**Other contingencies**

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

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

Between 2008 and 2010 the Fund recovered from World Trade Center Bucuresti SA, USD 510,131, EUR 148,701 and RON 8,724,888. Given the uncertainties regarding the recoverability of the amounts due by World Trade Center Bucuresti SA, the above amounts were recognised on receipt basis in the Fund's financial statements.

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

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

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

On 18 February 2020 the Court ruled in favour of the Fund in the case started against the Romanian State, represented by Ministry of Public Finance, for recovering the contributions of the Romanian State to the share capital of the Fund. The decision was issued in the first stage and can be appealed.

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

	12 months ended 31 December 2019	12 months ended 31 December 2018
Total Fund's cost with BON remuneration, <i>out of which</i> :	1,407,175	1,447,380
Net remuneration paid to BON members	997,977	846,720
Related taxes and contributions payable to State Budget	409,198	600,660

On 9 August 2019, one of the members of Fund's Board of Nominees, respectively Mr. Sorin Mîndruțescu, decided to step down with immediate effect from his positions held within the Fund's Board of Nominees and Consultative Committees. Starting 29 September 2019, Mr. Sorin Mîndruțescu was replaced by Mrs. Vivian Nicoli appointed by the Fund's shareholders during the General Shareholders' Meeting held on 4 September 2019. The mandate of Mrs. Vivian Nicoli is valid for a period of three years.

There were no loans to or other transactions between the Fund and the members of the Board of Nominees neither in 2019 nor in 2018.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(all amounts are in RON unless otherwise stated)

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

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

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

Transactions	Year ended 31 December 2019	Year ended 31 December 2018
Administration fees	54,699,657	60,515,467
Sundry costs reimbursed to the Fund	-	122

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

Transactions	Year ended 31 December 2019	Year ended 31 December 2018
Rent expense charged to the Fund	75,906	75,655
Operating cost charged to the Fund	27,568	26,304
	103,474	101,959

During the year ended 31 December 2019, the Fund also recorded RON 988,236 representing expenses incurred by FTIML on its behalf (year ended 31 December 2018: RON 1,330,771). These expenses were primarily related to promotional activities for the Fund (investor relations). The recharge of these expenses to the Fund followed the provisions of the management agreement in place at the respective moment and was subject to Board of Nominees' approval.

The outstanding liabilities owed by the Fund were as follows:

Amounts due to:	31 December 2019	31 December 2018
FTIS	12,907,820	10,776,338
FTIML	144,334	193,877
	13,052,155	10,970,215

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

(b) Subsidiaries

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

	31 December 2019	31 December 2018
Ownership interest		
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	70%	70%

During 2019, the Fund recorded and collected from Alcom SA dividends in total amount of RON 1,602,858 and participated in the cash share capital increase of Zirom SA, subscribing 630,000 new shares, at the nominal value of RON 10 per share (in total of RON 6,300,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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20. Related parties (continued)**(b) Subsidiaries (continued)**

During 2018, the Fund participated in the cash share capital increase of Zirom SA, subscribing 235,000 new shares, at the nominal value of RON 10 per share (in total of RON 2,350,000).

In April 2017, the shareholders of Comsig SA approved the dissolution of the company. As at the reporting date of these annual financial statements, Comsig SA is in administrative liquidation process.

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

	31 December 2019	31 December 2018
Zirom SA	31,705,400	27,129,000
Alcom SA	11,493,897	12,832,632
Comsig SA	-	-
	43,199,297	39,961,632

As at 31 December 2019, the Fund has no commitment to provide financial or other support to its subsidiaries, including commitments to assist the subsidiaries in obtaining financial support.

(c) Associates

As at 31 December 2019 and 31 December 2018 the Fund had two associates, both incorporated in Romania:

	31 December 2019	31 December 2018
Ownership interest		
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

The transactions carried out between the Fund and its associates were the following:

	Year ended 31 December 2019	Year ended 31 December 2018
Gross dividend income		
Societatea Nationala a Sarii SA	37,428,152	42,337,557
Plafar SA	89,964	-
Dividends received		
Societatea Nationala a Sarii SA	37,428,152	42,331,179
Plafar SA	89,964	-

As at 31 December 2019, the balance due by Societatea Nationala a Sarii SA to the Fund amounted RON 6,804 (31 December 2018: RON 6,389) and comprised the outstanding dividend receivable of RON 6,378 (31 December 2018: RON 6,378) and the penalties for delay payment of dividends of RON 426 (31 December 2018: RON 11). The outstanding balance due by Societatea Nationala a Sarii SA to the Fund is fully impaired.

21. Subsequent events

a) Tender Offer within the eleventh buy-back programme

On 7 January 2020 the Fund submitted an application for endorsement of a tender offer to accelerate the eleventh buy-back programme to the FSA for approval. Under this tender offer, the Fund intends to repurchase up to 200,000,000 shares from its shareholders, both in the form of shares and GDRs.

As such, the daily execution of the buy-back programme, with respect to the shares on the Bucharest Stock Exchange and GDRs on the London Stock Exchange was suspended starting with 12 December 2019.

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

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

b) Special dividends distributed by E-Distributie Banat SA, E-Distributie Dobrogea SA and E-Distributie Muntenia SA

The General Shareholders Meetings of E-Distributie Banat SA, E-Distributie Dobrogea SA and E-Distributie Muntenia SA have approved on 14 February 2020, a special distribution of dividends in total amount of RON 2,955,241,912 from retained earnings, as follows:

- E-Distributie Banat SA – RON 886,157,421
- E-Distributie Dobrogea SA - RON 502,748,433
- E-Distributie Muntenia SA - RON 1,566,336,058

The Fund is a minority shareholder in each of these companies owning 24.13% in E-Distributie Banat SA, 24.09% in E-Distributie Dobrogea SA and 12% in E-Distributie Muntenia SA. The Fund recorded on 14 February 2020 a total dividend receivable of RON 522.9 million as follows:

- from E-Distributie Banat SA – RON 213.8 million
- from E-Distributie Dobrogea SA - RON 121.1 million
- from E-Distributie Muntenia SA - RON 188 million

c) Government Emergency Ordinance no. 1/ 2020 for modifying the provisions of Government Emergency Ordinance no. 114/ 2018 regarding some fiscal-budgetary measures

On 23 December 2019 the Romanian Government assumed its responsibility in Parliament for the changes included in the draft law for modifying Government Emergency Ordinance no. 114/ 29 December 2018 regarding some fiscal-budgetary measures and the amendment and completion of some normative acts. This project was challenged in front of the Romanian Constitutional Court and consequently the amendments could not enter into force.

On 12 February 2020, the Constitutional Court admitted the unconstitutionality objection to the draft law, respectively they raised issues on the fact that the draft prepared by the Government replicates the provisions of an already existing draft law which currently is subject to Parliament approval and the unconstitutionality of the provision regarding the prohibition of cumulating the salary with the state pension. The draft has not entered into force as a law.

21. Subsequent events (continued)

In January 2020, the Government issued Government Emergency Ordinance no. 1/ 9 January 2020 regarding some fiscal-budgetary measures and the amendment and completion of some normative acts (“GEO 1/2020”) that mainly stipulates (replicating the provisions of the draft law from December 2019 - same provisions, different type of act):

- eliminating the cap on gas prices for households and thermal energy producers that supply heating to the centralised systems starting 1 July 2020;
- removing the 2% tax on turnover for companies in the electricity and natural gas sectors;
- eliminating the option to transfer from Pillar II to Pillar I (public pension system);
- eliminating the share capital increase requirements for the private pension fund managers and the provisions regarding their management fees;
- removing the tax on financial assets that was paid by banks;
- eliminating the turnover taxation for the telecom companies;
- freezing the dignitary allowances during 2020;
- prohibition of cumulating the salary with the state pension;

On 10 February 2020 the Senate rejected GEO 1/2020 and currently the draft Law for rejecting GEO 1/2020 is in discussion in the committees of Chamber of Deputies, as deciding chamber of the Romanian Parliament within the legislative process. The deadline for discussion is 25 February 2020, and before entering into force the draft needs to follow the steps below:

- be discussed and voted by the plenum of the Chamber of Deputies
- give members of the Parliament the right to ask for constitutional check
- be promulgated by the President of Romania, and
- be published in the Official Gazette of Romania.

However, GEO 1/2020 currently remains in force and its provisions are still applicable during the entire process described above. If GEO 1/2020 is rejected by the Parliament or it is declared unconstitutional by the Romanian Constitutional Court, such a decision would not have retrospective effects and would produce effect only for future. The Fund continues to closely monitor any changes in the legislative environment and assess their potential impact on the activity of the portfolio companies.

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 31 December 2019, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

