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Fondul Proprietatea SA

Annual Sole Director's Report

For the Financial Year Ended
31 December 2020

This is a translation from the official Romanian version.

This is a PDF version of the official Annual Sole Director's Report issued in the European Single Electronic Format (i.e. xHTML format), which is available on the webpage of Fondul Proprietatea SA, www.fondulproprietatea.ro.

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Annexes

- Annex 1 Financial Statements for the year ended 31 December 2020, prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union and applying the Financial Supervisory Authority Norm 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
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List of Abbreviations

| | |
|---|---|
| AIF | Alternative Investment Fund |
| AIF Law | Romanian Law no. 243/2019 on the regulation of alternative investment funds and amending and supplementing certain normative acts |
| AIF Regulation | Regulation no. 7/2020 on the authorisation and function of alternative investment funds, issued by the Financial Supervisory Authority |
| AIFM | Alternative Investment Fund Manager |
| AIFM Directive | Directive 2011/61/EU on Alternative Investment Fund Managers |
| ALFI | Association of the Luxembourg Fund Industry |
| AML | Anti-Money Laundering |
| ANAR | National Authority of Romanian Waters (ro: Administratia Nationala Apele Romane) |
| 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 Depositary |
| Depositary Bank/ Depositary | BRD – Groupe Societe Generale SA |
| EGM | Extraordinary General Shareholders Meeting |
| ESG | Environmental, Social and Governance |
| EU | European Union |
| FATCA | The Foreign Account Tax Compliance Act |
| Fondul Proprietatea/ the Fund/ FP | Fondul Proprietatea SA |
| FSA | Romanian Financial Supervisory Authority |
| FT | Franklin Templeton |
| FTIML | 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 |
| GEO 74/2020 | GEO 74/ 19 May 2020 for modifying Romanian Energy Law no. 123/2012 |
| GSM | General Shareholders Meeting |
| H1 | First semester |
| IFRS | International Financial Reporting Standards as endorsed by the European Union |
| IMF | International Monetary Fund |
| 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 |
| Q1/ Q2/ Q3/ Q4 | First/ second/ third/ fourth quarter of the year respectively |
| OCR | Ongoing charge ratio |
| OGM | Ordinary General Shareholders Meeting |

| | |
|------------------|--|
| PRIPs | Packaged retail and insurance-based investment products |
| REGS | Main market (Regular) of Bucharest Stock Exchange |
| RRR | Regulatory Rate of Return |
| SFDR | Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector |
| SRD II | Shareholders Rights Directive II - Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement |
| TO | Tender Offer |
| UCI | Undertakings for Collective Investment |
| UCITS | Undertakings for Collective Investment in Transferable Securities |
| Water Law | Romanian Water Law no. 107/1996 |

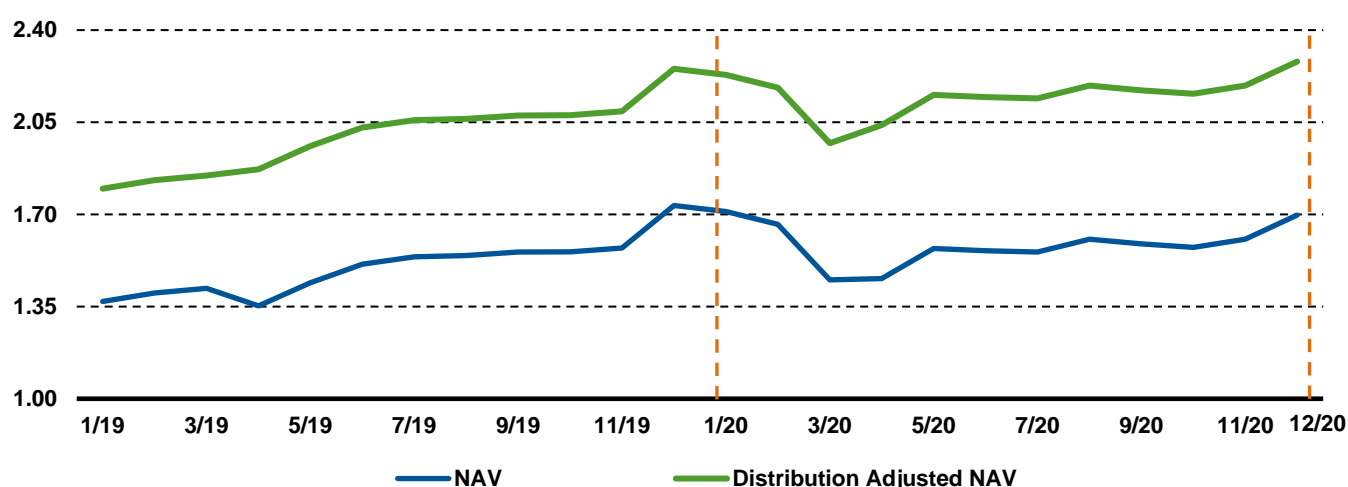
Sole Director's Letter to Shareholders

Dear Shareholders,

Our focus throughout 2020 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 this extremely challenging year, our efforts were directed towards protecting the underlying portfolio companies from the negative effects of the COVID-19 pandemic which generated a severe decline of the financial markets around the world in the first part of the year. We are happy to see the strong performance registered by the Fund's share price in the second part of the year, following the rebound of global stock markets, which led to a historical high level of the share price of RON 1.4500 per share registered on 30 December 2020, and also the lowest discount to the NAV, of 9.71%¹, on the same day.

In 2020, the Fund's NAV per share total return was 2.21% and the Fund's share price cumulative performance was 26.44%. The discount of the Fund's share price to the NAV ranged between a high of 39.96%¹ and a low of 9.71%¹ which was also the closing value of the year. On the LSE, the total return for the GDR was 31.13% and the discount varied between a high of 39.54%¹ and a low of 13.67%¹ and ended the year at 15.54%¹. The average annual discount for ordinary shares was 21.06%, while for GDRs was 22.16%.

We are pleased that we managed to generate positive returns on the NAV and on the share price for our shareholders, despite the unprecedented overall economic uncertainties. We will continue our efforts to create shareholder value, 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 2020, in the context of COVID-19 pandemic, BVB recorded the lowest decrease in EUR terms compared to the largest markets in Central Europe, and second lowest decrease in local currency, respectively, as shown in the table below:

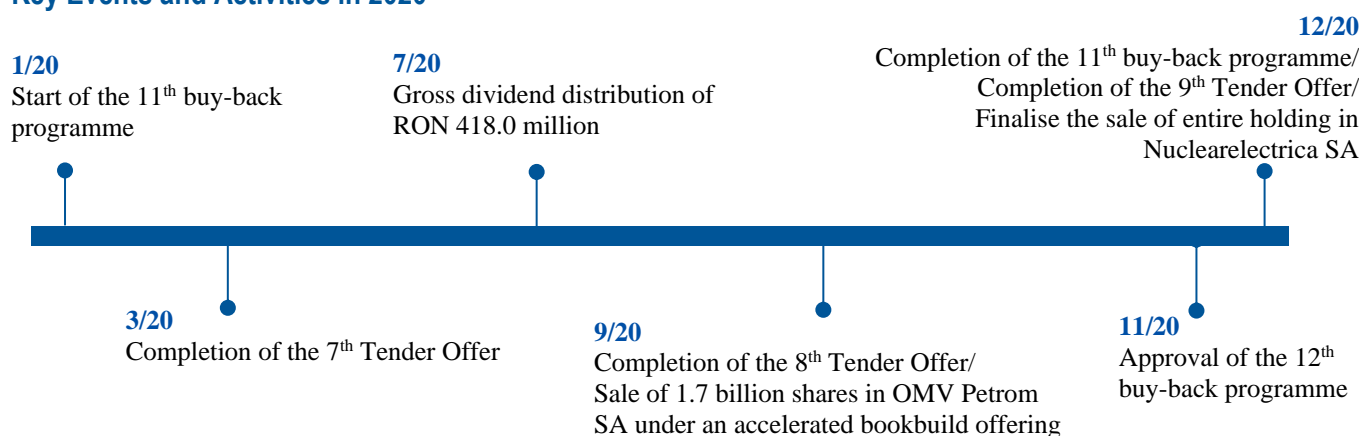
| % change in 2020 | in local currency | in EUR |
|-------------------------|-------------------|---------------|
| BUX (Hungary) | -3.98% | -17.33% |
| BET-XT (Romania) | -4.73% | -6.33% |
| WIG20 (Poland) | -7.73% | -14.22% |
| PX (Czech Republic) | -7.93% | -10.79% |
| ATX (Austria) | -12.76% | -12.76% |

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 2020



Some of the key highlights for 2020 are:

- Completion of the eleventh buy-back programme for 797.96 million shares. The total value of the programme excluding transaction costs was RON 1.07 billion, and the average share price was RON 1.3347 per share;
- Gross dividend distribution of RON 418.0 million to shareholders for the 2019 financial year;
- Completion of 3 tender offers for 585 million shares (374 million in the form of shares and 211 million in the form of GDRs), at a purchase price of RON 1.39 per share and the USD equivalent of RON 69.50 per GDR, executed in order to accelerate the eleventh 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 online conferences and events;
- Key shareholders' approvals during 2020:
 - The cancelation of the shares bought-back by the Fund during 2019;
 - The new Investment Policy Statement, in force starting 23 July 2020;
 - The distribution of a gross dividend of RON 0.0642 per share for the 2019 financial year, as proposed by the Sole Director;
 - The approval of several changes of the Constitutive Act (a part of them were endorsed by the FSA during 2020, and other in February 2021)
 - The appointment of two new Board of Nominees members
 - The approval of the twelfth buy-back programme to repurchase a maximum number of 800 million shares, between 1 January 2021 - 31 December 2021.

Coverage of the accounting losses and dividend distribution

The Fund incurred an accounting loss of RON 102,978,968 for the financial year ended 31 December 2020. The accounting loss will be covered from 2016 unallocated profit, subject to shareholders' approval.

Although there is no distributable profit as per the statutory annual financial statements for the year ended 31 December 2020, the Sole Director remains committed to ensure an annual cash distribution to the Fund's shareholders. Thus, once the coverage of the accounting loss mentioned above (which legally impedes any distribution) is approved by the Fund's shareholders, the Sole Director's proposal, subject to shareholders' approval, is a cash distribution of RON 0.072 per share from 2016 and 2017 unallocated profits.

