

*Memo re. the approval of the ~~sale~~transfer of the shares held by Fondul Proprietatea SA in the share capital of SPEEH Hidroelectrica S.A.*

*Updated version of the memo in comparison with the initial version uploaded on the Company's website on 23 September 2022*

**Background**

SPEEH Hidroelectrica S.A. (“**Hidroelectrica / the Company**”) is the largest unlisted holding in Fondul Proprietatea SA (“**Fondul Proprietatea/ the Fund**”) portfolio, valued at **RON 12,559.8 million**<sup>1</sup>, representing approx.77.63% of the Fund’s NAV as of end of August 2022<sup>2</sup>.

Considering the significant increase in the fair value of the stake held by the Fund in Hidroelectrica, the Fund’s investment strategy to increase liquidity of the portfolio via listings and other liquidity events, the Fund Manager engaged with the management of Hidroelectrica and the controlling shareholder through the Ministry of Energy to enable the listing of Hidroelectrica through an Initial Public Offering (“**IPO**”) carried out by the Fund.

On 31 March 2022, the General Shareholders Meeting of Hidroelectrica S.A. approved the initiation of the listing of the company’s shares on the Bucharest Stock Exchange (“**BVB**”) based on a public offering of shares held by the Fund in the share capital of Hidroelectrica, representing up to 19.94% of the total shares issued by Hidroelectrica.

On 6 May 2022, the General Shareholders Meeting of Hidroelectrica authorised Hidroelectrica to use in the IPO process the legal advisor Dentons Europe - Zizzi- Caradja and Associates SPARL as well as the financial advisor STJ Advisors Group Ltd in the context of the secondary public offering of up to 19.94%.

Fondul Proprietatea has appointed Rothschild & Co as its financial advisor and Filip and Associates & Linklaters LLP as legal advisers for the transaction.

The Fund and Hidroelectrica selected the consortium of investment banks in relation to the IPO, which is composed of reputable international, regional and local investment banks – four international investment banks acting as global coordinators, three international investment banks and three investment banks with significant regional equity capital markets capabilities acting as joint bookrunners and three local investment banks. The role of the appointed investment banks in the IPO process is to, amongst others, recommend the optimal structure of the transaction, promote the equity story of Hidroelectrica among local and international investors, place securities in the IPO, as well as assist with the listing process.

**Potential Timing of the Transaction**

The Fund Manager aims to finalize a successful IPO as soon as practically possible subject to company preparedness, overall market conditions and other –transaction-specific constraints.

<sup>1</sup> [H1 2022 report \(fondulproprietatea.ro\)](#) – Page 21 of FP’s Semi-Annual Report for the six-month period ended 30 June 2022

<sup>2</sup> [Microsoft PowerPoint - FTIFRO\\_FFS\\_0822\\_ENG.pptx \(fondulproprietatea.ro\)](#) – FP’s factsheet as of 31 August 2022

The timeframe of the transaction is intended to consider the National Recovery and Resilience Plan, in which the Romanian State committed to the listing of Hidroelectrica by end of H1 2023.

Furthermore, in order to retain maximum flexibility to achieve a successful liquidity event at an attractive valuation for the Fund and implicitly, for all shareholders, the Fund Manager is empowered to take all the necessary measures which will be required for the disposal of the said shareholding in Hidroelectrica in any other manner, including a direct sale of such shareholding in one or more private transactions (which may result from a direct negotiation process with one or more parties, either as a result of a competitive process or a transaction after the identification of (a) suitable investor(s) through other means)<sup>1</sup> and, if approved by the Hidroelectrica general meeting of shareholders, a dual listing involving an international market.

For the avoidance of doubt, the net proceeds<sup>2</sup> resulted from a successful sale of up to 19.94% of the total shares issued by Hidroelectrica will be used for the implementation of the Investment Policy Statement<sup>3</sup> as such was approved by the shareholders of the Fund, including for the implementation of the Discount Control Mechanism (as defined therein), subject *inter alia* to applicable legal provisions, required approvals and necessary funds to cover the continued operational activities and commitments of the Fund for the foreseeable future.

As per the Investment Policy Statement discount management techniques include (but are not limited to):

- recommendation of buy-back programs of Fondul'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 (such recommendations having been made by the Fund Manager and approved by shareholders throughout the entire period since 2010 and another one is included also on the Fund's GSM agenda for 15 November 2022);
- dividend distributions, subject to the Annual Cash Distribution Policy of the Fund;
- 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.

## Costs

The Fund Manager has estimated the cost associated with the potential transaction (as well as the estimated cost with the potential listing of Salrom) in the Fund's 2023 budget proposal submitted to the General Shareholders' Meeting approval, in the total amount of RON 305,716,703 (including VAT). The estimated budget was prepared based on a series of assumptions available at the budget date and the actual expenses may differ significantly based on the final outcome of the transactions. The Fund Manager will include information on the actual level of expenses in the periodical reports.

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<sup>1</sup> Note: amendment inserted at the request of the Financial Supervisory Authority and reflected in the version of the memo uploaded on the Company's website on 7 October 2022

<sup>2</sup> The gross proceeds will be used firstly to cover the corresponding transaction costs.

<sup>3</sup> Investment Policy Statement (fondulproprietea.ro)

**Franklin Templeton International Services S.À R.L, in its capacity of Sole Director and Alternative Investment Fund Manager of FONDUL PROPRIETATEA S.A.**

**Johan Meyer**

**Permanent Representative**