Item	31 December 2018				31 December 2019				Differences RON
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
I. Total assets	100.3458%	100.0000%		10,254,794,184.46	100.4202%	100.0000%		11,921,320,295.07	1,666,526,110.61
1 Securities and money market instruments, out of which:*	24.0176%	23.9350%		2,454,476,486.94	26.8392%	26.7270%		3,186,190,739.37	731,714,252.43
1.1. securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	24.0176%	23.9350%	-	2,454,476,486.94	26.8392%	26.7270%	-	3,186,190,739.37	731,714,252.43
1.1.1 listed shares traded in the last 30 trading days	22.6042%	22.5265%	-	2,310,030,648.67	25.5857%	25.4788%	-	3,037,393,345.00	727,362,696.33
1.1.2 listed shares not traded in the last 30 trading days	0.1256%	0.1251%	-	12,832,631.77	0.0968%	0.0964%	-	11,493,896.77	(1,338,735.00)
1.1.3 Government bonds	1.2878%	1.2834%	-	131,613,206.50	1.1567%	1.1518%	-	137,303,497.60	5,690,291.10
1.1.4 allotment rights not admitted at trading on a regulated market	-	-	-	-	-	-	-	-	-
1.2. securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	-	-	-	-	-	-	-	-	-
1.2.1 listed shares traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.2.2 listed shares not traded in the last 30 trading days	-	-	-	-	-	-	-	-	-
1.3. securities and money market instruments admitted on a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the Financial Supervisory Authority ("FSA")	-	-	-	-	-	-	-	-	-
2 New issued securities	-	-	-	-	-	-	-	-	-
3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which:	72.4656%	72.2156%	-	7,405,575,340.14	70.4565%	70.1617%	-	8,364,189,591.93	958,614,251.79
- shares not admitted at trading on a regulated market	72.4656%	72.2156%	-	7,405,575,340.14	70.4565%	70.1617%	-	8,364,189,591.93	958,614,251.79
4 Bank deposits, out of which:	1.8309%	1.8246%	-	187,116,148.99	2.8502%	2.8383%	-	338,381,995.05	151,265,846.06
4.1. bank deposits made with credit institutions from Romania	1.8309%	1.8246%	-	187,116,148.99	2.8502%	2.8383%	-	338,381,995.05	151,265,846.06
- in RON	1.8309%	1.8246%	-	187,116,148.99	2.8502%	2.8383%	-	338,381,995.05	151,265,846.06
- 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	-	-	-	-	-	-	-	-	-
6 Current accounts and petty cash out of which:	0.1923%	0.1916%	-	19,647,401.47	0.2686%	0.2674%	-	31,883,167.06	12,235,765.59
- in RON	0.1923%	0.1916%	-	19,643,299.83	0.2686%	0.2674%	-	31,872,899.07	12,229,599.24
- in euro	0.0000%	0.0000%	EUR 380.61	1,775.13	0.0000%	0.0000%	EUR 817.05	3,904.93	2,129.80
- in USD	0.0000%	0.0000%	USD 228.23	929.72	0.0000%	0.0000%	USD 658.17	2,804.33	1,874.61
- in GBP	0.0000%	0.0000%	GBP 268.97	1,396.79	0.0000%	0.0000%	GBP 634.49	3,558.73	2,161.94
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:	0.4857%	0.4840%	-	49,636,197.39	0.0000%	0.0000%	-	-	(49,636,197.39)
- Treasury bills with original maturities of less than 1 year	0.4857%	0.4840%	-	49,636,197.39	0.0000%	0.0000%	-	-	(49,636,197.39)
8 Participation titles of OCII and/or of UCITS (A.O.P.C./ O.P.C.V.M.)	-	-	-	-	-	-	-	-	-
9 Other assets out of which:	1.3537%	1.3492%	-	138,342,609.53	0.0057%	0.0056%	-	674,801.66	(137,667,807.87)
- net dividend receivable from Romanian companies	1.3408%	1.3362%	-	137,018,230.51	0.0000%	0.0000%	-	-	(137,018,230.51)
- receivables related to the cash contributions to the share capital increases performed by portfolio companies	-	-	-	-	0.0003%	0.0003%	-	30,030.00	30,030.00
- tax on dividends to be recovered from the State Budget	0.0082%	0.0082%	-	838,000.00	0.0029%	0.0029%	-	348,524.00	(489,476.00)
- intangible assets	0.0033%	0.0033%	-	336,522.13	0.0014%	0.0014%	-	161,372.47	(175,149.66)
- other receivables out of which:	-	-	-	-	0.0003%	0.0002%	-	45,163.46	45,163.46
- in RON	-	-	-	-	0.0003%	0.0002%	-	45,163.46	45,163.46
- prepaid expenses	0.0014%	0.0015%	-	149,856.89	0.0008%	0.0008%	-	89,711.73	(60,145.16)
II. Total liabilities	0.3458%	0.3447%		35,350,104.78	0.4202%	0.4184%		49,874,855.48	14,524,750.70
1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.)	0.1054%	0.1051%	-	10,776,338.36	0.1087%	0.1083%	-	12,907,820.28	2,131,481.92
2 Liabilities related to the fees payable to the depositary bank	0.0005%	0.0005%	-	49,303.67	0.0005%	0.0005%	-	60,266.97	10,963.30
3 Liabilities related to the fees payable to intermediaries	0.0048%	0.0048%	-	489,816.18	0.0087%	0.0087%	-	1,035,658.41	545,842.23
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	0.0075%	0.0075%	-	778,414.45	0.0071%	0.0071%	-	840,591.36	62,176.91
8 Liabilities related to audit fees	0.0020%	0.0020%	-	203,055.52	0.0000%	0.0000%	-	767.12	(202,288.40)
9 Other Liabilities, out of which:	0.2256%	0.2248%	-	23,053,176.60	0.2952%	0.2938%	-	35,029,751.34	11,976,574.74
- liabilities to the Fund's shareholders related to the dividend distribution	0.0912%	0.0911%	-	9,327,606.80	0.2212%	0.2203%	-	26,264,210.09	16,936,603.29
- liabilities related to the return of capital	0.1011%	0.1007%	-	10,329,582.90	0.0482%	0.0480%	-	5,724,736.70	(4,604,846.20)
- provisions	0.0084%	0.0083%	-	856,247.22	0.0072%	0.0072%	-	856,247.22	-

FONDUL PROPRIETATEA SA

Item	31 December 2018				31 December 2019				Differences RON
	% of the net asset	% of the total asset	Currency	RON	% of the net asset	% of the total asset	Currency	RON	
- liabilities related to buybacks under settlement	0.0101%	0.0100%	-	1,027,752.33	0.0000%	0.0000%	-	-	(1,027,752.33)
- remunerations and related contributions	0.0005%	0.0005%	-	50,055.00	0.0003%	0.0003%	-	34,857.00	(15,198.00)
- VAT payable to State Budget	-	-	-	-	0.0005%	0.0005%	-	60,896.06	60,896.06
- tax on dividends payable to State Budget	0.0048%	0.0048%	-	495,092.04	0.0094%	0.0093%	-	1,110,580.00	615,487.96
- other liabilities out of which:	0.0095%	0.0094%	-	966,840.31	0.0084%	0.0082%	-	978,224.27	11,383.96
- in RON	0.0095%	0.0094%	-	966,840.31	0.0084%	0.0082%	-	978,224.27	11,383.96
III. Net Asset Value (I - II)	100.0000%	99.6553%		10,219,444,079.68	100.0000%	99.5816%		11,871,445,439.59	1,652,001,359.91

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

Unitary Net Asset Value

Item	31 December 2019	31 December 2018	Differences
Net Asset Value	11,871,445,439.59	10,219,444,079.68	1,652,001,359.91
Number of outstanding shares	6,846,345,904	7,250,158,347	(403,812,443)
Unitary net asset value	1.7339	1.4095	0.3244

DETAILED STATEMENT OF INVESTMENTS AS AT 31 DECEMBER 2019

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/Dec/2019	72,884,714	0.5	2.3400	170,550,230.76	10.21%	1.4306%	1.4366%	Closing price
IOR SA	IORB	27/Dec/2019	2,622,273	0.1	0.1900	498,231.87	1.18%	0.0042%	0.0042%	Reference price - Average price
Mecon SA	MECP	30/Dec/2019	60,054	11.6	17.0000	1,020,918.00	12.51%	0.0086%	0.0086%	Reference price - Average price
OMV Petrom SA	SNP	30/Dec/2019	5,663,548,078	0.1	0.4470	2,531,605,990.87	9.99%	21.2360%	21.3252%	Closing price
Romaero SA	RORX	30/Dec/2019	1,311,691	2.5	23.2000	30,431,231.20	18.87%	0.2553%	0.2563%	Reference price - Average price
Nuclearelectrica SA	SNN	30/Dec/2019	21,268,355	10	14.2600	303,286,742.30	7.05%	2.5441%	2.5548%	Closing price
Total						3,037,393,345.00		25.4788%	25.5857%	

1.2 listed shares but not traded in the last 30 trading days

Issuer	Symbol	Date of the last trading session	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Alcom SA	ALCQ	10/Feb/2017	89,249	2.5	128.7846	11,493,896.77	71.89%	0.0964%	0.0968%	Fair value/share (Shareholders' equity as at 31 December 2018 adjusted with dividends per share)
Total						11,493,896.77		0.0964%	0.0968%	

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

Unlisted shares

Issuer	No. of shares held	Date of acquisition *	Acquisition price (total price of acquisition of shares)**	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Company status	Evaluation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	19/Jul/2005	1,490,898	60.1839	1,393,798.94	20.00%	0.0117%	0.0117%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Aeroportul International Timisoara - Traian Vuia SA	32,016	19/Jul/2005	2,652,588	434.1579	13,899,999.33	20.00%	0.1166%	0.1171%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
CN Administratia Canalelor Navigabile SA	203,160	19/Jul/2005	15,194,209	73.3404	14,899,835.66	20.00%	0.1250%	0.1255%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	19/Jul/2005	675,810	60.8884	1,677,718.97	20.00%	0.0141%	0.0141%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
CN Administratia Porturilor Dunarii Maritime SA	21,237	19/Jul/2005	1,351,671	199.8672	4,244,579.73	20.00%	0.0356%	0.0358%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
CN Administratia Porturilor Maritime SA	2,658,128	19/Jul/2005	52,691,564	93.5620	248,699,771.94	19.99%	2.0862%	2.0949%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
CN Aeroporturi Bucuresti SA ***	2,875,443	5/Feb/2010	131,168,263	355.7364	1,022,899,741.23	20.00%	8.5804%	8.6165%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Complexul Energetic Oltenia SA****	27,387,940	31/May/2012	670,353,852	0.0000	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Comsig SA	75,655	19/Jul/2005	132,633	0.0000	0.00	69.94%	0.0000%	0.0000%	Administrative liquidation	Priced at zero
E-Distributie Banat SA	9,220,644	19/Jul/2005	141,578,929	56.3192	519,299,293.56	24.12%	4.3561%	4.3744%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
E-Distributie Dobrogea SA	6,753,127	19/Jul/2005	114,760,053	47.6075	321,499,493.65	24.09%	2.6968%	2.7082%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
E-Distributie Muntenia SA	3,256,396	19/Jul/2005	107,277,263	131.5871	428,499,706.09	12.00%	3.5944%	3.6095%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Enel Energie Muntenia SA	444,054	19/Jul/2005	2,833,769	93.9074	41,699,956.60	12.00%	0.3498%	0.3513%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Enel Energie SA	1,680,000	19/Jul/2005	26,124,808	15.6547	26,299,896.00	12.00%	0.2206%	0.2215%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Engie Romania SA	2,390,698	19/Jul/2005	62,610,812	214.3307	512,399,975.83	11.99%	4.2982%	4.3162%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Gerovalit Cosmetics SA	1,350,988	19/Jul/2005	340,996	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Hidroelectrica SA	89,396,405	19/Jul/2005	3,019,591,996	54.6610	4,886,496,893.71	19.94%	40.9896%	41.1618%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Plafar SA	132,784	28/Jun/2007	3,160,329	12.6129	1,674,791.31	48.99%	0.0140%	0.0141%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Posta Romana SA	14,871,947	19/Jul/2005	84,664,380	0.7732	11,498,989.42	6.48%	0.0965%	0.0969%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Romplumb SA	1,595,520	28/Jun/2007	19,249,219	0.0000	0.00	33.26%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Salubriserv SA	43,263	19/Jul/2005	207,601	0.0000	0.00	17.48%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Simtex SA	132,859	28/Jun/2007	3,059,858	0.0000	0.00	30.00%	0.0000%	0.0000%	Judicial reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,005,884	28/Jun/2007	76,347,715	137.2960	275,399,849.66	48.99%	2.3101%	2.3199%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
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 6 financial years including the financial statements for the year-ended 31 December 2018; last available financial statements are those for the year-ended 31 December 2012)
Zirom SA	6,062,083	28/Jun/2007	60,408,072	5.2301	31,705,300.30	100.00%	0.2660%	0.2671%	Unlisted companies, in function	Fair value / share (Value based on valuation report as at 30 September 2019)
Total	172,857,716		4,597,987,659		8,364,189,591.93		70.1617%	70.4565%		

Legend:

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

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

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

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

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

Government bonds

Issuer	ISIN code	No. of instruments	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Cumulated discount/premium	Market price / Reference composite price	Current value	Stake in FP total assets	Stake in FP net asset	Evaluation method
Ministry of Finance	RO1620DBN017	10,000	27/Aug/2019	26/Feb/2020	26/Feb/2020	50,000,000.00	3,082.19	952,397.26	-	99.8015%	50,853,147.26	0.4266%	0.4284%	Fair value (reference composite price published by Reuters, including the cumulated interest)
Ministry of Finance	RO1620DBN017	10,000	6/Sep/2019	26/Feb/2020	26/Feb/2020	50,000,000.00	3,082.19	952,397.26	-	99.8015%	50,853,147.26	0.4266%	0.4284%	
Ministry of Finance	RO1620DBN017	7,000	11/Dec/2019	26/Feb/2020	26/Feb/2020	35,000,000.00	2,157.53	666,678.08	-	99.8015%	35,597,203.08	0.2986%	0.2999%	
Total								2,571,472.60			137,303,497.60	1.1518%	1.1567%	

Bank deposits

Name of the bank	Starting date	Maturity date	Initial value	Daily interest	Cumulative interest	Current value	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Evaluation method
Banca Comerciala Romana	16/Dec/2019	13/Jan/2020	36,500,000.00	2,585.42	41,366.67	36,541,366.67	0.3065%	0.3078%	Bank deposit value cumulated with the daily related interest for the period from starting date
CITI Bank	18/Dec/2019	8/Jan/2020	36,500,000.00	2,230.56	31,227.78	36,531,227.78	0.3064%	0.3077%	
Banca Comerciala Romana	31/Dec/2019	3/Jan/2020	85,000,000.00	4,533.33	4,533.33	85,004,533.33	0.7130%	0.7160%	
ING BANK	31/Dec/2019	3/Jan/2020	85,000,000.00	4,958.33	4,958.33	85,004,958.33	0.7130%	0.7160%	
BRD Groupe Societe Generale	31/Dec/2019	3/Jan/2020	10,295,750.79	380.37	380.37	10,296,131.16	0.0864%	0.0867%	
Unicredit Tiriac Bank	31/Dec/2019	3/Jan/2020	85,000,000.00	3,777.78	3,777.78	85,003,777.78	0.7130%	0.7160%	
Total			338,295,750.79		86,244.26	338,381,995.05	2.8383%	2.8502%	

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

	29 December 2017	31 December 2018	31 December 2019
Net Asset	10,790,418,333.80	10,219,444,079.68	11,871,445,439.59
NAV/share	1.2375	1.4095	1.7339

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

Johan Meyer
Permanent representative

BRD Groupe Societe Generale

Claudia Ionescu
Director

Victor Strâmbei
Manager Depositary Department

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

Marius Nechifor
Compliance Officer

Annex 3

Statement of persons responsible

Provisions of Accounting Law no. 82/1991, Art.30 and

FSA Regulation no. 5/2018, Art.223, par. A (1), letter c

The annual financial statements for the financial year 31 December 2019 prepared for:

Entity: Fondul Proprietatea SA

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

Trade Registry Number: J40/21901/28.12.2005

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

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

Sole Registration Code: 18253260

The undersigned, Johan Meyer, Permanent Representative with Franklin Templeton International Services S.à r.l as Sole Director of Fondul Proprietatea SA, and Cadaru Catalin, Financial reporting manager, undertake the responsibility for the preparation of the annual financial statements as at 31 December 2019 and confirm that:

- a) the accounting policies used for the preparation of the annual financial statements are in compliance with the applicable accounting regulations;
- b) the annual financial statements give a true and fair view of the financial position and performance (including the assets, liabilities and profit or loss) and of other information regarding the business conducted;
- c) the company is conducting its business on a going concern basis;
- d) the Annual Administrator’s Report of Franklin Templeton International Services S.à r.l regarding the management and administration of Fondul Proprietatea SA for the year 2019, includes an accurate overview of the developments and performance of Fondul Proprietatea SA, as well as a description of the main risks and uncertainties related to the business.

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

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

Annex 4

Constitutive Act of Fondul Proprietatea SA in force as at 31 December 2019

CHAPTER I

Name of the company, legal form, headquarters and duration

ARTICLE 1

Name of the Company

- (1) The name of the Company is "Fondul Proprietatea" - S.A.
- (2) All invoices, offers, orders, tariffs, prospectuses and other documents used in business, issued by the Company shall indicate the name, the legal form, the registered office, the registration number with the Commercial Registry and the sole registration code (CUI), the subscribed share capital, and the paid share capital".

ARTICLE 2

Legal form of the company

- (1) "Fondul Proprietatea" - S.A., hereinafter referred to as Fondul Proprietatea, is a Romanian legal person, set up as a joint-stock company.
- (2) Fondul Proprietatea is organized, operates and ceases its activity under the provisions of Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed, and of Company Law No. 31/1990, republished, as further amended and completed.
- (3) Fondul Proprietatea is set up as an undertaking for collective investment (A.O.P.C.), of the closed-end-type, as defined by Art. 114 (1) letter b) of Law No. 297/2004, as further amended and completed and qualifies as an Alternative Investment Fund as defined by Law no. 74/2015 regarding the alternative investment fund managers that implemented in Romania Directive 2011/61/EU on alternative investment fund managers, as amended.

ARTICLE 3

Company headquarters

- (1) The registered office of Fondul Proprietatea is located in Bucharest, 78-80 Buzesti Street, floor 7th, Sector 1; the headquarters may be changed to any other location in Romania, by decision of the asset management company (Alternative Investment Fund Manager), according to article 21 paragraph (3) xii).
- (2) The Company may set up secondary headquarters such as branches, representative offices, working points or other units with no legal personality, under the terms provided by law.

ARTICLE 4

Company duration

The duration of Fondul Proprietatea is unlimited.

CHAPTER II

Purpose and business object of the company

ARTICLE 5

Company purpose

The purpose of Fondul Proprietatea is the management and administration of the portfolio.

ARTICLE 6

Business object

- (1) Fondul Proprietatea has as main object of activity the management and administration of the portfolio.
- (2) The main domain of activity of Fondul Proprietatea 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.
- (3) The business object of Fondul Proprietatea is the following:
 - a) management and administration of the portfolio;
 - b) other additional and adjacent activities, according to the regulations in force.

CHAPTER III

Share capital, shares

ARTICLE 7

Share capital

- (1) The subscribed share capital of Fondul Proprietatea is in the amount of RON 3,959,264,762.44, divided in 7,613,970,697 ordinary, nominative shares, having a nominal value of RON 0.52 each.
- (2) The identification data of each shareholder, the contribution to the share capital of each shareholder, the number of shares to which a shareholder is entitled to and the participation quota out of the total share capital are included in the shareholders' register kept by a computerized system by the Central Depository.
- (3) The capacity of shareholder of Fondul Proprietatea, as well as, in the case of legal persons or entities without legal personality, the capacity of legal representative of that respective shareholder is established on the basis of the list of shareholders from the reference/registration date received by Fondul Proprietatea from Depozitarul Central S.A. or, as the case may be, for dates different from the reference/registration date, on the basis of the following documents submitted to Fondul Proprietatea by the shareholder and issued by Depozitarul Central S.A. or by the participants as defined by the applicable laws and regulations, which provides custody services: a) the statement of account showing the capacity of shareholder and the number of shares held; b) documents evidencing the registration of the information on the legal representative with Depozitarul Central S.A./ respective participants.

ARTICLE 8

Share capital increase and decrease

- (1) The extraordinary general meeting of the shareholders shall decide, under the conditions of the law, on the share capital increase and decrease of Fondul Proprietatea, in accordance with the provisions of art. 12 (3) letter c) and d) of this constitutive act.
- (2) The share capital may be increased, in accordance with the provisions of the law, by:
 - a) by issuing new shares in exchange for cash contributions;
 - b) incorporating reserves, except for the legal reserves and of the reserves created out of the re-evaluation of the patrimony, as well as of the benefits and issuing premiums.
- (3) The share capital increase stated for in paragraph 2 shall be registered at the Trade Register Office, on the basis of the decision made by the General Meeting of the Shareholders of Fondul Proprietatea,
- (4) Any share capital decrease shall be performed in accordance with the provisions of the law.
- (5) The share capital may be decreased by:
 - a) decreasing the number of shares;

- b) decreasing the nominal value of shares; and
- c) other means provided by the law.

(6) In case the Alternative Investment Fund Manager notices that, due to accrued losses, the amount of the net assets, established as the difference between the total assets and total liabilities of Fondul Proprietatea, is less than half of the value of the subscribed share capital, Fund Manager is bound to call the extraordinary general meeting of the shareholders, which will decide if Fondul Proprietatea requires to be dissolved. In case the extraordinary general meeting of the shareholders does not decide the dissolution of Fondul Proprietatea, then Fondul Proprietatea is bound to proceed, at the latest by the termination of the fiscal year subsequent to the one in which the losses were determined, to a share capital decrease with an amount at least equal to that of the losses which could not be covered by reserves, in case in this time the net assets of Fondul Proprietatea were not reconstituted up to a value at least equal to half of the share capital.

(7) 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 extraordinary general meeting of the shareholders.

ARTICLE 9

Shares

(1) The shares of Fondul Proprietatea are nominative, of equal value, issued in dematerialized form, established by registration in the account, and grants equal rights to their holders under the conditions provided by art. 11.

(2) The nominal value of a share is RON 0.52.

(3) The shares are indivisible with respect to Fondul Proprietatea, acknowledging only one holder for each share. In case a share becomes the property of more persons, Fondul Proprietatea / the Central Depository is not bound to register the transfer as long as those persons will not appoint a sole representative to exercise the rights arising from the share.

(4) The partial or total transfer of the shares amongst the shareholders or third parties is done according to the terms, conditions and procedure provided by law.

(5) Fondul Proprietatea may buy back its own shares in accordance with the conditions laid down in legislation in force.

(6) The right to dividends are held by the shareholders registered in the shareholders' register, according to the applicable legal and/or regulatory provisions.

ARTICLE 10

Bonds

Fondul Proprietatea is authorized to issue bonds in accordance with the provisions of the law. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

ARTICLE 11

Rights and obligations arising from shares

(1) Each share fully paid by the shareholders, according to the law, grants them the right to vote in the general meeting of the shareholders, according to the provisions of paragraph (2), the right to elect and to be elected in the management bodies, the right to take part in the profit distribution, according to the provisions of this constitutive act and the legal dispositions, respectively other rights provided by the constitutive act.

(2) The shares issued by Fondul Proprietatea grant the right to vote, each share grants one voting right.

(3) Holding one share implies the rightful adhesion to this constitutive act.

(4) The rights and obligations follow the shares in case ownership thereof passes to another person.