Trading on the Bucharest Stock Exchange

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

- 1.45 billion shares were traded on the BVB last year, equivalent to 21.2% of the Fund's paid shares as at 31 December 2020;
- The value of trading in Fondul Proprietatea shares reached approximately RON 1.84 billion (EUR 378.5 million) in 2020. The total trading value since the listing exceeds RON 26.5 billion (EUR 5.4 billion);

- After almost ten years since its listing, the Fund continued to be among the most liquid stocks on BVB, with an average daily trading volume in 2020 of 5.8 million shares, i.e. 14.7% of the total daily equity turnover on BVB.

Trading 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 fifth year of trading on LSE, 13.0 million GDRs were traded, for a total value of USD 192.8 million/ RON 764.7 million.

Performance Objectives

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

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

NAV Objective – First reporting period

The Adjusted NAV per share as at 31 December 2020 was 2.13% higher than the 31 December 2019 NAV per share of RON 1.7339.

| NAV Objective | Amount RON | Details |
|---|-----------------------|---|
| Total NAV as 31 December 2020 | 10,266,911,904 | |
| Dividend gross distribution from 2019 profit | 417,965,383 | Dividend distribution of RON 0.0642 per share, with Ex-date 9 June 2020, Registration date 10 June 2020 and Payment date 1 July 2020 |
| Costs related to buy-backs after 31 December 2019 | 10,760,452 | Fees related to the eleventh buy-back programme, excluding the distribution fees for buy-backs (includes mainly the FSA fee of 1% of the three tender offers value finalised in March, September and December 2020) |
| Distribution fees for buy-backs performed after 31 December 2019 | 10,674,300 | Distribution fees for the eleventh buy-back programme |
| Distribution fees for cash distributions after 31 December 2019 | 4,179,654 | Distribution fee for the dividend distribution from 2019 profits |
| Costs related to the returns of capital and dividends after 31 December 2019 | 27,741 | Fees charged by the Central Depositary and Paying Agent for returns of capital and dividends |
| Total Adjusted NAV as at 31 December 2020 | 10,710,519,434 | |
| Number of Fund's paid shares, less treasury shares and GDRs held as at 31 December 2020 | 6,048,384,617 | |
| Adjusted NAV per share as at 31 December 2020 | 1.7709 | |
| NAV per share as at 31 December 2019 | 1.7339 | |
| Difference | 0.0370 | |
| % | +2.13% | |

Source: Fondul Proprietatea

The COVID-19 pandemic generated a severe decline of the financial markets around the world, impacting certain holdings in the Fund's portfolio significantly. The total NAV as at 31 December 2020 was 13.5% lower compared to the end of 2019, while the NAV per share dropped by 2.1% over the same period. OMV Petrom SA, the largest listed holding in the portfolio recorded a share price decrease of 18.7% with a total NAV impact of RON 529.9

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.

million. Additionally, the value of unlisted holdings decreased by RON 787.9 million following the valuation update at the end of December 2020. The valuations include the effect of annual and special dividends distributed to the Fund by the unlisted companies subject to valuation, amounting to RON 1.0 billion in 2020. Despite this challenging context, the Fund met the NAV objective for 2020, as the Adjusted NAV per share as at 31 December 2020 was 2.1% higher than the NAV per share as at 31 December 2019.

The Sole Director is committed to its continued efforts towards protecting shareholders' value and to implement the necessary measures in accordance with the IPS to address this volatile environment. The Sole Director proposed, and shareholders approved during the 28 April 2020 shareholders meeting a cash dividend distribution of RON 0.0642 per share with payment date on 1 July. Also, the Sole Director will propose for shareholders' approval during the 2021 Annual GSM a cash distribution of RON 0.072.

The eleventh buy-back programme was finalised at the end of 2020, including three tender offers for 585 million shares in total. The twelfth buyback programme for maximum 800 million shares, applicable for 2021, was approved by shareholders during the 13 November 2020 GSM. Our proactive investor relations program continues online during this period, organising numerous conference calls with current and potential investors of the Fund. We also work closely with the management of portfolio companies and support them in identifying the most suitable actions to tackle the current challenges and protect the company's value.

Discount Objective – First reporting period

In the period between 1 January 2020 and 31 December 2020, the share price discount to NAV was lower than or equal to 15% in 9.24% of the trading days.

Discount Evolution¹

| Discount as at 31 December 2020 | Minimum discount during the monitoring period | Maximum discount during the monitoring period | Average discount during the monitoring period |
|------------------------------------|--|--|--|
| 9.71% | 9.71% | 39.96% | 21.06% |

Source: Fondul Proprietatea

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

Investor Relations Update

During the year, in our efforts to increase the visibility and the profile of the Fund, as well as the local capital market, and Romania, to a broader international institutional investor base, the Fund's management team organised 2 road-shows in the UK and the United States and met with 24 investment professionals interested in finding out more details about the Fund and its equity story, and in receiving updates on the Fund, its corporate actions, and the main portfolio holdings, as well as on the Romanian macroeconomic environment.

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

Following the outbreak of COVID-19 pandemic and subsequent travel restrictions in March, investor meetings and conferences moved online. Therefore, during the year, we participated to 13 institutional investor online conferences organised by brokers and investment banks, during which we had calls with 134 representatives from international asset managers and brokers and discussed the impact of the COVID-19 pandemic on the operations of the main portfolio holdings, as well as the main measures taken so far by the companies' management, latest regulatory developments in Romania, ongoing and future corporate actions for the Fund.

Furthermore, during the same period, we had 66 additional conference calls with analysts, brokers, current and prospective investors interested in the latest developments regarding the Fund and its portfolio companies.

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.

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 2019 results, 2020 first quarter, 2020 first half, and 2020 third quarter results conference calls, with 24 analysts and investors participating on average to the calls.

Communication between the AIFM 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 48,067,721 GDRs as at 31 December 2020, each GDR representing 50 shares. As at 31 December 2020, 1,491,146,200 of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depositary bank, accounting for 29,882,924 GDRs, representing 62.2% of the GDR facility.

Credit Facility Agreement

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

The Fund did not use the credit facility during 2020 and the outstanding balance is nil.

Changes in Board of Nominees Composition

On 27 July 2020, Mrs. Vivian Nicoli has resigned from her positions held within the Fund's Board of Nominees and Consultative Committees due to Mrs. Nicoli's intention to take on other commitments, with effective date of the resignation 1 September 2020. On 23 September 2020, as an implementation of the succession planning, Mr. Steven van Groningen has resigned from his positions held within the Fund's Board of Nominees and Consultative Committees with effective date 13 November 2020.

During the 13 November 2020 GSM, two new members of the Board were appointed for a mandate of 3 years - Mrs. Ilinca von Derenthall (mandate started on 26 November 2020) and Mr. Ciprian Ladunca (mandate started on 16 November 2020).

Buy-back Programmes

During 2020 the Fund completed the cancellation process of the shares acquired within the tenth buy-back programme and acquired shares within the eleventh buy-back programme, which will be proposed for cancellation to shareholders during 2021. As at 31 December 2020 the Fund held 797,961,287 own shares, corresponding to the eleventh buy-back programme, which was finalised on 31 December 2020.

The twelfth buy-back programme was approved by shareholders during the 13 November 2020 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 2021.

Share Capital Decrease Process in 2020

On 30 September 2020, the Fund finalised the decrease of the subscribed share capital from RON 3,959,264,762.44 to RON 3,749,282,292.08 pursuant to the cancellation of 403,812,443 own shares acquired during the tenth buy-back programme, which was endorsed by the FSA through Endorsement no. 189/10 September 2020.

2019 Dividend Distribution

On 28 April 2020, the shareholders approved the distribution of a gross dividend of RON 0.0642 per share, with Ex-date on 9 June 2020 and Registration date on 10 June 2020. The Fund started the payment of dividends on 1 July 2020. The payments of the distributions to shareholders are performed through the Romanian Central Depository, according to the legislation in force, as follows:

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

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

Special Dividends Received from Portfolio Companies

In 2020 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 |
|---------------------------|--------------------------------|------------------------------------|-----------------------|
| E-Distributie Banat SA | 213.8 | February 2020 | February 2020 |
| E-Distributie Muntenia SA | 188.0 | February 2020 | February 2020 |
| Hidroelectrica SA | 149.6 | May 2020 | September 2020 |
| E-Distributie Dobrogea SA | 121.1 | February 2020 | February/ August 2020 |
| Enel Energie Muntenia SA | 10.6 | September 2020 | October 2020 |
| Total | 683.1 | | |

Source: Fondul Proprietatea

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

Impact of COVID-19 Pandemic on the Fund's Activity and Outlook for 2021

Overview

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

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

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

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

Economic impact

The widespread nature of the COVID-19 outbreak and the measures taken to contain the spread continue to have a significant impact on global economic activity and it is likely to reverberate for several quarters.

The global economy is recovering from the severe drop during the Great Lockdown in April. But with the COVID-19 pandemic continuing to spread, some countries are reinstating partial lockdowns to protect susceptible populations.

Although recent vaccine approvals have raised hopes of a turnaround in the pandemic later in 2021, renewed waves and new variants of the virus pose concerns for the outlook. Amid exceptional uncertainty, the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022¹.

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

Overall, the quantum of the fiscal and monetary policy response to mitigate the impact of the situation is unprecedented. Governments across the world, Romania included, have taken numerous **actions to support their economies**, from extended unemployment benefits to packages targeting small businesses, hospitals and healthcare centres, which have increased budgetary constraints in the short term.

In addition, on 21 July 2020 the **EU leaders** approved the **post-pandemic recovery package** and the **Multiannual Financial Framework**. According to the President Klaus Iohannis, Romania will receive EUR 79.9 billion from the EU for economic recovery and infrastructure development and the funds will be used to rebuild the country's infrastructure, build hospitals and schools, and modernise public systems; a significant amount will be used for economic recovery².

It is expected that the **Romanian economy** will experience a correction in 2020, depending on the evolution of the pandemic and the new restrictions that might be imposed. The IMF³ estimates that Romania's GDP could contract by 4.8% in 2020 and forecasts a GDP growth of 4.6% in 2021. In this context, the current account deficit could widen to 5.3% of GDP, and the unemployment rate increase to 7.9% in 2020.

Regarding the **economic sectors**, we expect HoReCa to continue to be heavily impacted until later in 2021. Transport businesses, especially air travel and airports, should also continue to be under pressure during the health crisis. The IT sector and logistics should benefit during this period and positively contribute to growth.