CHAPTER IV

General meeting of the shareholders

ARTICLE 12

General meetings of the shareholders

- (1) The general meeting of the shareholders may be ordinary and extraordinary.
- (2) The ordinary general meeting of the shareholders has the following competencies, duties and functions:
- a) to discuss, approve and amend the annual financial statements after reviewing the reports of the Alternative Investment Fund Manager and financial auditor;
 - b) to establish the distribution of the net profit and to establish the dividends;
 - c) to appoint the members of the Board of Nominees ("BoN") and to cancel their appointment;
 - d) to appoint the Alternative Investment Fund Manager in accordance with the law and to cancel its appointment;
 - e) to appoint and cancel the appointment of the financial auditor and to set the minimum duration of the financial audit agreement;
 - f) to set the level of the remuneration of the members of the Board of Nominees, the Alternative Investment Fund Manager and of the financial auditor for financial audit services for the ongoing fiscal year;
 - g) to rule over the management of the Alternative Investment Fund Manager and to evaluate his/her performances and to discharge him/her from its management;
 - h) to decide on the action in a court of law against the Alternative Investment Fund Manager or, as the case may be, against the financial audit, for damages caused to Fondul Proprietatea;
 - i) to approve the strategies and the development policies of Fondul Proprietatea;
 - j) to establish the annual income and expenditure budget for the following financial year;
 - k) to decide upon the pledge, lease or the creation of the movable securities or mortgages on the assets of Fondul Proprietatea;
 - l) to decide on any other aspects regarding Fondul Proprietatea, according to the legal duties.
- (3) The extraordinary general meeting of the shareholders is entitled to decide on the following:
- a) set-up or closing of some secondary units: branches, agencies, representative offices or other such units with no legal personality;
 - b) share capital increase;
 - c) share capital decrease or re-completion thereof by issuing new shares;
 - d) conversion of shares from one category to another;
 - e) conversion of a category of bonds to another category or to shares;
 - f) issue new bonds;
 - g) approves the admission for trading and nominates the regulated market on which the shares of Fondul Proprietatea will be traded;
 - h) the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;
 - i) change of the management system of Fondul Proprietatea;
 - j) limitation or cancellation of the preference right of the shareholders;
 - k) approves the Investment Policy Statement;
 - l) any other amendment of the constitutive act or any other resolution requiring the approval of the extraordinary general meeting of the shareholders, according to applicable law or to this Constitutive Act.

ARTICLE 13

Summoning the general meeting of the shareholders

- (1) The general meeting of the shareholders is called by the Alternative Investment Fund Manager whenever required. Prior to the convocation of the general meeting of the shareholders, the Alternative Investment Fund Manager shall communicate to the Board of Nominees the intention to call the general meeting and shall introduce on the list of matters for the meeting all matters requested by the Board of Nominees.
- (2) The ordinary general meeting of the shareholders meets at least once a year, within 4 months from the end of the

financial year.

(3) The date of the meeting may not be less than 30 days from the publication of the convocation in the Official Gazette of Romania, Part IV.

(4) The general meeting of the shareholders, either ordinary or extraordinary, shall be called whenever required, according to the legal provisions in force and with the dispositions of the constitutive act, by publication of the calling notice in the Official Gazette of Romania, Part IV, and a national daily newspaper or in a local newspaper largely read in the locality where the HQ of the company resides at least 30 days prior to the proposed date of meeting.

(5) One or more shareholders, individually or jointly, representing at least 5% of the share capital of Fondul Proprietatea, may request the Alternative Investment Fund Manager by a written address signed by the holder(s) to introduce in the agenda new matters, within 15 days of the publication of the calling notice.

(6) The calling notice, any other matter added to the agenda at the request of the shareholders or of the Board of Nominees, the annual financial statements, the annual report of the Alternative Investment Fund Manager, the report of the Board of Nominees as well as the proposal to distribute dividends are made available to the shareholders, at the headquarters of Fondul Proprietatea at the date of convocation of the general meeting, and are also published on the internet page, for free access to information by the shareholders. Upon request, copies of these documents shall be issued to the shareholders.

(7) The calling notice includes the place, hour and date of the general meeting of the shareholders, as well as the agenda, expressly mentioning all matters that will be subject to debate and all matters required by the applicable law.

(8) In case the agenda includes proposals to amend the constitutive act, the notice shall include the full text of the proposals. In case the agenda includes the appointment of the members of the Board of Nominees, the notice shall mention that the list including information regarding the name, the residence and professional training of the persons proposed for the position of member of the Board of Nominees is available to the shareholders, to be further reviewed and completed by shareholders.

(9) The notice for the first general meeting of the shareholders may provide also the day and hour of the second meeting, having the same agenda as the first, in order to cover the situation in which the first meeting cannot take place if the quorum is not being met.

(10) The general meeting of the shareholders shall meet at the headquarters of Fondul Proprietatea or in another place indicated in the notice.

(11) The Board of Nominees may request to the Alternative Investment Fund Manager the calling of the general meeting, and if the Fund Manager does not observe the written request of the Board of Nominees within 5 working days from receiving it, the Board of Nominees may call upon the general meeting of the shareholders by following the same procedures as set out in this Article.

(12) The chairperson of Board of Nominees may request to the Alternative Investment Fund Manager the calling of the general meeting according to article 16 paragraph (4) second sentence.

(13) The Alternative Investment Fund Manager immediately call the general meeting of the shareholders, upon written request of the shareholders, individually or jointly, representing at least 5% of the share capital, in case the request includes dispositions that fall under the responsibility of the general meeting of shareholders.

(14) In the case provided by paragraph (13), the general meeting of the 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 Alternative Investment Fund Manager received the request of the shareholders.

(15) In the situation provided by paragraphs (13) and (14), in case the Alternative Investment Fund Manager does not call the general meeting of shareholders, the shareholders who requested the calling of the general meeting may request the same to the Board of Nominees. Should the Board of Nominees is also not responding to their request in 10 working days from the receipt of the request, the court of law from the headquarters of Fondul Proprietatea, by summoning the Alternative Investment Fund Manager, may authorize the calling of the general meeting by the shareholders which formulated the request

ARTICLE 14**Organization of the general meeting of the shareholders****I. Quorum and voting rights**

(1) Upon the first calling, for the validity of the deliberations of the ordinary general meeting of the shareholders it is required that the shareholders representing at least a fourth of the total shares with right to vote to attend. The decisions of the ordinary general meeting of the shareholders are taken with the majority of votes.

(2) In case the ordinary general meeting of the shareholders cannot operate due to lack of quorum under paragraph (1), the meeting that will meet upon a second convocation may deliberate on the items included in the agenda of the first meeting, irrespective of the met quorum, taking decision by majority of the expressed votes.

(3) For the validity of the deliberations of the extraordinary general meeting of the shareholders the following are required:

a) upon the first convocation, the attendance of the shareholders representing at least a fourth of the shares having voting rights, and the decisions are taken with majority of votes held by the shareholders attending or being represented;

b) upon the second convocation, the general meeting of the shareholders may deliberate on the items included in the agenda of the first meeting in the presence of the shareholders representing at least one fifth of the total number of the shares having voting rights, taking decisions by majority of votes held by the shareholders attending or being represented.

(4) The attendance of shareholders representing at least 50% of the total number of the voting rights, both at the first and the second convocation, is required for the validity of deliberations of the extraordinary general meeting of the shareholders to adopt a decision regarding:

(i) a share capital increase,

(ii) the anticipated dissolution of Fondul Proprietatea, made under the conditions of the law.

(5) For the validity of the deliberation of the extraordinary general meeting of shareholders regarding a share capital decrease, the attendance of the shareholders representing:

(i) at least a fourth of the shares having voting rights upon the first convocation, and

(ii) at least one fifth of the total number of the shares having voting rights, upon the second convocation is required.

(6) The decision to amend the main business object of Fondul Proprietatea, to decrease or increase the share capital, to change the legal form, to merge, de-merge or dissolve, is taken with a majority of at least two thirds of the voting rights related to the shares having voting rights of the shareholders attending or being represented.

II. Procedure of the meetings

(7) On the day and hour established in the convocation, the general meeting of the shareholders shall be opened by the permanent representative of the Alternative Investment Fund Manager or, in its absence, by the one holding its place. A legal representative of the Alternative Investment Fund Manager or a person appointed by the legal representative of the Fund Manager shall be the chairman of the meeting. The members of the Board of Nominees shall participate at the meetings, as well.

(8) The general meeting shall elect, from amongst the attending shareholders, 1 up to 3 secretaries, who will check the attendance list of the shareholders, indicating the share capital represented by each of them, the minutes drawn up by the technical secretary to determine the number of the submitted shares and the fulfillment of the formalities requested by law and by the constitutive act for holding the general meeting of the shareholders.

(9) A minute of the meeting, signed by the president and by Secretaries, shall determine the fulfillment of the calling formalities, the date and place of the general meeting of the shareholders, attending shareholders, the members of the Board of Nominees present, the number of shares, a summary of the debates, the decisions taken, and upon request of the shareholders, the statements made thereby in the meeting.

(10) The documents referring to the convocation and the shareholders' attending list shall be attached to each minute.

(11) The permanent representative of the Alternative Investment Fund Manager may appoint, from amongst the employees of the Alternative Investment Fund Manager, one or more technical secretaries, to fulfill their duties according to the legal provisions.

(12) The decisions of the general meetings of the shareholders are drawn-up based on the minutes and is signed by the permanent representative of the Alternative Investment Fund Manager or by a person appointed thereby. The minutes shall be recorded in the general meetings of the shareholders' register.

(13) Considering the extremely large number of shareholders of Fondul Proprietatea the shareholders may participate in person, by proxy with a special power of attorney or may express their voting right by correspondence or by electronic voting; the procedures and forms for the proxy, correspondence and electronic voting shall be set by the Alternative Investment Fund Manager, in accordance with the applicable legislation and are made available to the shareholders at least by the date of publishing of convening notice for general meeting of shareholders.

(14) Considering the introduction of the voting right by correspondence, which right may be exercised and it is recommended to be exercised by any of the shareholders, the statutory quorum that needs to be met for the valid holding of any type of general meeting of the shareholders is calculated by including the votes deemed validly sent by correspondence.

(15) Also in the case of the vote by correspondence, each shareholder is entitled to pronounce himself in writing, with respect to the issues included in the agenda, casting a vote "for", "against" or "abstained". The expressed votes that are not cancelled are considered.

(16) All shareholders who, at the reference date, are registered in the shareholders' register, kept according to the law, have the right to participate to the general meetings of the shareholders.

(17) In order to ensure the effective and real possibility of all shareholders to be informed on the contents of the documents and the proposals of the ones requiring the organization of the general meeting of the shareholders, by care of the Alternative Investment Fund Manager, such will be available, at the headquarters of Fondul Proprietatea, as well as on the internet page of Fondul Proprietatea, at least 30 days prior to the date provided for holding the meeting. In the case the calling of the general meeting is made by the Board of Nominees, the Alternative Investment Fund Manager has the obligation to fulfil all the above-mentioned formalities at the request of the Board of Nominees. In case the communication with the shareholder is not realized in this way, for objective reasons, the Board of Nominees may announce in the calling notice a different address than the registered address of Fondul Proprietatea, where the above-mentioned documents will be made public on the website of Fondul Proprietatea, in accordance with the applicable legislation.

(18) In the ads informing on the convocation of the general meeting of shareholders of Fondul Proprietatea it will be indicated, by the Alternative Investment Fund Manager the reference date in relation to which the shareholders will be entitled to participate and vote. Also, the date by when the shareholders may send their votes, as well as the procedure for voting by correspondence, regarding any of the issues subject to approval shall also be set. If the calling of the general meeting is made at the request of the Board of Nominees the above mentioned duties shall be fulfilled by the Board of Nominees. The deadline by when votes by correspondence may be registered at least 5 working days subsequent to the date of publication of the informative material and is prior to the convocation date of the general meeting of the shareholder by at least 48 hours.

(19) The votes of the shareholders will be sent electronically or by letter to the headquarters of Fondul Proprietatea, in a clear and precise form, noting "for", "against" or "abstained" in relation to each issue subject to approval for which the shareholder intends to cast a vote.

(20) The votes transmitted electronically shall be cancelled if they do not observe the procedure set by the Alternative Investment Fund Manager drawn up according to the Financial Supervisory Authority regulations and such votes will not be taken into consideration in calculating the attending quorum.

III. Exercising the voting right in the general meeting of the shareholders

(21) The shareholders may be represented in each general meeting by other shareholders or by third parties subject to evidence that voting authority has been delegated by the shareholder for that particular general meeting.

(22) The decisions of the general meetings of the shareholders are taken by open vote, except for the cases the law or this constitutive act does not provide differently.

(23) Only the shareholders registered in the company shareholders' register at the reference date established by the Alternative Investment Fund Manager or the Board of Nominees, as the case may be, when calling the general meeting of the shareholders shall be entitled to participate to the meeting and vote after proving their identity.

(24) Secret vote is compulsory for electing and revoking the Alternative Investment Fund Manager, the members of the Board of Nominees, the financial auditors and for taking some measures/decisions regarding the liability of the

Alternative Investment Fund Manager or of the members of the Board of Nominees and of the financial auditors of Fondul Proprietatea.

(25) The procedures referring to the secret vote, where applicable will be approved by the Alternative Investment Fund Manager and will be made public on the website of Fondul Proprietatea at the date of convening notice at least by the date of publishing of convening notice for general meeting of shareholders.

(26) The decisions of the general meeting of the shareholders are binding for all shareholders, even for the absent shareholders or who voted against or abstained.

(27) The shareholders who do not have capacity to act, as well as the legal entities may be represented by their legal representatives who, in their turn, may grant power of attorney to other persons for that particular general meeting of the shareholders.

CHAPTER V

The Board of Nominees

ARTICLE 15

Organisation

(1) The ordinary general meeting of the shareholders shall appoint the Board of Nominees, formed of 5 members, and shall establish their remuneration.

(2) Any shareholder will have the right to make proposals on the members of the Board of Nominees. The members of the Board of Nominees may be shareholders of Fondul Proprietatea or other persons designated by the shareholders and they must have the proper experience and knowledge in order to be able to receive the Alternative Investment Fund Manager reports and of the consultants and, based on the information received, judge the merits of the management of Fondul Proprietatea within the limits of the objectives and principles set by the investment policy as well as by the applicable laws and regulations. Also, the members of the Board of Nominees have to be qualified properly in order to decide (if there is need with the support of an independent consultant) if the transactions proposed by the Alternative Investment Fund Manager needing the approval of the Board of Nominees are made to the advantage of the shareholders.

(3) The mandate of the members of the Board of Nominees is of 3 years, period to be extended by right, by the first meeting of the General Meeting of the Shareholders.

(4) The Board of Nominees elects from amongst its members a chairman of the Board.

ARTICLE 16

Functioning

(1) The meetings of the Board of Nominees are held at least once every quarter, however they may be called upon whenever needed. The call for the meeting of the Board of Nominees is made by the chairman, any of its members or upon the request of the Alternative Investment Fund Manager. The Board of Nominees shall meet in at most 7 days as of the calling.

(2) The Chairperson of the Board of Nominees or, during his/her absence, a member of the Board of Nominees appointed through vote by the other members to chair the meeting, ensures the proper unfolding of the meetings. The meetings of the Board of Nominees shall be held at the headquarters of Fondul Proprietatea or at such other location as may be agreed among the members of the Board of Nominees or by means of electronic communications (e.g. telephone, videoconference).

(3) The Board of Nominees takes valid decisions provided the absolute majority of its members. The members of the Board of Nominees may be represented to the meetings of the Board of Nominees only by other members of the Board of Nominees on the basis of a special written empowerment, presented in its original form at the beginning of the meeting. One member of the Board of Nominees may represent only one absent member. The decisions of the Board of Nominees shall be taken with the absolute majority of the votes of its members and are signed by all the members which participated to the meeting. If some of the members of the Board of Nominees have been represented, the empowerment will be annexed to the minute of the meeting.

(4) If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision, the chairperson of

the Board of Nominees shall give notice for a second meeting of Board of Nominees, having the same agenda as the first, in order to discuss this agenda. If the absolute majority condition cannot be fulfilled to have the quorum for taking a decision for three consecutive times, the chairperson of the Board of Nominees shall ask the Alternative Investment Fund Manager to convoke the general meeting of the shareholders in order to properly decide on the respective decisions; in case that the Alternative Investment Fund Manager does not convoke it, any of the members of the Board of nominees will be in his right to convoke the general meeting.

(5) In case of vacancy of the seat of one or more members of the Board of Nominees, the general meeting of the shareholders shall immediately convoke for the appointment of new members. For the period in time by the decision of the general meeting, the other members of the Board of Nominees will nominate members ad interim to fulfil the vacant positions. The decision of the Board of Nominees on nominating members ad interim will be communicated to the Alternative Investment Fund Manager, the auditor and will be filed with the Trade Register.

ARTICLE 17

Attributions of the Board of Nominees

The Board of Nominees has the followings duties and functions:

- (1) Following the information received from the Alternative Investment Fund Manager with regard to the summoning of the ordinary and/or extraordinary general meeting of the shareholders requests, if it deems necessary, the insertion of supplementary matters in the text of the calling notice of the general meeting of shareholders;
- (2) Receives from the Alternative Investment Fund Manager the information in connection with the answers to the written requests submitted before the date of the general meeting of the shareholders, by the shareholders on topics regarding Fondul Proprietatea's activity;
- (3) Receives from the Alternative Investment Fund Manager the annual financial statements, the annual activity report presented by the Alternative Investment Fund Manager and the financial auditors' report, before being made available to the shareholders and analyses them, being able to formulate an opinion to be presented to both the Alternative Investment Fund Manager and the general meeting;
- (4) Receives from the Alternative Investment Fund Manager for analysis the annual report and the management policy of Fondul Proprietatea and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders regarding such;
- (5) Receives from the Alternative Investment Fund Manager for analysis the yearly income and expenditure budget before it is submitted to the approval of the general meeting of shareholders and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders regarding such;
- (6) Receives from the Alternative Investment Fund Manager for analysis the strategy in accordance with the Fondul Proprietatea's investment policy before to be submitted to the approval of the general meeting of the shareholders and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (7) Receives from the Alternative Investment Fund Manager for analysis and approves the framework for carrying out Fondul Proprietatea's operations, as well as any other Fondul Proprietatea's regulations issued by Alternative Investment Fund Manager according to legal provisions in force, capital market rules and regulations;
- (8) Receives from the Alternative Investment Fund Manager for analysis the proposal to the ordinary general meeting of the shareholders for the conclusion of the financial audit agreement and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (9) Reviews on a regular basis the investment policy of Fondul Proprietatea and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders as any time it deems necessary, but in any case, at least once a year to the annual ordinary meeting;
- (10) Receives the report of the internal auditor and presents an opinion to the Alternative Investment Fund Manager and to the general meeting of the shareholders;
- (11) Monitors the following, based on information and reports received from the Fund Manager:
 - the list of all portfolio investments and percentage breakdown by each investment type;
 - a list of major transactions occurring in the Fondul Proprietatea portfolio for the period under review;
 - the total profit of the portfolio and comparison of profit with the appropriate market benchmark;
 - comparison of the obtained profit with the initial objective;
 - the extent of compliance with the investment policy, including, specifically, the degree to which any

performance objectives set out therein are achieved, as well as any variations and actions taken to achieve such objectives and improve investment results;

- the performance evaluation report.

The Board of Nominee shall draft and present to the general meeting of the shareholders an annual report regarding the monitoring activity performed or a monitoring report for another period agreed by the general meeting of shareholders;

(12) Represents the general meeting of the shareholders in relation with the Alternative Investment Fund Manager from the communication point of view between the two corporate bodies, except for the cases expressly regulated by this constitutive act as a direct communication between the general meeting and the Alternative Investment Fund Manager;

(13) Verifies the report of the Alternative Investment Fund Manager and the exercise of the permanent monitoring over the management of Fondul Proprietatea by the Alternative Investment Fund Manager, and verifies if the operations carried on by the Alternative Investment Fund Manager are in compliance with the applicable law, the constitutive act and/or with any relevant decision of the general meeting of the shareholders;

(14) Under the conditions of art. 13 paragraphs (11) and (14) calls upon the general meeting of the shareholders;

(15) Participates to the meetings of the general shareholders' meetings and presents in this meeting reports in all cases provided by this constitutive act or with regard to any issue it deems to be relevant for the shareholders;

(16) Proposes to the general meeting of shareholders the prior approval or rejection of the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;

(17) Recommends to the General Meeting of the Shareholders the termination of the management contract for the case when the Board of Nominees is considered is to the benefit of the shareholders.

(18) Recommends to the general meeting of the shareholders on any other issues the Board of Nominees is considered relevant to the shareholders.

(19) Following of proposal of Alternative Investment Fund Manager, recommends to the Extraordinary General Meeting of the Shareholders the appointment of the public offer intermediate, as well as on his remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

(20) Approves the delegation by the Alternative Investment Fund Manager of certain activities. The delegation shall be effective in accordance with the legal provisions in force.

(21) Is responsible for monitoring the Alternative Investment Fund Manager performance of the Investment Management Agreement.

ARTICLE 18

The obligations of the members of the Board of Nominees

(1) The members of the Board of Nominees have diligence and loyalty duties towards the shareholders of Fondul Proprietatea.

(2) The members of the Board of Nominees are held liable towards the general meeting of the shareholders of Fondul Proprietatea, in accordance with the mandate rules. The decisions of the members of the Board of Nominees will be taken after due enquiries into the relevant circumstances existing at the specific moment at which such decisions have been taken.

(3) The members of the Board of Nominees cannot disclose the confidential information and the commercial secrets of Fondul Proprietatea, to which those persons have access. Such obligation remains in force as well as after the termination of the mandate.

(4) If a member of the Board of Nominees has, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, in a certain operation, that member must give notice of such situation to the other members and to the internal auditors and not take part in any deliberation regarding that operation.

(5) The same obligation must be observed by the member of the Board of Nominees, who acknowledges that in a certain operation, his/her wife or husband, relative or related persons by the 4th grade inclusive are interested.