The **capital markets** of affected countries, including the BVB, recorded large corrections in the first quarter of 2020, with BET-XT index declining by 23.2% at 31 March 2020 compared to the end of 2019. However, these also tend to provide opportunities for return over the long term, as corrections have been a routine occurrence throughout financial market history. BET-XT value increased by 24.1% at 31 December 2020 compared to 31 March 2020, reducing the overall decrease for 2020 at 4.7% compared to the end of 2019. We stress once again that Hidroelectrica SA could be the turning point the local market has been waiting for the last decade. Given the recent political statements, we are optimistic that Hidroelectrica SA listing could be completed in 2021.

The **oil price** and **energy prices** in general, have declined sharply in Q2 2020. Uncertainty and concerns persist in relation to the duration and severity of the economic crisis and the impact on consumption generated by the pandemic. However, a recovery trend became ever more visible during H2 2020, especially for gas and power prices.

According to latest available data from Transelectrica, in 2020 the **electricity consumption** in Romania declined by 3.4% y.o.y. After a sharp 11.3% y.o.y. decline during Q2, with most industrial consumers reducing activity or shutting down facilities during the initial phase of the lockdown, the gradual easing of restrictions contributed to a recovery of electricity demand during H2 2020. According to Transelectrica SA, the electricity consumption during Q4 2020 was up 1.6% y.o.y. Consumption dynamics impacted electricity prices, over the full year the average baseload electricity prices on the Day Ahead Market were down 19.9% y.o.y. to RON 191 per MWh, while over Q4 2020 baseload day ahead electricity prices advanced 8.7% y.o.y. to RON 241.4 per MWh. On the other hand,

¹International Monetary Fund – World Economic Outlook – January 2021

²<https://www.romania-insider.com/ro-eur-80-bln-eu-recovery-fund-jul-2002#:~:text=Romania%20will%20receive%20EUR%2079.9,said%20on%20Tuesday%2C%20July%2021.>

³International Monetary Fund – World Economic Outlook – October 2020

the volume weighted average of prices resulted from bilateral contracts with delivery in 2020 traded on forward markets administrated by OPCOM was up 7.2% y.o.y to RON 254.4 per MWh.

On the gas side, **gas consumption** jumped by 9% y.o.y. in Q4 2020, mainly due to gas-to-power conversion and fertilisers industries, boosted by lower gas prices. Colder weather also contributed to the surge in gas demand, according to OMV Petrom. European gas prices, as reflected by Central European Gas Hub, started to recover in the third quarter. At a level of EUR 13.8 per MWh in Q4 2020, they were approximately 50% higher compared to the previous quarter, and 6% higher y.o.y. Global oil prices also continued to recover in Q4 2020, as Brent prices averaged USD 44 per barrel, 2% up quarter-on-quarter, but still 30% down year-on-year.

Consumption has rebound gradually as restrictions were lifted. The fact that the Romanian economy is to a very large extent consumption-driven has proven to be a major vulnerability in this period.

We believe that the most important challenges for Romania in 2021 are: the health crisis until herd immunity is achieved, the COVID-19 vaccination campaign, and the fiscal consolidation. The top opportunities in our view are: the EU recovery funds, which should start to be disbursed this year, the boost in domestic demand in case of successful vaccination campaign, and the historically low interest rate environment for both public and private investments.

It is difficult to predict what the global or Romanian economy will look in 2021, as there are still many unknown factors at the moment. What we do see through the uncertainty ahead is that the combination of swift fiscal and monetary actions, on the one hand, and the good economic fundamentals, on the other, can provide the foundation for the resumption of growth once the pandemic is under control.

Portfolio impact

Given the current economic context as a result of COVID-19 pandemic, which caused a significant drop of stock exchanges around the world, the Fund has performed an assessment of the related impact on the valuation of unlisted holdings in the portfolio. KPMG Romania has assisted with the preparation of an analysis of multiples' evolution between 30 September 2019 and 31 March 2020/ 30 April 2020/ 29 May 2020. Using the updated multiples' values and the same methodology and computation algorithms as in the latest available valuation report, the values for 12 unlisted holdings (accounting for more than 99% of the total unlisted portfolio as at 28 February 2020) have been updated for 31 March 2020/ 30 April 2020/ 29 May 2020 reporting.

The fully updated valuation reports for 8 largest unlisted holdings were prepared for 30 June 2020 reporting with the assistance of KPMG Advisory. The valuation date was 31 May 2020 and the reports considered all relevant subsequent events until 30 June 2020 (e.g. such as dividend distributions). The total impact was a decrease in value of unlisted holdings with 15.3%/ RON 1.26 billion in 30 June 2020 NAV compared to 31 December 2019 NAV; the valuation included the effect of annual and special dividends distributed by the unlisted companies subject to the valuation update during the first six months of 2020, amounting to RON 940.0 million.

The Fund prepared updated valuation reports for all the unlisted holdings in the portfolio for 31 December 2020 reporting, with the assistance of KPMG Advisory and Darian DRS. The valuation date was 31 October 2020 and the reports also considered the related subsequent events until 31 December 2020. The total impact following the valuation update process was an increase of RON 476.5 million in 31 December 2020 NAV compared to 27 November 2020 NAV, mainly related to Hidroelectrica SA, CN Aeroporturi Bucuresti SA and Engie Romania SA.

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

Impact on operations and business continuity

The Sole Director has taken a number of precautionary measures to limit the impact of COVID-19 on the Fund's activity. The business continuity plan has been activated to protect and minimise risk to employees, while also ensuring no disruption to business operations and management of Fondul Proprietatea. The Sole Director has a robust and regularly tested work-from-home capability and 90% of Bucharest employees have worked remotely since 16 March. The Fund's business operations continue to be fully functional. The Sole Director has also temporarily suspended all business travel. At its headquarters, additional hygiene and disinfection measures have been implemented.

The communication with the Fund's shareholders takes place smoothly in the new circumstances: the Sole Director continues to provide regular updates to them via current reports, conference calls, usual calls, e-mails and updates

on the Fund's website. The only restriction that temporarily applies is that shareholders are no longer able to visit the Fund's office.

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

Maximising shareholder value in 2021

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 Hidroelectrica 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 convened for 28 April 2021 at "Athénée Palace Hilton Bucharest" Hotel, Le Diplomate Salon, 1-3 Episcopiei Street, Sector 1, Bucharest, 010292, 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.

However, if legal restrictions are imposed by public authorities regarding the attendance of public meetings due to potential pandemic risk, according to the legislation issued between the publication of this report and the date when the shareholders meeting is held, the Sole Director may impose additional conditions for attending the meeting in order to follow the legal provisions in force at that time. Such additional conditions are not considered a prohibition to attend the meeting, considering that in such exceptional circumstances, the Sole Director will take all measures to ensure the shareholders' right to add new points on the agenda and to vote. The Sole Director kindly asks shareholders to follow the Fund's website and the Bucharest Stock Exchange website as it will announce any updates on this matter by means of current reports.



Johan Meyer

CEO of FTIS Bucharest Branch, Portfolio Manager of Fondul Proprietatea SA

Permanent Representative of FTIS in relation to Fondul Proprietatea SA

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 2020, the Fund was managed by FTIS as its Sole Director and AIFM under the AIFM Directive and local implementation regulations, based on both the Management Agreement in force between 1 April 2018 and 31 March 2020 (according to 14 February 2018 GSM Resolution) and the new Management Agreement in force during the period 1 April 2020 – 31 March 2022 (according to 28 June 2019 GSM Resolution). Until 30 November 2020, FTIS had delegated the role of Investment Manager, as well as certain administrative functions to FTIML. Starting with 1 December 2020, the activity carried out by FTIML UK via its Bucharest Branch through the delegation agreement ceased by agreement of the parties. Therefore, as of this date, the portfolio management and the administrative activities previously delegated to FTIML Bucharest Branch are performed by FTIS via its Bucharest Branch.

Since 25 January 2011, the Fund's shares have been listed on BVB. Since 29 April 2015, the Fund's GDRs issued by The Bank of New York Mellon as GDR Depositary, having the Fund's shares as support, have been listed on the Specialist Fund Market of LSE. The Fund's shares are not registered for distribution in other jurisdictions than Romania.

Share information

| | |
|-------------------------|--|
| Primary listing | Bucharest Stock Exchange – since 25 January 2011 |
| Secondary listing | London Stock Exchange – since 29 April 2015 |
| BVB symbol | FP |
| LSE symbol | FP. |
| Bloomberg ticker on BVB | FP RO |
| Bloomberg ticker on LSE | FP/ LI |
| Reuters ticker on BVB | FP.BX |
| Reuters ticker on LSE | FPq.L |
| ISIN | ROFPTAACNOR5 |
| FSA register no | PJR09SIIR/400006/18.08.2010 |
| LEI code | 549300PVO1VWBFH3DO07 |
| CIVM registration no | AC-4522-6/14.10.2020 |

Source: Fondul Proprietatea

Shareholder Information

Shareholder structure as at 31 December 2020¹

| Shareholder categories | % of subscribed share capital | % of paid-in share capital | % of voting rights ² |
|--|-------------------------------|----------------------------|---------------------------------|
| Romanian institutional shareholders | 31.41% | 33.08% | 37.44% |
| The Bank of New York Mellon (GDRs) ³ | 20.68% | 21.78% | 24.65% |
| Romanian private individuals | 17.49% | 18.42% | 20.85% |
| Foreign institutional shareholders | 11.24% | 11.84% | 13.40% |
| Foreign private individuals | 2.97% | 3.13% | 3.55% |
| Romanian State represented by Ministry of Public Finance | 5.14% | 0.10% | 0.11% |
| Treasury shares ⁴ | 11.07% | 11.65% | - |

Source: Depozitarul Central SA

¹ Information provided based on settlement date of transactions

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

³ Fondul Proprietatea held zero GDRs as at 31 December 2020

⁴ 797,961,287 treasury shares acquired in the eleventh buyback program

As at 31 December 2020, the Fund had 7,228 shareholders and the total number of voting rights was 6,048,384,617.

Largest Shareholders

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

Source: ownership disclosures submitted by shareholders

Disclosure of holdings during the period

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

Share Capital Information

| Share capital information | 31 December 2020 | 31 December 2019 | 31 December 2018 |
|-------------------------------|------------------|------------------|------------------|
| Issued share capital (RON) | 3,749,282,292.08 | 3,959,264,762.44 | 4,733,020,898.32 |
| Paid in share capital (RON) | 3,560,099,870.08 | 3,770,082,340.44 | 4,543,838,476.32 |
| Number of shares in issue | 7,210,158,254 | 7,613,970,697 | 9,101,963,266 |
| Number of paid shares | 6,846,345,904 | 7,250,158,347 | 8,738,150,916 |
| Nominal value per share (RON) | 0.52 | 0.52 | 0.52 |

Source: Fondul Proprietatea

Note: on 30 September 2020, the Trade Registry registered Resolution no. 2/28 April 2020 of the Fund's EGM for approving the decrease of the subscribed share capital from RON 3,959,264,762.44 to RON 3,749,282,292.08 pursuant to the cancellation of 403,812,443 own shares acquired during the tenth buy-back programme, endorsed by the FSA through Endorsement no. 189/10 September 2020.