(6) The prohibitions stipulated in paragraphs (4) and (5) regarding the participation, deliberation and voting of the members of the Board of Nominees, are not applicable if the vote refers to:

- a) the offer of shares or obligations of Fondul Proprietatea for subscription, to a member of the Board of Nominees or to the persons mentioned in paragraph (5);
- b) the granting by a member of the Board of Nominees or by the persons mentioned in paragraph (5) of a loan or establishing a guarantee in favour of Fondul Proprietatea.
- (7) The member of the Board of Nominees not observing the provisions of paragraphs (4) and (5) is held liable for the damages caused to Fondul Proprietatea.
- (8) It is forbidden the crediting by the Fondul Proprietatea of the members of the Board of Nominees, through operations such as:
- a) granting loans;
- b) granting financial facilities for or after the conclusion by Fondul Proprietatea with the members of delivery operations of goods, providing of services or performance of works;
- c) direct or indirect guarantee, in whole or in part, of any loans granted to the member of the Board of Nominees, concomitant or after granting the loan;
- d) direct or indirect guarantee, in whole or in part, of performance by the members of any other personal obligation of those towards third parties;
- e) direct or indirect guarantee, in whole or in part, of any receivables having as object a loan granted by a third party to the members of the Board of Nominees or other personal service of those members.
- (9) The provisions of paragraph (8) are applicable and the operations in which the husband or wife, relatives or related persons by the 4th grade inclusive of the members of the Board of Nominees are interested; also, if the operation concerning a civil or a commercial company at which one of the persons above mentioned is director or holds, solely or together with one of the persons above mentioned, a quota of at least 20% of the value of the subscribed share capital.
- (10) The provisions of paragraph (8) are not applicable for the case when the operation is concluded by Fondul Proprietatea during its current business, and the clauses of the operations are not more favourable to the persons specified in paragraphs (8) and (9) than the ones usually practiced by Fondul Proprietatea towards third parties
- (11) The Board of Nominees shall promptly decide on all requests for approval from the Alternative Investment Fund Manager within a reasonable time frame to allow the Alternative Investment Fund Manager to comply with its own obligations.

CHAPTER VI

Provisions regarding the company's management

ARTICLE 19

Organisation

- (1) Shareholders of Fondul Proprietatea designate the Alternative Investment Fund Manager (AIFM) for the purpose of managing it. The AIFM has also the sole director role.
- (2) The Alternative Investment Fund Manager is elected by the general meeting of the shareholders, with the observance of the legal provisions and of this constitutive act.
- (3) The mandate of the AIFM is of 2 years. The AIFM will call an Ordinary General Meeting of Shareholders to be held at least 6 months before the expiry of the mandate of the AIFM and will ensure that the agenda for such meeting will include points granting the options to (i) approve the renewal of the AIFM's mandate and (ii) appoint a new AIFM in accordance with the legal provisions in force, with the shareholders being granted the opportunity to propose candidates for such position; the agenda will also include provisions for the authorization of the negotiation and execution of the relevant investment management agreement and fulfilment of all relevant formalities for the authorization and legal completion of such appointment.
- (4) The legal entity appointed as Alternative Investment Fund Manager of Fondul Proprietatea must expressly accept such position, by executing the management agreement and must have in place professional liability insurance.
- (5) The Investment Management Agreement can be modified or replaced in accordance with article 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the Investment Management Agreement will be signed on behalf of Fondul Proprietatea by the chairman of the Board of Nominees or by a member of the Board of Nominees empowered by the chairman.

ARTICLE 20

Functioning

The Alternative Investment Fund Manager shall appoint a natural person as its permanent representative. The Alternative Investment Fund Manager can change the permanent representatives in accordance with the applicable law. All changes will be registered with the Trade Registry.

ARTICLE 21

Attributions of the Alternative Investment Fund Manager

(1) The management of Fondul Proprietatea is ensured by the Alternative Investment Fund Manager, which fulfils the necessary and useful operations for the fulfilment of the company's business object, except of the operations reserved by the law for the general meeting of the shareholders and has all the obligations attributed to it by the applicable law.

(2) The Alternative Investment Fund Manager exercises its attributions under the control of the general meeting of the shareholders and the monitoring of the Board of Nominees, according to article 17.

(3) In addition to the duties provided by the applicable law, the Alternative Investment Fund Manager shall propose for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders of Fondul Proprietatea, the general strategy in accordance with the investment policy of Fondul Proprietatea 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 Fondul Proprietatea portfolio. The Alternative Investment Fund Manager undertakes to inform the Board of Nominees regularly, and as and when required by the Board of Nominees, about any significant changes in the activities of Fondul Proprietatea and within the structure of its portfolio.

(4) In excess of the duties provided by the applicable law, the Alternative Investment Fund Manager shall be liable to:

i) establish a reference date for shareholders entitled to vote within the general meeting, under the law, and draft the text of the announcement on the convocation of the general meeting, after obtaining the prior approval of the Board of Nominees and after it added to the agenda the matters requested by the Board of Nominees;

ii) upon the written request of any shareholder submitted before the date of the general meeting of the shareholders, to give responses after obtaining the prior approval of the Board of Nominees, regarding the aspects concerning the business of Fondul Proprietatea;

iii) ensure that, if requested by any of the shareholders, a copy of or extract of the minutes of the general meeting shall be given to them and also, after the announcement of the ordinary annual general meeting of the shareholders is published, make available to the shareholders the financial statements of the company and the reports of the Fund Manager and of the company's financial auditors,

iv) prepare the annual financial statements, draft the annual activity report, examine the financial auditors' report, present them to the Board of Nominees before submitting such documents to the general meeting of the shareholders and make proposals on the distribution of the profit to the general meeting of the shareholders, after obtaining the prior approval of the Board of Nominees;

v) manages the relationship with the Central Depository with regard to its shareholders register functions,

vi) prepare an annual report on the management and the business policy of Fondul Proprietatea, to be presented to the Board of Nominees for approval prior to its submission to the general meeting of the shareholders;

vii) proposes for the prior approval of the Board of Nominees and further, of the general meeting of the shareholders, of the yearly income and expenditure budget and business plan;

viii) approves the outsourcing of certain activities, within the limits of the approved budget, respectively the delegation of the performance of certain activities, subject to the observance of the applicable legislation;

ix) based on the proposal of the Board of Nominees to submit to the approval of the extraordinary general meeting of shareholders the execution of contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-current assets of Fondul Proprietatea, whose value exceeds, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables;

x) execute contracts for acquiring, selling, exchanging or for creating pledges, having as subject non-

current assets of Fondul Proprietatea, whose value does not exceed, individually or cumulatively during a financial year, 20% of the total value of the non-current assets of Fondul Proprietatea, less receivables, without the approval of the ordinary or extraordinary general shareholders' meeting;

xi) propose to the ordinary general meeting of the shareholders the conclusion of the financial audit agreement according to the legal provisions in force, upon obtaining the prior approval of the Board of Nominees, as well as approve the procedure of internal audit and the audit plan;

xii) decide the relocation of the registered office, provided that the registered office shall at all times be registered in Romania;

xiii) make available to the Board of Nominees the reports, as well as other necessary documents for exercising the monitoring duties, in accordance with art. 17 paragraph (11);

xiv) inform at once the Board of Nominees of any litigation or infringement of legislation regarding Alternative Investment Fund Manager, any operation which might be an infringement to the investment policy and about the plans/ correction measures for approaching these matters;

xv) ask for the calling of the general meeting which shall decide properly whenever an issue appears on which the Board of Nominees has a disagreement with the Alternative Investment Fund Manager, which cannot be resolved amiably;

xvi) proposes to Board of Nominees the recommendation for the Extraordinary General Meeting of the Shareholders for the appointment of the investment firm/investment bank who shall manage a public offer, as well as on its remuneration, when it will become necessary that such a company be appointed related to the admission to trading of Fondul Proprietatea.

(5) For the avoidance of any doubt, in fulfilling the obligations listed under paragraph (4) of this Article 21, the Alternative Investment Fund Manager acts mainly in its capacity as sole director according to the applicable Romanian legislation.

ARTICLE 22

The obligations of the Alternative Investment Fund Manager

(1) The Alternative Investment Fund Manager has a diligence and loyalty duty towards Fondul Proprietatea. Such duty is exercised taking into consideration the interest of the shareholders generally, and not of some of them.

(2) The Alternative Investment Fund Manager is held liable towards Fondul Proprietatea, according to the law. The decisions of the Alternative Investment Fund Manager are taken after due enquiries regarding the relevant circumstances existing at the moment of which those decisions are taken.

(3) The Alternative Investment Fund Manager cannot disclose confidential information or commercial secrets of Fondul Proprietatea, to which it has access. Such obligation remains also after the termination of the mandate.

(4) If the Alternative Investment Fund Manager, respectively its permanent representative and its employees, have in a certain operation, directly or indirectly, adverse interest to the interest of Fondul Proprietatea, the Fund Manager must give notice to the internal auditors and Board of Nominees of this issue and not take part in any deliberation concerning the specific situation.

(5) The same obligation must be observed by the Alternative Investment Fund Manager, respectively by its permanent representative and its employees if, in a certain operation, is being aware that an affiliate of the Alternative Investment Fund Manager or the wife or husband, relatives or related persons by the 4th grade inclusive of the representative and its employees, are interested.

ARTICLE 23

Representation of Fondul Proprietatea

(1) In relations with third parties, Fondul Proprietatea is represented by the Alternative Investment Fund Manager, respectively by its permanent representative.

(2) The Alternative Investment Fund Manager may delegate the representative powers, in accordance with the applicable law.