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 2020:

| RON million | 31 December 2020 | 31 December 2019 |
|-----------------------------------|------------------|------------------|
| (Loss)/ Profit for the year ended | (103.0) | 3,129.9 |
| Shareholders' equity | 10,266.9 | 11,871.5 |

Source: IFRS financial statements of the Fund

The main contributor to the loss recorded in 2020 was the negative net change in fair value of the Fund's equity investments as result of COVID-19 pandemic impact on the economic activity and capital markets (RON 1.24 billion), partially netted off by the gross dividend income from portfolio companies (RON 1.22 billion). For more details, please see section "*Financial Statements Analysis*".

The tables below show a summary of the Fund's financial performance for the last 3 years and during each quarter of 2020:

| NAV* and share price developments** | Notes | 31 December 2020 | 31 December 2019 | 31 December 2018 |
|---|-------|------------------|------------------|------------------|
| Total shareholders' equity at the end of the period (RON million) | | 10,266.9 | 11,871.5 | 9,828.4 |
| Total shareholders' equity change in period (%) | | -13.5% | +20.8% | -8.9% |
| Total NAV at the end of the period (RON million) | a | 10,266.9 | 11,871.5 | 10,219.4 |
| Total NAV change in period (%) | | -13.5% | +16.2% | -5.3% |
| NAV per share at the end of the period (RON) | a | 1.6974 | 1.7339 | 1.4095 |
| NAV per share change in the period (%) | | -2.1% | +23.0% | +13.9% |
| NAV per share total return in the period (%) | g | +2.2% | +31.2% | +19.9% |
| Share price as at the end of the period (RON) | b | 1.4500 | 1.2100 | 0.8830 |
| Share price low in the period (RON) | b | 0.9980 | 0.8000 | 0.8400 |

| NAV* and share price developments** | Notes | 31 December 2020 | 31 December 2019 | 31 December 2018 |
|---|-------|------------------|------------------|------------------|
| Share price high in the period (RON) | b | 1.4500 | 1.2100 | 0.9740 |
| Share price change in the period (%) | | +19.8% | +37.0% | +2.2% |
| Share price total return in the period (%) | h | +26.4% | +49.1% | +9.9% |
| Share price discount to NAV as at the end of the period (%) | d | 14.6% | 30.2% | 37.4% |
| Average share price discount in the period (%) | d | 21.1% | 29.4% | 29.5% |
| Average daily share turnover in the period (RON million) | c, j | 7.4 | 5.6 | 6.4 |
| GDR price as at the end of the period (USD) | e | 17.1000 | 13.7000 | 10.5000 |
| GDR price low in the period (USD) | e | 11.2000 | 9.6500 | 10.3000 |
| GDR price high in the period (USD) | e | 17.3000 | 13.9000 | 12.8000 |
| GDR price change in the period (%) | | +24.8% | +30.5% | -8.3% |
| GDR price total return in the period (%) | i | +31.1% | +41.4% | -1.9% |
| GDR price discount to NAV as at the end of the period (%) | d | 20.1% | 32.7% | 39.3% |
| Average GDR price discount in the period (%) | d | 22.2% | 30.4% | 29.5% |
| Average daily GDR turnover in the period (USD million) | f, j | 0.8 | 0.7 | 1.7 |

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 year 2020/ year 2019/ year 2018, respectively

| NAV* and share price developments** | Notes | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 |
|---|-------|---------|----------|---------|----------|
| Total NAV at the end of the period (RON million) | a | 9,585.8 | 10,141.4 | 9,909.1 | 10,266.9 |
| Total NAV change in the period (%) | | -19.3% | +5.8% | -2.3% | +3.6% |
| NAV per share at the end of the period (RON) | a | 1.4515 | 1.5622 | 1.5881 | 1.6974 |
| NAV per share total return in the period (%) | g | -16.3% | +12.4% | +1.7% | +6.9% |
| Share price as at the end of the period (RON) | b | 1.1100 | 1.2600 | 1.2950 | 1.4500 |
| Share price total return in the period (%) | h | -8.3% | +19.8% | +2.8% | +12.0% |
| Share price discount to NAV as at the end of the period (%) | d | 23.5% | 19.3% | 18.5% | 14.6% |
| GDR price as at the end of the period (USD) | e | 12.1000 | 14.4000 | 15.5000 | 17.1000 |
| GDR price total return in the period (%) | i | -11.7% | +25.0% | +7.6% | +10.3% |
| GDR price discount to NAV as at the end of the period (%) | d | 26.7% | 20.3% | 18.8% | 20.1% |

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 Q1 2020/ Q2 2020/ Q3 2020/ Q4 2020, 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: Bloomberg/ LSE - Closing prices
- Source: FP and Bloomberg/ LSE
- The NAV per Share Total Return is calculated in RON by geometrically linking total returns for all intermediate periods when official NAV is published. Each total return for a single period is calculated using the following formula: the NAV per share at the end of the period plus any cash distribution during the period, dividing the resulting sum by the official NAV per share at the beginning of the period. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- The GDR Price Total Return is calculated in USD by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- Including the tender offers carried by the Fund in March 2020/ September 2020/ December 2020/ August 2019/ February 2018

Contact Details

Address: 78-80 Buzesti Street (7th floor), District 1, Postal Code 011017, Bucharest, Romania.

Web: www.fondulproprietatea.ro

E-mail: office@fondulproprietatea.ro
investor.relations@fondulproprietatea.ro

Telephone: +40 21 200 9600

Fax: +40 21 200 9631/32

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 2020, the Fund was managed by FTIS as its Sole Director and AIFM under the AIFM Directive and local implementation regulations, based on both the Management Agreement in force between 1 April 2018 and 31 March 2020 (according to 14 February 2018 GSM Resolution) and the new Management Agreement in force during the period 1 April 2020 – 31 March 2022 (according to 28 June 2019 GSM Resolution). Until 30 November 2020, FTIS had delegated the role of Investment Manager, as well as certain administrative functions to FTIML. Starting with 1 December 2020, the activity carried out by FTIML UK via its Bucharest Branch through the delegation agreement ceased by agreement of the parties. Therefore, as of this date, the portfolio management and the administrative activities delegated before to FTIML UK Bucharest Branch are performed by FTIS via its Bucharest Branch.

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

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 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 Fund will inform investors of breaches to the IPS by publishing current reports.

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.

Employees of the Fund

As at 31 December 2020 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 2020, 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 2020, 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 2020.

Branches

During 2020 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;
- 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;
- Regulation (EU) no. 1212/ 2018 of the European Parliament and of the Council of 3 September 2018 laying down minimum requirements implementing the provisions of Directive 2007/36/EC of the European Parliament and of the Council as regards shareholder identification, the transmission of information and the facilitation of the exercise of shareholders rights;
- 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. 2/2016 on the application of the principles of corporate governance by the entities authorised, regulated and supervised by the FSA, with subsequent changes;
- 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;
- FSA Regulation no. 7/2020 on the authorisation and function of alternative investment funds.

Regulatory Updates

New AIF Law

The AIF Law entered into force on 23 January 2020, repealing, among others, a number of the relevant provisions of Law 247/2005 regulating the Fund, starting with 23 July 2020. According to the AIF Law, the Fund is expressly qualified as an AIF oriented to retail investors and had to comply with three types of legal requirements:

- amendment of the Fund's constitutive documents in line with the AIF Law – already approved by shareholders during the 28 April 2020 GSM and new changes were put for shareholders vote for the GSM that took place on 14 January 2021 due to some additional recommendations from the FSA; according to Romanian regulations in force the changes of the Constitutive Act will enter into force after the FSA endorsement and registration with the Trade Registry;
- application for authorisation of the Fund by the FSA as an AIF addressed to retail investors – the documentation has been filed on 22 July 2020 and the FSA registration process is ongoing;
- alignment of the Fund's activity with the provisions of the AIF Law – finalised.

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

FSA AIF Regulation for implementing the AIF Law

The AIF Regulation was published in the Official Gazette of Romania on 24 April 2020 and it sets the rules for the registration of the Fund as an AIF. On 22 July 2020, the Fund applied and filed the entire documentation for registering as an AIF addressed to retail investors. According to the AIF Law, the FSA shall decide on the issuance of the authorisation as an AIF within maximum 60 days from the registration of the application and submission of complete documents - based on the last communication received from FSA the application part related to the Constitutive Act changes is under review and few changes need to be done in the application documentation. The AIFM will update the investors on the registration process as an alternative investment fund.

SRD II implementation process

On 29 July 2020, the Romanian law transposing SRD II was published in the Official Gazette of Romania and entered into force on 28 August 2020. By means of this law, certain new elements are introduced, such as the remuneration report and policy, while shareholder rights are strengthened for more transparent corporate governance. The shareholders approved several changes to the Constitutive Act during 13 November 2020 GSM and the changes were partially endorsed by the FSA in February 2021. According to Romanian regulations in force the changes of the Constitutive Act will enter into force after FSA endorsement and registration with Trade Registry.

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

In August 2020, the Romanian Parliament enacted Law 173/2020 regarding certain measures for protecting national interest within the economic activity. The law entered into force on 16 August 2020, banning the sale of shareholdings owned by the Romanian state in national companies, banks or other companies in which the state is a shareholder, irrespective of the ownership percentage, for the next two years. Ownership transfers that commenced before the entry into force of the law are suspended for a two-year term. Even though this suspension will not apply to finalised privatisations, these restrictions will likely impact the Romanian market. The law is likely to complicate the long-awaited listing of energy producer Hidroelectrica SA, Romania's most valuable state company, and other ongoing sales of companies where the state holds shares. On 5 October 2020 entered into force the GEO no. 166/2020 setting exceptions from Law 173/2020. On 3 February 2021, the Government proposed for Parliament's approval a new draft of law that repeals the requirements in Law 173/2020 regarding the state prohibition to sell shares in Romanian companies. The draft is in Parliament for legislative procedure. There is not indicated a time estimation for having the draft of law in force.

Changes in Romanian Water Law

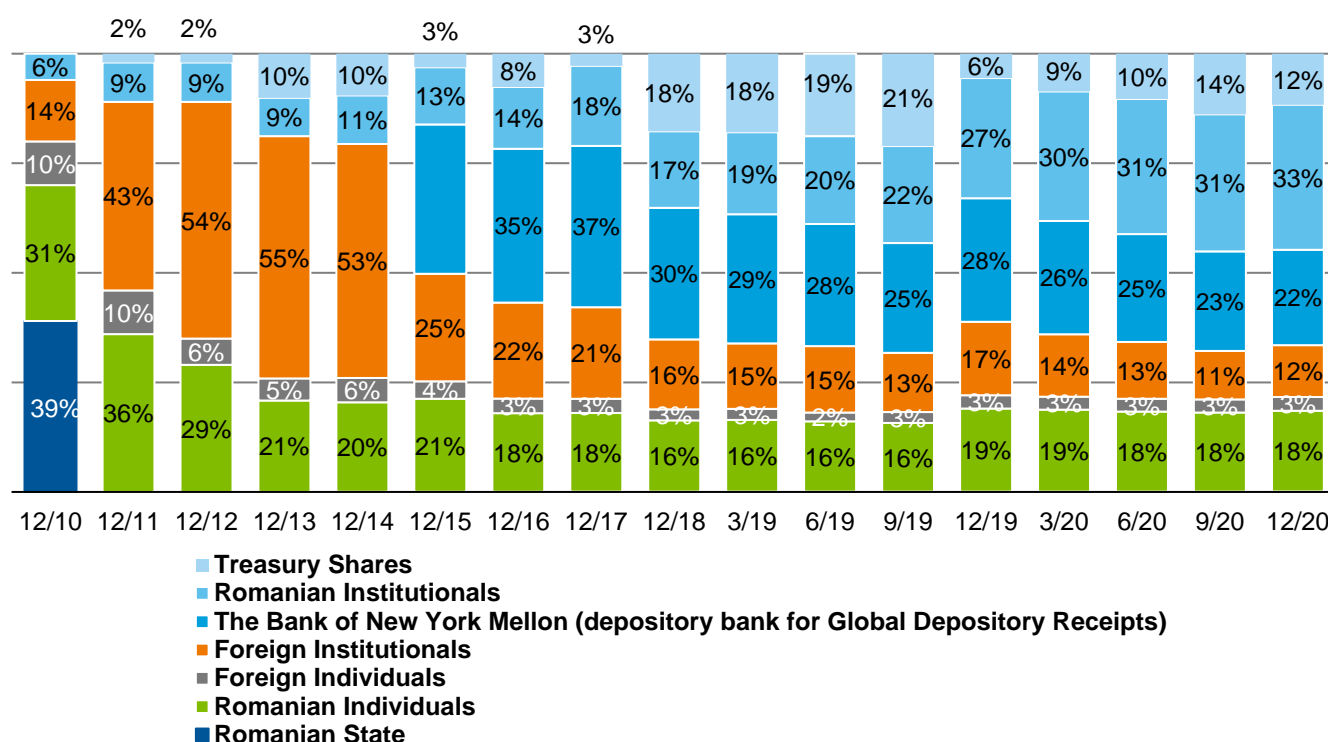
During 2020, the Parliament approved several changes to the Water Law which entered into force on 13 July 2020 while the Romanian Government changed the Water Law starting with 31 December 2020. According to these changes, all owners of water installations that collect underground or surface waters are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

For the purpose of calculating the water volume used by its hydropower plants to produce electricity Hidroelectrica SA has been using an indirect calculation method based on the electricity volume produced by each hydro-unit. Hidroelectrica SA management considers it technically unfeasible to install standard water meters as required by the law, given the size and the variety of technical specifications of its power plants. The Romanian Water Law is currently in the process of being amended in the Parliament – for more details please see *Subsequent events* section.

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

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 2020, 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 cancellation 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 |
| 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 |

| Date | Reason | Structure of the share capital after event | | | |
|-------------------------|--|--|--------------------------|------------------------|----------------------|
| | | Issued share capital (RON) | Paid share capital (RON) | Issued shares (Shares) | Paid shares (Shares) |
| 18 January 2017 | The partial cancelation 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 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 cancelation 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 cancelation 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 cancelation 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 cancelation 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 |
| 30 September 2020 | The cancelation of the shares acquired during the tenth buy-back programme | 3,749,282,292.08 | 3,560,099,870.08 | 7,210,158,254 | 6,846,345,904 |
| 31 December 2020 | Closing balance | 3,749,282,292.08 | 3,560,099,870.08 | 7,210,158,254 | 6,846,345,904 |

Source: Fondul Proprietatea

Share capital decrease process

On 30 September 2020, the Trade Registry registered Resolution no. 2/28 April 2020 of the Fund's EGM for approving the decrease of the subscribed share capital from RON 3,959,264,762.44 to RON 3,749,282,292.08 pursuant to the cancellation of 403,812,443 own shares acquired during the tenth buy-back programme, endorsed by the FSA through Endorsement no. 189/10 September 2020.

The share capital decrease took place based on Article 207 (1) (c) of Companies' Law no. 31/1990 and is effective starting with 30 September 2020. At the same date, the Fund recorded a negative reserve in amount of RON 236,026,121 and the details regarding the coverage of this are included below.

Changes to the Constitutive Act

During 2020 shareholders approved two rounds of changes to the Constitutive Act for implementing the changes of legislation that entered into force during 2020. The Constitutive Act as of 31 December 2020 is attached as Annex 4 to this Annual Report. The Constitutive Act in force of the Fund is published on the website of the Fund. For more details regarding the changes to the Constitutive Act after 31 December 2020, please see section *Subsequent events*.

Management Agreement in force during 2020

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

Key commercial terms

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

Important GSM Resolutions during 2020

The main resolutions approved by the Fund's shareholders during the GSMs in 2020 were the following:

- Several changes to Constitutive Act that partially entered into force on 24 July 2020 – the updated Constitutive Act is published on the Fund’s website;
- Decrease of the subscribed share capital of the Fund from RON 3,959,264,762.44 to RON 3,749,282,292.08 following the cancellation of the 403,812,443 shares acquired within the tenth buy-back programme;
- Amended IPS as a result of changes in Romanian legislation with effective date 23 July 2020;
- Annual Activity Report of the AIFM for the period ended on 31 December 2019 and the financial statements;
- Coverage of the negative reserves incurred in 2019 from the cancellation of treasury shares;
- Net profit allocation and approval of a gross dividend of RON 0.0642 per share from 2019 year profit;
- Continuation vote for the current mandate of AIFM;
- Appointment of Deloitte Audit SRL as financial auditor of the Fund for 2021;
- Resolution for several changes of the Constitutive Act that will enter into force after FSA approval and registration with the Trade Registry;
- Resolution for approving the buy-back programme for 2021 (the twelfth buy-back programme);
- Resolution for approving 2021 budget.

Changes of the credit facility agreement and issued debt in 2020

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

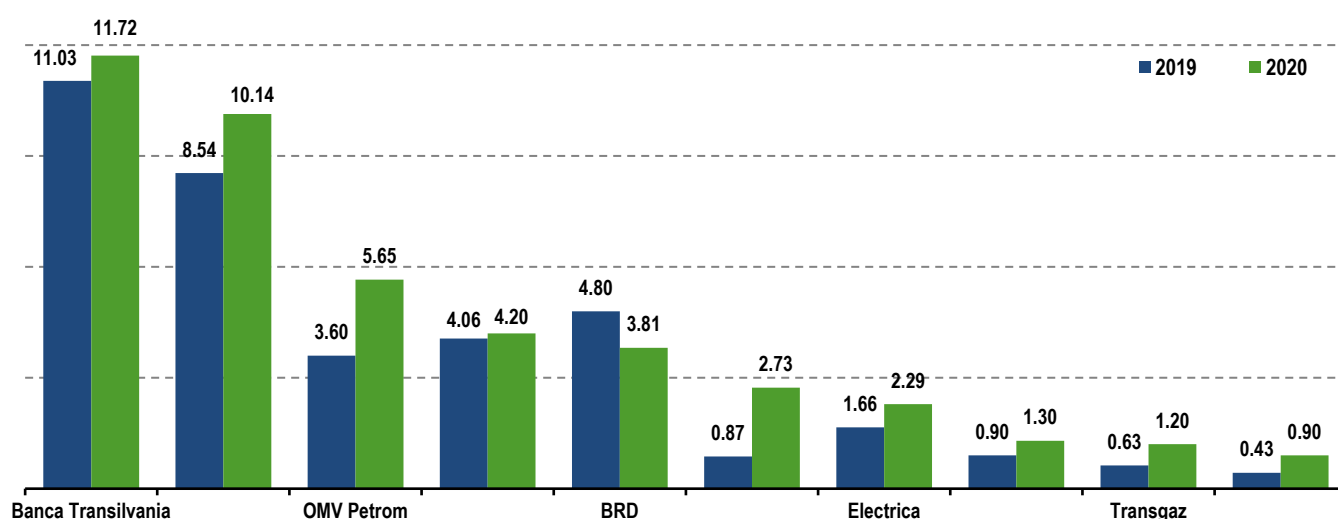
The Fund did not use the credit facility during 2020 and the outstanding balance is nil. The Fund had no bonds or other debt securities in issue during 2020.

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.