CHAPTER VII

The audit of Fondul Proprietatea

ARTICLE 24

The internal auditors and the financial audit

- (1) The financial statements of Fondul Proprietatea are subject to financial audit. Also, Fondul Proprietatea shall organise its internal audit in accordance with the legal provisions in force.
- (2) An internal audit department shall be organised within Fondul Proprietatea, having attributions of objective examinations of the company's aggregate business, for the purpose of providing an independent evaluation of the risk management, control and leading development of the company. The Alternative Investment Fund Manager can decide that internal audit work can be outsourced, in which case it will run it on a contractual basis, in accordance with the applicable legal provisions.
- (3) The internal audit is independent of the management of Fondul Proprietatea, and the internal auditors shall objectively exercise this activity.
- (4) The internal audit shall evaluate and shall propose the improvement of the risk management, the control and internal rules within Fondul Proprietatea.
- (5) The internal auditors shall not be subject of any interference in determining the purpose of the internal audit and in exercising their activity.
- (6) The internal auditors shall have an impartial, correct attitude and shall avoid the conflicts of interest.
- (7) The internal audit shall transmit the plans of the internal audit activity and the necessary resources, inclusive the significant interim changes, to the Board of Nominees for information, as well as to the Alternative Investment Fund Manager for approval within the limits of its competencies.
- (8) The internal audit shall establish the policies and procedures for exercising the internal audit activity within Fondul Proprietatea, comprising amongst others, the analysis of the decisions taken by the company's management and the control of their compliance with the statutory requirements and/or with other documents approved by the general meeting of the shareholders.
- (9) The internal audit shall coordinate its activity with the financial auditor, in order to ensure the proper fulfilment of the audit objectives and to minimize any duplication of attributions.
- (10) The internal audit shall give quarterly reports to the Board of Nominees of Fondul Proprietatea and the Alternative Investment Fund Manager regarding the purpose of the internal audit activity, authority, responsibility and performance according to its plan. The reports shall include also the significant risks and aspects of the control and management, as well as other necessary problems or as requested by the Board of Nominees and the Alternative Investment Fund Manager.
- (11) The internal audit shall verify if the management of Fondul Proprietatea has taken appropriate measures concerning the reported significant risks or if the Alternative Investment Fund Manager has accepted the risk of not taking any measure and shall inform the Board of Nominees and the general meeting of the shareholders if the Alternative Investment Fund Manager has accepted the reported significant risks.
- (12) The internal audit shall establish the procedures for monitoring the implementation of the measures taken by the management of Fondul Proprietatea.
- (13) The internal auditors shall notify the Board of Nominees and the Alternative Investment Fund Managers with respect to any flaws in the management or breaches of the legal provisions or of the constitutive act, where such are identified by the internal auditors; the significant cases shall be notified to the general meeting of the shareholders.
- (14) The internal auditors shall take into consideration the complaints of the shareholders when drafting the reports addressed to the general meeting of the shareholders.
- (15) The attributions, duties and the functioning way of the internal auditors, as well as their rights and obligations are completed with the legal provisions in this area.

CHAPTER VIII

Business of Fondul Proprietatea

ARTICLE 25

Financing its own business

For the fulfilment of the business object and in accordance with the attributions established, Fondul Proprietatea uses the financial sources established pursuant to the law, banking credits and other financial sources. Fondul Proprietatea is not allowed to conclude loan agreements for investment reasons.

ARTICLE 26

Financial year

The financial year begins on 1st of January and terminates on 31st December of each year.

ARTICLE 27

Accounting evidence and annual financial statements

- (1) The accounting is kept in Romanian language and in national currency.
- (2) Fondul Proprietatea must draft the annual financial statements according to legal provisions in force.

ARTICLE 28

Calculation and distribution of the profit

- (1) The result of the financial year is determined at the end of the year and represents the final balance of the profit and loss account.
- (2) The profit of Fondul Proprietatea after the payment of the profit tax shall be distributed according to the decision of the general meeting of the shareholders and to the legal provisions in force.
- (3) Fondul Proprietatea creates legal reserves and other reserves, pursuant to the law.
- (4) The payment of dividends owed to the shareholders is made by Fondul Proprietatea, according to the law.
- (5) The dividends are distributed between the shareholders proportional with the number of held shares.
- (6) In case of loss of the net asset, the general meeting of the shareholders shall analyse the causes and decide properly, according to the law.

ARTICLE 29

Registries

Fondul Proprietatea shall maintain, by care of the Alternative Investment Fund Manager and internal auditors, all registries provided by the law. The shareholders registry is kept by the Central Depository.

CHAPTER IX

Association, change of the legal form, dissolution and liquidation, litigation

ARTICLE 30

Association

- (1) Fondul Proprietatea may set-up, solely or together with other Romanian or foreign natural persons or legal entities, other companies or legal entities, according to the law and to this constitutive act.
- (2) The conditions for the participation of Fondul Proprietatea at the setting-up of new legal entities shall be

regulated by the constitutive acts, which to be approved by the general meeting of the shareholders.

ARTICLE 31

Dissolution

- (1) The dissolution of Fondul Proprietatea shall take place in the following cases:
- a) impossibility of performing the company's business object;
 - b) declaring the company's nullity;
 - c) by decision of the extraordinary general meeting of the shareholders, in accordance with article 14 paragraphs (4) and (5);
 - d) as consequence of losses, if the net asset value, determined as difference between the total asset and company's debts, represents less than half of the value of the subscribed share capital and if, not later than the termination of the financial year subsequent to the one during which the losses have been ascertained, the general meeting of the shareholders fails to decrease the share capital with an amount at least equal with the one of losses which could not be covered from reserves or to reconstitute the company's net asset up to the value at least equal with half of the subscribed share capital.
 - e) opening of the bankruptcy procedure;
 - f) the number of shareholders reduces under the legal minimum;
 - g) other causes provided by the law or by this constitutive act.
- (2) The dissolution of Fondul Proprietatea cannot take place before the finalisation of the procedures for granting indemnities to the rightful persons.
- (3) The dissolution decision of Fondul Proprietatea must be registered with the commercial registry and published in the Official Gazette of Romania, Part IV.

ARTICLE 32

Liquidation

- (1) The dissolution of Fondul Proprietatea has as consequence the opening of the liquidation procedure.
- (2) The liquidation of Fondul Proprietatea and distribution of the patrimony are made in accordance with the law.

ARTICLE 33

Calculation method of the net asset

The calculation method of the net asset is made according to the legal provisions in force.

ARTICLE 34

Prudential rules concerning the investment policy

- (1) The investment policy is established by the Alternative Investment Fund Manager, with the observance of the investment limitation provided by the legal provisions in force and of this Constitutive Act.
- (2) Fondul Proprietatea shall be subject to the investment restrictions provided under Law No. 247/2005 on property and justice reform, and additional measures, as further amended and completed, of Law No. 297/2004 on the capital market, as further amended and completed as well as any other applicable law or regulation.
- (3) Subject to the terms of this Constitutive Act, of the IMA and the applicable law, all decisions in relation to the acquisition of, disposal of, and exercise of all rights and obligations in relation to the assets of Fondul Proprietatea shall be at the sole discretion of the Alternative Investment Fund Manager.
- (4) Prudential rules concerning the investment policy will be by approved by the shareholders through Investment Policy Statement.

ARTICLE 35

Conditions for the replacement of the depository

- (1) Fondul Proprietatea shall conclude a deposit agreement with a depository legal entity authorised and supervised by the Financial Supervisory Authority, which performs the deposit operations of securities, as well as any

operations in connection with those. The activities to be developed by the depository and the conditions for its replacement shall be provided in the deposit agreement.

(2) The deposit agreement shall mandatorily include clauses related to the replacement of the depository and rules for ensuring shareholders' protection in such situations, as well as other mandatory clauses in accordance with the applicable regulations.

ARTICLE 36

Identity, requirements regarding the qualification, professional experience and integrity of the management members

(1) The Alternative Investment Fund Manager, respectively its permanent representative shall cumulatively fulfil with the minimum requirements regarding the integrity, qualification and professional experience provided in the legislation and in other specific provisions; the identity of the Alternative Investment Fund Manager is the one registered with the National Office of Trade Registry, based on the decision of the general meeting of the shareholders regarding its election.

ARTICLE 37

Litigations

The litigations of any type shall be amiably resolved and if this is not possible, they shall be solved by the competent arbitral or judicial courts.

CHAPTER X

Final provisions

ARTICLE 38

Final provisions

The provisions of this constitutive act are completed by the provisions of Company Law No. 31/1990, republished, as further amended and completed, and other applicable legal provisions in force as well as by the provisions of the capital market legislation governing the issuers whose shares are admitted on trading.

Annex 5 Compliance with the corporate governance requirements

Compliance with the provisions of the Corporate Governance Code issued by the BVB

Code Provisions	Complies	Does not comply/partially complies	Reason for non-compliance
A.1. The Fund has internal regulation which includes terms of reference/ responsibilities for Board and key management functions of the Fund.	✓		
A.2. Provisions for the management of conflict of interest are included in the internal regulation. In any event, the members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	✓		
A.3. The Board of Nominees has five members.	✓		
A.4. All members of the Board of Nominees are non-executive. Four members of the Board of Nominees are independent. Each independent member of the Board of Nominees submitted a declaration that he is independent at the moment of his nomination for election or re-election as well as when any change in his status arises, by demonstrating the ground on which he is considered independent in character and judgement in practice.	✓		
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/ her mandate.	✓		
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	✓		
A.7. The Fund has appointed a Board secretary responsible for supporting the work of the Board.	✓		
A.8. The annual report informs on whether an evaluation of the Board has taken place under the leadership of the chairman or the Nomination and Remuneration Committee and, if it has, summarize key action points and changes resulting from it. The Fund has a policy regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	✓		
A.9. The annual report contains information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	✓		
A.10 The annual report contains information on the precise number of the independent members of the Board of Nominees.	✓		
A.11. The Board of Nominees set up the Nomination and Remuneration Committee formed of non-executives, which will lead the process for the AIFM appointments and make recommendations to the Board. The majority of the members of the Nomination and Remuneration Committee are independent.	✓		
B.1 The Board of Nominees set up the Audit and Valuation Committee, all members being non-executive and the majority of them being independent. The majority of members, including the chairman, have proven an adequate qualification relevant to the functions and responsibilities of the committee. The chairman of the Audit Committee has proven adequate auditing or accounting experience.	✓		
B.2. The Audit and Valuation Committee is chaired by an independent non-executive member.	✓		
B.3. Among its responsibilities, the Audit and Valuation Committee undertakes an annual assessment of the system of internal control.	✓		
B.4. The assessment considers the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the Audit and Valuation Committee, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and submission of relevant reports to the Board.	✓		
B.5. The Audit and Valuation Committee reviews conflicts of interests in transactions of the Fund and its subsidiaries with related parties.	✓		
B.6. The Audit and Valuation Committee evaluates the efficiency of the internal control system and of the risk management system.	✓		
B.7. The Audit and Valuation Committee monitors the application of statutory and generally accepted standards of internal auditing. The Audit and Valuation Committee receives and evaluates the reports of the internal audit team.	✓		

Code Provisions	Complies	Does not comply/partially complies	Reason for non-compliance
B.8. The Audit and Valuation Committee provides the Board annual or ad-hoc reports.	✓		
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the Fund with shareholders and their related parties.	✓		
B.10. The Fund has in place a related party transaction procedure.	✓		
B.11. The internal audits are carried out by a separate structural division and by retaining an independent third-party entity.	✓		
B.12. To ensure the fulfilment of the core functions of the internal audit activities, all reports are provided to the Board via the Audit and Valuation Committee.	✓		
C.1. The Fund has published a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.	✓		
D.1. In addition to information required by legal provisions, the Fund includes on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	✓		
D.1.1. Principal corporate regulations: the Constitutive Act, general shareholders meeting procedures;	✓		
D.1.2. Professional CVs of the members of its governing bodies, Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	✓		
D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the Code of BVB;	✓		
D.1.4. Detailed information related to general meetings of shareholders;	✓		
D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	✓		
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request;	✓		
D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	✓		
D.2. The Fund has an annual cash distribution policy, as a set of directions the Fund intends to follow regarding the distribution of net profit. The annual cash distribution policy is published on the corporate website.	✓		
D.3. The Fund has adopted a policy with respect to forecasts. The forecast policy is published on the corporate website.	✓		
D.4. The rules of general meetings of shareholders do not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	✓		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	✓		
D.6. The management of the Fund presents to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	✓		
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the management of the Fund. Accredited journalists may also participate in the general meeting of shareholders, unless the management of the Fund decides otherwise.	✓		
D.8. The quarterly and semi-annual financial reports include information in both Romanian and English regarding the key drivers influencing the activity of the Fund.	✓		
D.9. The Fund organises at least four meetings/ conference calls with analysts and investors each year. The information presented on these occasions is published on the Fund's website.	✓		
D.10. If the Fund supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the Fund part of its business mission and development strategy, it publishes the policy guiding its activity in this area.	✓		

Annex 6

Investment Policy Statement of Fondul Proprietatea SA in force as at 31 December 2019

I. PURPOSE OF THE INVESTMENT POLICY STATEMENT

This investment policy statement (hereinafter referred to as the “**Investment Policy Statement**” or “**IPS**”) sets the prudential rules concerning the investment policy of Fondul Proprietatea S.A. (hereinafter referred to as “**Fondul Proprietatea**” or “**FP**”) and presents the investment goals, objectives and the decision-making process for selecting investments in accordance with the investment objectives.