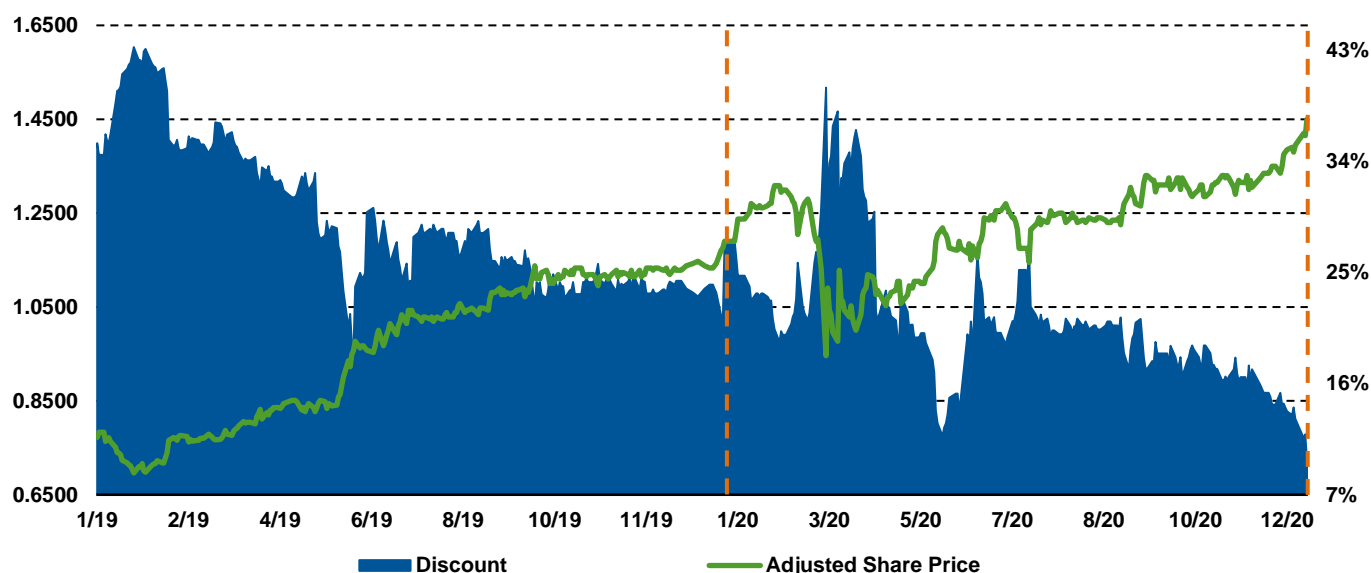
Starting 29 April 2015, the Fund’s GDRs are listed on the Specialist Fund Market of the LSE under the market symbol “FP.”. The Bank of New York Mellon was appointed by the Fund to act as depositary bank in relation to the GDR facility.

Average Daily Turnover in 2020 (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 offers from March, September and December 2020 and August 2019. The values for OMV Petrom include the 1.7 billion shares in sold by FP on 16 September 2020 under an accelerated bookbuild offering. Source: BVB, Bloomberg

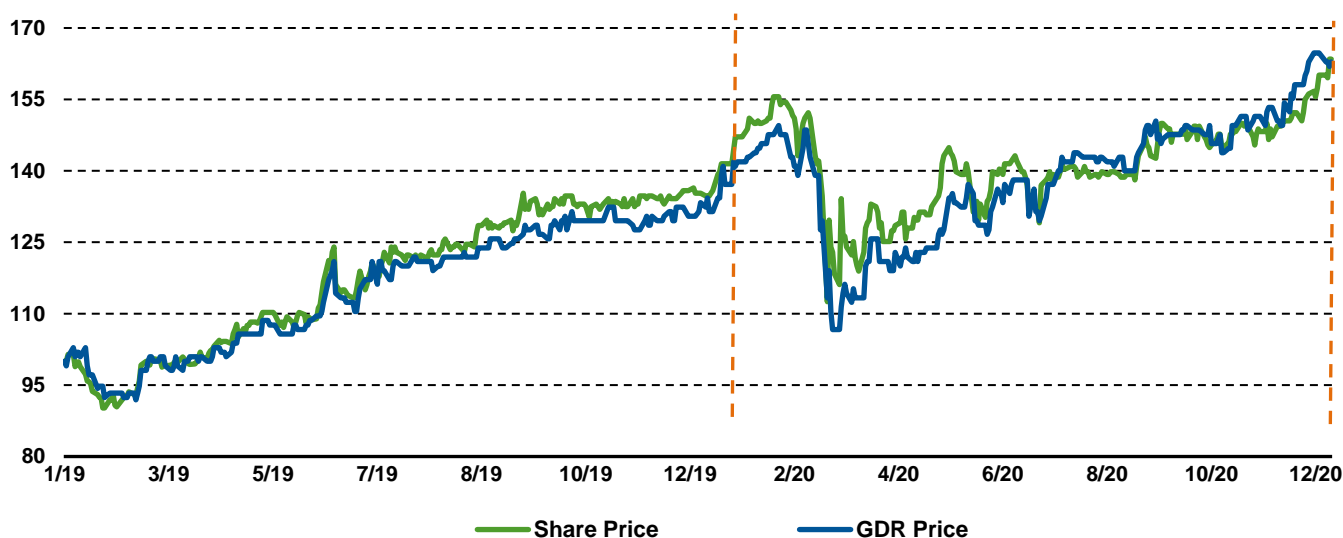
Fund's Share Price and Discount History (RON per share)



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: Bloomberg

After the significant drop registered by the global markets due to the outbreak of the COVID-19 pandemic in the first part of the year, in the second half of 2020 the markets started recovering, and the Fond followed this trend. As at 30 December 2020, the Fund's share price registered the highest level since its listing on the BVB in January 2011, of RON 1.45 per share. On LSE the Fund's GDR also reached the highest level since the listing in May 2015, of USD 17.30 per GDR on 21 December 2020.

Buy-back Programmes

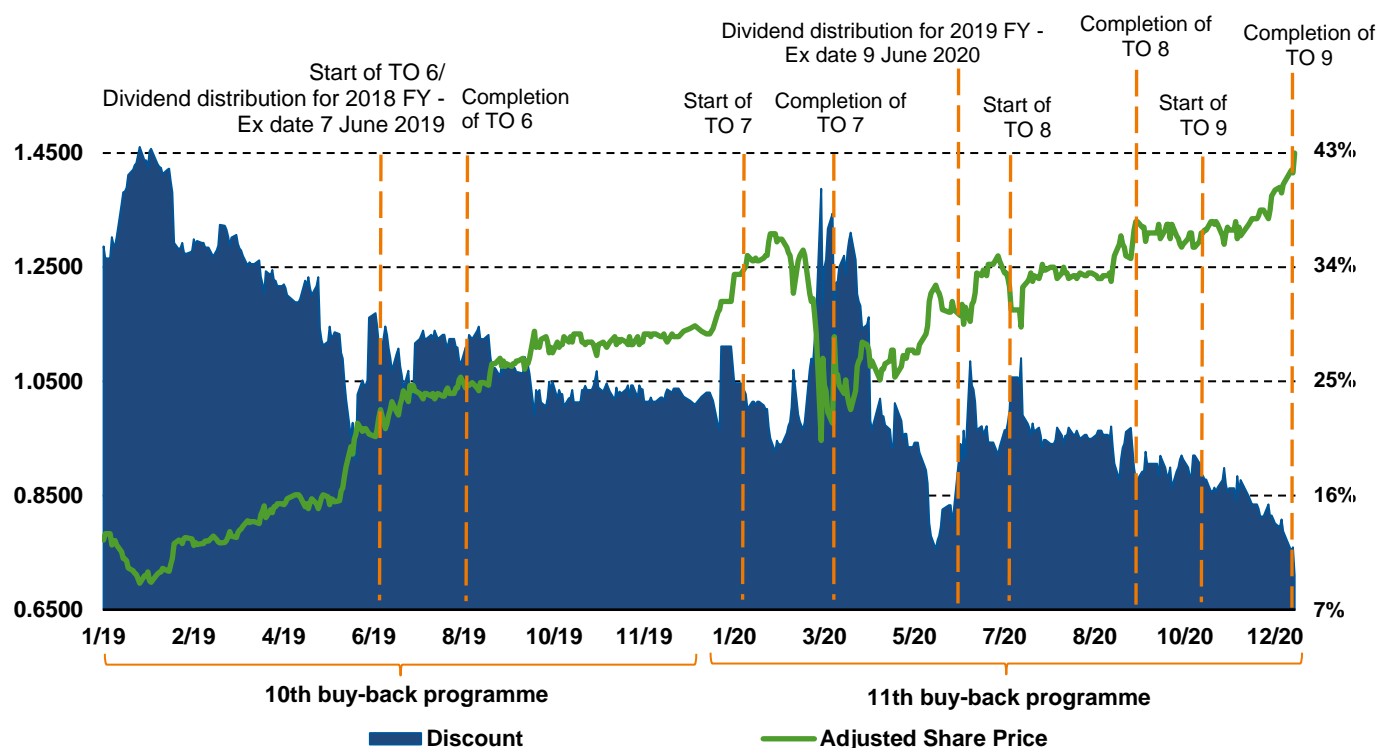
Overview of share buy-back programmes since listing

| Programme | Period | No. of shares repurchased (million shares) | Tender offer | Cancellation of shares |
|--------------|---------------------|--|--|--|
| First | May – Sep 2011 | 240.3 | N/A | Completed |
| Second | Apr – Dec 2013 | 1,100.9 | Oct – Nov 2013 | Completed |
| Third | Mar – Jul 2014 | 252.9 | N/A | Completed |
| Fourth | Oct 2014 – Feb 2015 | 990.8 | Nov – Dec 2014 | Completed |
| Fifth | Feb – Jul 2015 | 227.5 | N/A | Completed |
| Sixth | Sep 2015 – Sep 2016 | 891.7 | Aug – Sep 2016 | Completed |
| Seventh | Sep 2016 – May 2017 | 830.2 | Feb – Mar 2017 | Completed |
| Eighth | May – Nov 2017 | 141.9 | N/A | Completed |
| Ninth | Nov 2017 – Dec 2018 | 1,488.0 | Jan – Feb 2018 | Completed |
| Tenth | Jan – Dec 2019 | 403.8 | Jul – Aug 2019 | Completed. |
| Eleventh | Jan – Dec 2020 | 798.0 | Jan – Mar 2020/ July – Sep 2020/ Oct – Dec 2020 | Finalised on 31 December 2020. Cancellation of shares pending approval during April 2021 GSM |
| Twelfth | Jan – Dec 2021 | - | N/A | Approved during 13 November 2020 GSM |
| TOTAL | | 7,366.0 | | |

Source: Fondul Proprietatea

Evolution of discount and buy-back programmes

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



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

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

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.

During the year ended 31 December 2020, the Fund bought back a total number of 797,961,287 own shares within the eleventh buy-back programme (out of which 555,481,637 ordinary shares and 242,479,650 shares corresponding to GDRs), representing 11.1% of the total issued shares as at 31 December 2020, for a total acquisition value of RON 1,065,008,456.86, excluding transaction costs. The total number of own shares (including shares corresponding to GDRs) held by the Fund as at 31 December 2020 is 797,961,287 own shares, having a total nominal value of RON 414,939,869.24 (RON 0.52 per share). During 2020 the Fund converted 4,849,593 GDRs acquired into 242,479,650 ordinary shares. As at 31 December 2020, the Fund did not hold any GDR.

The table below shows a summary of the buy-back programmes during 2020:

| Prog. | Description | No of shares* | Equivalent shares of GDRs | Total no of shares | % of issued share capital*** |
|-------|---|---------------|---------------------------|--------------------|------------------------------|
| 10th | Opening balance as at 1 January 2020 | 403,812,443 | - | 403,812,443 | |
| | Acquisitions | - | - | - | |
| | Conversions | - | - | - | |
| | Cancellations | (403,812,443) | - | (403,812,443) | |
| | Closing balance as at 31 December 2020 | - | - | - | - |
| | Weighted average price (RON per share; USD per GDR)** | 1.0798 | 13.0730 | 1.0872 | |
| 11th | Opening balance as at 1 January 2020 | - | - | - | |
| | Acquisitions | 555,481,637 | 242,479,650 | 797,961,287 | |
| | Conversions | 242,479,650 | (242,479,650) | - | |
| | Closing balance as at 31 December 2020 | 797,961,287 | - | 797,961,287 | 11.1% |
| | Weighted average price (RON per share; USD per GDR)** | 1.3247 | 16.3185 | 1.3347 | |
| Total | Total balance of treasury shares as at 31 December 2020 | 797,961,287 | - | 797,961,287 | 11.1% |

Source: Fondul Proprietatea

* Information presented based on the transaction date

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

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

The tender offers within the eleventh buy-back programme

The table below presents details regarding the three tender offers completed by the Fund within the eleventh buy-back programme:

| | First Tender Offer March 2020 | Second Tender Offer September 2020 | Third Tender offer December 2020 |
|---------------------------------------|---------------------------------------|---|-------------------------------------|
| Total no of shares acquired in the TO | 200,000,000 | 220,000,000 | 165,000,000 |
| Shares (ordinary) | 124,478,000 | 147,747,650 | 101,774,750 |
| Shares (corresponding to GDRs) | 75,522,000 | 72,252,350 | 63,225,250 |
| GDRs acquired | 1,510,440 | 1,445,047 | 1,264,505 |
| TO price per share (RON) | 1.39 | 1.39 | 1.39 |
| TO price per GDR (RON) | 69.50 | 69.50 | 69.50 |
| FX rate of the TO (RON/USD) | 4.3302 | 4.1173 | 3.9978 |
| TO price per GDR (USD) | 16.0500 | 16.8800 | 17.3845 |
| Daily buy-backs suspension period | 12 Dec 2019 - 23 Mar 2020 | 6 Jul - 22 Sep (shares)/ 23 Sep (GDRs) 2020 | 19 Oct – 31 Dec 2020 |
| Dealer Managers | Swiss Capital SA and Auerbach Grayson | | |
| Intermediary for shares | Swiss Capital SA | | |
| Tender agent for GDRs | The Bank of New York Mellon | | |
| Date of application request to FSA | 7 Jan 2020 | 17 Jul 2020 | 26 Oct 2020 |
| FSA approval of the tender | 22 Jan 2020 | 29 Jul 2020 | 4 Nov 2020 |
| Subscription period | 29 Jan - 13 Mar 2020 | 4 Aug - 9 Sep 2020 | 12 Nov - 16 Dec 2020 |
| Total subscriptions, out of which | 3,371,755,437 | 3,354,023,458 | 1,366,366,544 |
| Ordinary shares | 2,098,546,337 | 2,252,495,008 | 842,797,344 |
| Shares corresponding to GDRs | 1,273,209,100 | 1,101,528,450 | 523,569,200 |
| Subscriptions % Offer | 1,685.90% | 1,524.55% | 828.10% |

Source: Fondul Proprietatea

Cancellation of shares acquired within the tenth buy-back programme

On 30 September 2020, the Trade Registry registered Resolution no. 2/28 April 2020 of the Fund's EGM for approving the decrease of the subscribed share capital from RON 3,959,264,762.44 to RON 3,749,282,292.08

pursuant to the cancellation of 403,812,443 own shares acquired during the tenth buy-back programme, endorsed by the FSA through Endorsement no. 189/10 September 2020.

The twelfth buy-back programme

During 13 November 2020 GSM, the shareholders approved the twelfth buy-back programme for a maximum number of 800,000,000 shares and/ or equivalent GDRs corresponding to shares, starting with 1 January 2021 until 31 December 2021, at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The shares repurchased during the buy-back programme will be cancelled. The Fund selected Auerbach-Grayson in consortium with Swiss Capital to provide brokerage services for the programme.

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 2020, the Fund's equity elements that could be used to cover the negative reserve are sufficient and include retained earnings, reserves and share capital.

| Buy-back program 11 impact on equity during 2020 | <i>All amounts in RON</i> |
|---|---------------------------|
| Acquisition cost | 1,065,008,457 |
| Total costs directly related to acquisition, out of which: | 21,873,350 |
| Distribution fees* | 10,674,300 |
| FSA fees | 8,261,096 |
| Stock Exchange fees (BVB and LSE) | 1,200,151 |
| Brokerage fees | 1,127,761 |
| Legal advisory fees | 523,338 |
| Central Depositary fees | 62,548 |
| Other professional fees | 24,156 |
| Total impact on equity of buy-back program 11 during 2020 | 1,086,881,807 |

Source: Fondul Proprietatea

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

Coverage of the negative reserves

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

During 28 April 2020 Annual GSM, the shareholders approved the cancellation of the 403,812,443 treasury shares repurchased within the tenth buy-back programme, which was completed on 30 September 2020. The shareholders also approved the allocation RON 236,026,121 from 2019 audited profit to other reserves in order to be available for covering the related negative reserves. The actual coverage of this negative reserve using the amount of RON 236,026,121 transferred to other reserves will be subject to shareholders' approval during the 2021 annual shareholders' meeting.

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

| | |
|---|--------------------|
| Opening balance of the negative reserve as at 1 January 2020 (audited) | 640,744,712 |
| Coverage of negative reserves according with GSM Resolution no. 2/ 28 April 2020 | (640,744,712) |
| Negative equity reserve arising on the cancelation of the 10th buyback programme shares according to EGM resolution no. 2/ 28 April 2020 (on 30 September 2020) | 236,026,121 |
| Closing balance of the negative equity reserve at 31 December 2020 (audited) | 236,026,121 |

Source: Fondul Proprietatea

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 2020:

| Negative reserve that would arise on cancelation of the treasury shares in balance as at 31 December 2020 | | Buy-back programme 11 |
|--|--------------------|------------------------------|
| Number of shares to be cancelled | (1) | 797,961,287 |
| Total costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled in the future (RON) | (2) | 1,086,881,807 |
| Correspondent nominal value (NV = RON 0.52 per share) (RON) | (3)=(1)*NV | 414,939,869 |
| Estimated negative reserve to be booked on cancelation (RON) | (4)=(3)-(2) | (671,941,938) |

Source: Fondul Proprietatea

During the 28 April 2021 Annual GSM, the Fund's Sole Director will propose the cancellation of the 797,961,287 treasury shares repurchased within the eleventh buy-back programme and would also recommend shareholders to allocate RON 671,941,938 from the balance of distributions for which the statute of limitation occurred and from the unallocated profit of the years 2017-2019 to other reserves in order to be available for covering the related negative reserve. The actual coverage of this negative reserve using the amount of RON 671,941,938 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

In order to comply with the requirements of Bucharest Stock Exchange Code of Corporate Governance and in accordance with the IPS, Fondul Proprietatea SA adopted the Annual Cash Distribution Policy. The scope of the policy is to set a series of guidelines and principles on the cash distributions made by the Fund. The Annual Cash Distribution Policy is published on the Fund's website, section *About the Fund – Fund Overview – Corporate Governance*.

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 | | 27 June 2019 (Status of limitation occurred) |
| Distribution - Return of capital | March 2017 | 480,543,496 | 0.05000 | 9,610,869,928 | | 27 September 2020 (Status of limitation occurred)** |
| Distribution - Return of capital | June 2017 | 443,502,747 | 0.05000 | 8,870,054,948 | | 27 September 2020 (Status of limitation occurred)** |
| 2017 Dividend | June 2018 | 499,976,344 | 0.0678 | 7,374,282,346 | 99.3% | 29 June 2021 |

| 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 |
|---------------|-----------|-----------------------------------|------------------------------------|-------------------------|------------------------------------|--|
| 2018 Dividend | July 2019 | 642,318,808 | 0.0903 | 7,113,165,099 | 97.3% | 1 July 2022 |
| 2019 Dividend | July 2020 | 417,965,383 | 0.0642 | 6,510,364,222 | 96.4% | 1 July 2023 |

Source: Fondul Proprietatea

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

** Status of limitation was extended due to pandemic conditions; however, extended status of limitation occurred

2019 Dividend Distribution

On 28 April 2020, the shareholders approved the distribution of a gross dividend of RON 0.0642 per share, with Ex-date on 9 June 2020 and Registration date on 10 June 2020. The Fund started the payment of dividends on 1 July 2020. The payments of the distributions to shareholders are performed through the Romanian Central Depository, according to the legislation in force, as follows:

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

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

Previous distributions to shareholders with payment dates after 31 December 2020

1) Dividend 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 2020 shareholders had collected 99.3% 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.

2) Dividend distribution in July 2019

On 4 April 2019 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 and by 31 December 2020 shareholders had collected 97.3% of the total dividend distribution of RON 642.3 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 1 July 2022.

2017 Returns of Capital

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

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

Source: Fondul Proprietatea

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

NAV Methodology and 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.

Listed securities are valued either at closing market prices if listed on regulated markets, or at reference prices if listed on an ATS. In case of shares listed on ATS the reference price is considered to be the average price. Illiquid or unlisted securities are valued using either the value of shareholders' equity, as per the latest available annual financial statements, proportionally with the stake held, or at fair value according to International Valuation Standards. The shares in the companies under insolvency or reorganisation procedures, in companies under a judicial liquidation procedure or any other liquidation procedures, as well as in companies under temporary or final suspension of operation, are valued at zero until the procedure is finalised.