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 Alternative Investment Fund Manager (the “**Fund Manager**”) on a regular basis.

The IPS shall be reviewed when needed by the Fund Manager together with the Board of Nominees, in accordance with the provisions of FP’s Constitutive Act and the applicable legal provisions.

The IPS is set forth within the legal framework established by Title VII of Law 247/2005 on property and justice reform, as amended and any related and ancillary legislation in force, and, in accordance with FP’s Constitutive Act, the Extraordinary General Shareholders’ Meeting is responsible for approval of the IPS.

II. ROLES, RESPONSIBILITIES AND PROCEDURES

A. **Fund Manager.** The Fund Manager is appointed by the General Shareholders Meeting and performs its activity based on a Management Agreement entered into between Fondul Proprietatea and the Fund Manager (hereinafter referred to as the “**IMA**”).

The Fund Manager has the power to make all decisions concerning the investments to be made by Fondul Proprietatea, in accordance with the restrictions provided in this IPS, the Constitutive Act of Fondul Proprietatea, the IMA and applicable laws and regulations.

B. **Board of Nominees.** The Board of Nominees monitors the activity of the Fund Manager and represents the shareholders in relation to the Fund Manager. The exact roles and responsibilities of the Board of Nominees are detailed in the Constitutive Act of Fondul Proprietatea.

C. **General Shareholders Meeting.** The General Shareholders Meeting is the supreme corporate body of Fondul Proprietatea. Certain transactions performed by Fondul Proprietatea require the prior approval of the General Shareholders Meeting, in accordance with the Constitutive Act and the applicable legislation.

III. INVESTMENT OBJECTIVES AND PERFORMANCE OBJECTIVES

A. Investment objective

FP’s investment objective is the maximization of returns to shareholders and the increase of the net asset value per share, through investments predominantly in Romanian equities and equity linked securities, subject to legislation and regulations in force.

B. Performance Objectives

a. Discount Objective

The discount between the closing price for each Trading Day on the Bucharest Stock Exchange (the “**Trading Day**”) of the shares issued by FP 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 Reporting Period (as defined in the IMA) (the “**Discount Objective**”).

b. NAV Objective

The Fund Manager should achieve a level of Adjusted NAV per Share (as defined below) higher than the reported NAV as at the end of the previous Reporting Period (term used herein as defined in the IMA) (the “**NAV Objective**”). For the avoidance of doubt, the term “*previous Reporting Period*”, when applied to a first Reporting Period under the IMA, is to be understood as being the last Reporting Period derived from either the current or the previous IMA.

The adjusted NAV (the “**Adjusted NAV**”) for a given date will be calculated as the sum of:

- (i) the reported NAV as at the end of the Reporting Period;
- (ii) any distributions to shareholders, being either dividend or non-dividend ones (i.e. in this last case following reductions of the par value of the shares and distribution of the decreasing amount to the shareholders), implemented after the end of the previous Reporting Period, and
- (iii) any Distribution Fee (as defined in the IMA) and any transaction and/or distribution costs relating to either dividend or non-dividend distributions including buy-backs of shares and/or Global Depositary Receipts (“GDRs”) and/or depositary interests executed, through daily acquisitions or public tenders, after the end of the previous Reporting Period.

The Adjusted NAV per Share will be equal to the Adjusted NAV divided by the total number of the Fund’s paid shares, less treasury shares (FP ordinary shares bought back) and less equivalent in FP ordinary shares of FP GDRs acquired and not yet converted into FP ordinary shares, on the last day of the Reporting Period (the “**Adjusted NAV per Share**”).

C. General principles for achieving the objectives

The Board of Nominees and the General Shareholders Meeting will review the performance of the Fund Manager, on an annual basis, for the period of time established as the Reporting Period (as defined and further detailed in the IMA).

A Discount Control Mechanism (“DCM”) will be applied by the Fund Manager, as set out below, in order to seek to meet the Discount Objective.

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, the Fund Manager will use all or a significant part of the proceeds from annual dividends, additional special cash distributions performed by portfolio companies and the cash inflows from the disposal of portfolio companies to implement discount management techniques to apply the DCM, that may include (but are not limited to) the following:

- recommendation of buy-back programs of FP’s shares and GDRs and/or depositary interests corresponding to shares of the Fund to shareholders for approval, subject to compliance with the Constitutive Act and all applicable legislation.
- dividend distributions, subject to Annual Cash Distribution Policy.
- reduction of the nominal value of shares, accompanied by cash distribution to shareholders, subject to the compliance with all applicable corporate and regulatory approvals.
- execution of buy-back programs via (i) trading on the regular market on which FP’s shares or GDRs and/or depositary interests corresponding to shares of the Fund are listed and/or (ii) public tender offers, in each case subject to available liquidity, compliance with the Constitutive Act and all applicable legislation, and receipt of all necessary regulatory approvals.
- increasing investor demand for the shares and GDRs, with the aim of increasing the market price, by:

- maintaining a transparent Annual Cash Distribution Policy;
- increasing the share of listed companies in the portfolio and their transparency;
- building good communication through active investor relations efforts; and
- supporting initiatives to make the Romanian capital market more attractive and accessible for domestic and international investors.

In order to achieve the objectives in the IPS, the Fund Manager should pay attention to:

- clarity of the Fund Manager's investment strategy and how it contributes to achieving the main investment objectives;
- active engagement with the portfolio companies in order to increase their value, and
- constructive communication and interaction with investors and the Board of Nominees.

D. Risk management

The Fund Manager is responsible for proper balancing of risk and expected returns.

The Fund Manager should implement appropriate tools and processes in order to monitor operational and investment risks and to respond to developments in a timely fashion.

IV. INVESTMENT LIMITS AND RESTRICTIONS

The investment policy will observe the prudential limits of investments provided for by the applicable laws and regulations in force and the Constitutive Act of FP.

Under normal market conditions, the Fund should have at least 80% of its net assets invested in Romanian equity and equity-linked securities.

Investments limits, include but are not limited to the following:

- up to 10% of its assets invested in listed shares or money market instruments issued by one single issuer, except of the government securities
- 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*
- up to 10% of assets invested in bank deposits with one single bank
- up to 10% of assets invested in financial instruments issued by entities belonging to the same group of companies
- up to 10% of assets invested in UCITS units or other collective investment scheme units
- exposure to the counterparty risk in a transaction with derivatives traded out of the regulated markets may not exceed 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
- not less than 20% of assets investments in listed securities, UCITS units or other collective investment scheme units (meeting certain conditions) and newly issued securities

* *Shares received from Romanian State on the basis of Law No. 247/2005 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 Law No. 247/2005. Therefore, any part of the current Fondul Proprietatea Portfolio (as it has been set up, on securities not admitted to trade owed from the Romanian State on the basis of Law No. 247/2005 and including the modifications made by GEO No. 81/2007) 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.

All investment restrictions are available on Fondul Proprietatea website, Investment Policy Statement Section.

V. ADDITIONAL GUIDELINES

Subject to applicable legal provisions in force and the FP Constitutive Act, all decisions regarding sector and security selection, portfolio construction, timing of buy or sell transactions and choice of venue and structure of transaction are delegated to the Fund Manager.

Subject to the applicable legal provisions and FP's Constitutive Act, the Fund Manager on behalf of the Fund, may buy, sell, exchange, exercise all rights, has a good and valid title to sell and transfer any rights and to enter into conditional contractual liabilities. This includes, without limitation, the power to enter into derivatives and to negotiate and execute loan agreements, repurchase agreements and/ or securities lending agreements, to purchase GDRs or depositary interests corresponding to shares of the Fund in accordance with the legal applicable provisions in force and FP's Constitutive Act, also taking into account the cases when a prior approval of the Extraordinary General Shareholders Meeting is needed.

Transactions which involve a broker acting as a "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) are not permitted.

Transactions should be executed at the lowest possible cost (including commissions, efficiency of execution and the impact of the market) and best execution should be provided at all times.

Cash allocation

Cash allocation is made by the Fund Manager, based on market conditions. It should be aimed at reducing risks to the Portfolio.

Valuation

Valuation of assets shall be made in accordance with the legislation and regulations in force and in accordance with the internal regulations of Fondul Proprietatea.

VI. LIMITATIONS OF MANAGEMENT

The Fund Manager assumes the management over the Customer and its entire Portfolio, subject to the terms of the IPS and the IMA.

The Fund Manager is subject to the limitations set out by this IPS, the Constitutive Act of Fondul Proprietatea and the existing applicable legal provisions in force.

The Fund Manager can delegate the management of the portfolio and the administrative activities according to legislation and regulations in force and the limitations included in the IMA and the Constitutive Act.

VII. LIQUIDITY

The Fund Manager shall maintain adequate liquidity in order to at least meet the following requirements:

- cover the operating and tax expenses of FP;
- cover the capital expenditure requirements for the on-going activities of FP;
- ensure appropriate funds for dividend or return of capital payments and share and/or GDR buy-backs (where such actions have been approved by shareholders).

VIII. TIME HORIZON

The duration of Fondul Proprietatea is not limited in time.

IX. TAX CONSIDERATIONS

The FP is established as a commercial undertaking and is subject to corporate tax in accordance with the Romanian Fiscal Code. In managing the investment portfolio and seeking to achieve the objectives, the Fund Manager shall have due regard to the potential impact of tax legislation and regulations.

X. CONSTRAINTS

The FP shall not invest in any other type of asset class, except those specifically mentioned in the applicable legislation and the Constitutive Act. 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 FP's Constitutive Act.

XI. POLICY REVIEW

The IPS shall be reviewed on an annual basis or as required by the applicable law by the Fund Manager and Board of Nominees in order to ensure that it remains consistent with overall objectives of FP.

Any changes to the investment policy proposed by the Fund Manager and/or the Board of Nominees shall be approved by the Extraordinary General Shareholders Meeting, with observance of investment limits provided in the applicable legislation in force.



FONDUL
PROPRIETATEA

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