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

Changes to NAV reporting

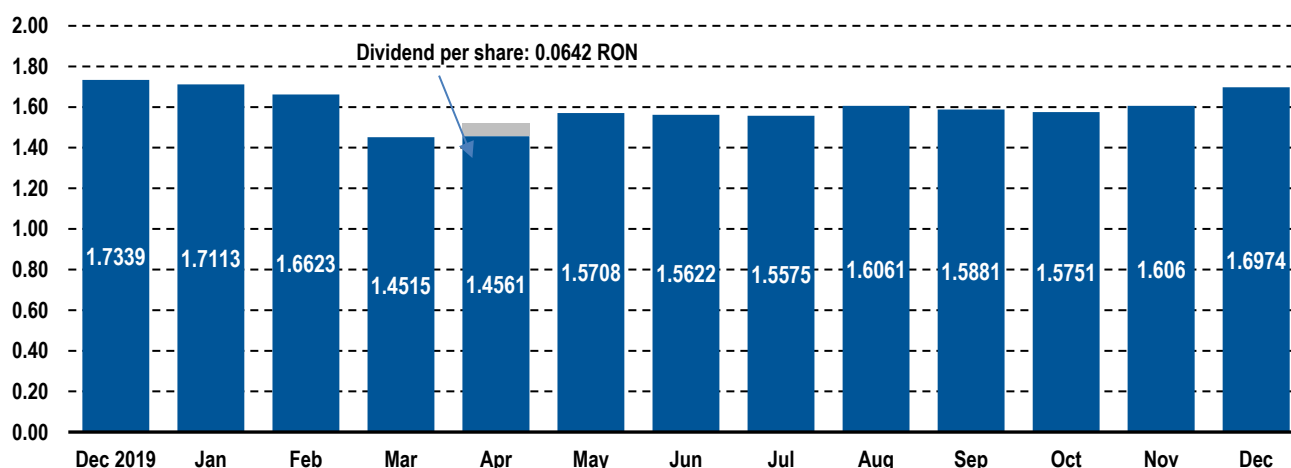
Romanian AIF Law and AIF Regulation became effective in 2020, requiring the Fund to apply for FSA authorisation as an AIF and bringing various changes to the internal procedures of the Fund, including the NAV reporting process. The current NAV calculation methodology did not require any significant change,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

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

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

NAV per share (RON per share)

The following chart shows information on the monthly NAV per share for the period 31 December 2019 to 31 December 2020:



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

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

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

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

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

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

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

During the **third quarter of 2020**, the NAV per share had an upward trend compared to the end of the previous quarter, mainly due to the tender offer within the eleventh buy-back programme carried by the Fund during this period. This was partially offset by the negative share price evolution of OMV Petrom SA (impact on the Fund's NAV of RON 443.9 million).

During the **last quarter of 2020**, the NAV per share increased by 6.9%, 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 report for Alcom SA was also updated for year-end reporting. The valuation date was 31 October 2020, but the valuations considered the subsequent developments until 31 December 2020.

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 | Value in | 31 Dec 2020 NAV vs. | |
|-----|---|-----------------|-----------------|---------------------|--------|
| | | 31 Dec 2020 NAV | 30 Sep 2020 NAV | 30 Sep 2020 NAV | |
| | | RON million | RON million | RON million | % |
| 1 | Hidroelectrica SA | 5,128.9 | 4,707.5 | 421.4 | 9.0% |
| 2 | CN Aeroporturi Bucuresti SA | 624.1 | 735.8 | (111.7) | -15.2% |
| 3 | Engie Romania SA | 538.8 | 426.3 | 112.5 | 26.4% |
| 4 | E-Distributie Banat SA | 272.7 | 252.6 | 20.1 | 8.0% |
| 5 | CN Administratia Porturilor Maritime SA | 235.8 | 233.4 | 2.4 | 1.0% |
| 6 | E-Distributie Muntenia SA | 227.8 | 212.7 | 15.1 | 7.1% |
| 7 | Societatea Nationala a Sariei SA | 201.2 | 222.1 | (20.9) | -9.4% |
| 8 | E-Distributie Dobrogea SA | 177.2 | 164.7 | 12.5 | 7.6% |
| 9 | ENEL Energie SA | 52.5 | 25.8 | 26.7 | 103.5% |
| 10 | ENEL Energie Muntenia SA | 43.1 | 41.2 | 1.9 | 4.6% |
| 11 | Zirom SA | 24.9 | 31.7 | (6.8) | -21.5% |
| 12 | CN Administratia Canalelor Navigabile SA | 17.8 | 14.9 | 2.9 | 19.5% |
| 13 | Posta Romana SA | 13.1 | 10.7 | 2.4 | 22.4% |
| 14 | Alcom SA | 8.9 | 6.1 | 2.8 | 45.9% |
| 15 | Aeroportul International Timisoara - Traian Vuia SA | 6.4 | 11.4 | (5.0) | -43.9% |

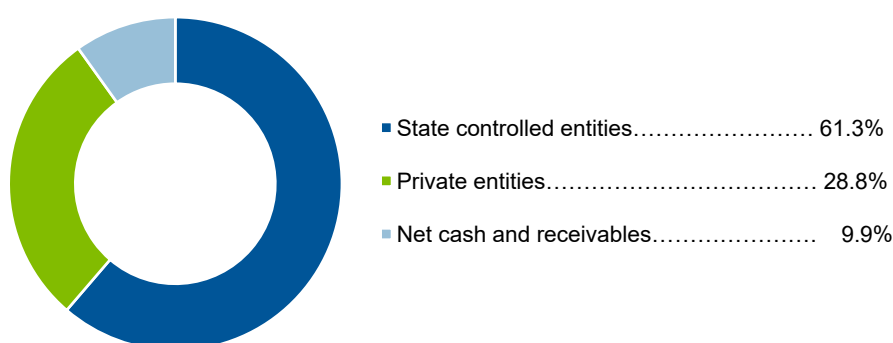
| No. | Portfolio company | Value in 31 Dec 2020 NAV | Value in 30 Sep 2020 NAV | 31 Dec 2020 NAV vs. 30 Sep 2020 NAV | |
|--------------|---|--------------------------------|--------------------------------|--|-------------|
| | | RON million | RON million | RON million | % |
| 16 | CN Administratia Porturilor Dunarii Maritime SA | 5.2 | 4.2 | 1.0 | 23.8% |
| 17 | Aeroportul International Mihail Kogalniceanu - Constanta SA | 2.6 | 1.4 | 1.2 | 85.7% |
| 18 | CN Administratia Porturilor Dunarii Fluviale SA | 2.3 | 1.7 | 0.6 | 35.3% |
| 19 | Plafar SA | 1.9 | 1.7 | 0.2 | 11.8% |
| 20 | Complexul Energetic Oltenia SA | - | - | - | 0.0% |
| TOTAL | | 7,585.2 | 7,105.9 | 479.3 | 6.7% |

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 90.1% of the Fund's NAV as at 31 December 2020. As at that date, the portfolio was composed of holdings in 32 companies (6 listed and 26 unlisted), a combination of privately held and state-controlled entities.

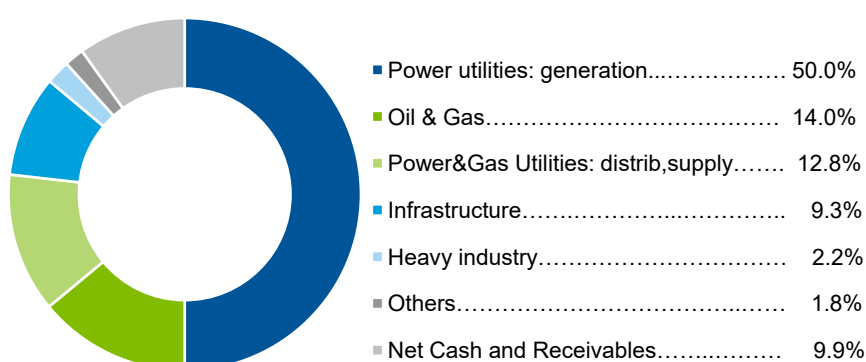
Portfolio Structure – by Controlling Ownership



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

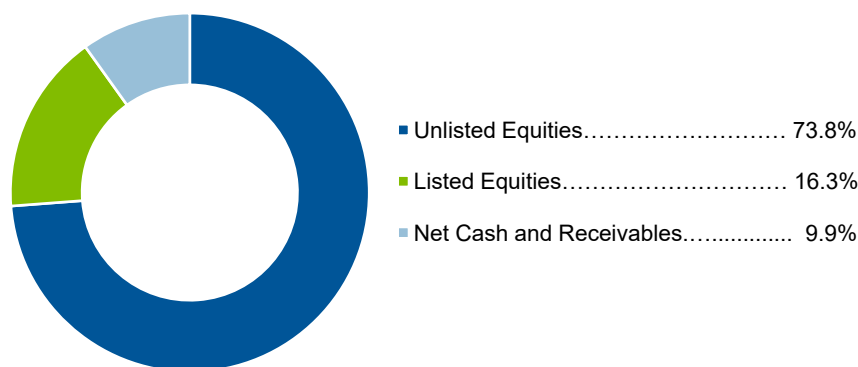
Source: Fondul Proprietatea, data as at 31 December 2020, % in total NAV

Portfolio Structure – by Sector



- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 76.8% of the NAV), through several listed and unlisted Romanian companies

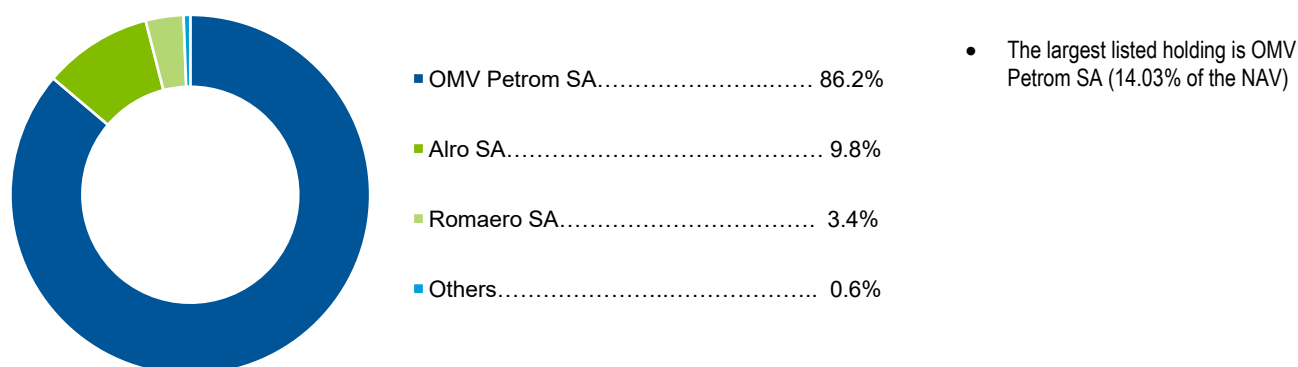
Source: Fondul Proprietatea, data as at 31 December 2020, % in total NAV

Portfolio Structure – by Asset Type

Source: Fondul Proprietatea, data as at 31 December 2020, % in total NAV

Portfolio Structure – Unlisted holdings

Source: Fondul Proprietatea, data as at 31 December 2020; the chart reflects the company NAV value as a % in total NAV value of unlisted holdings

Portfolio Structure – Listed holdings

Source: Fondul Proprietatea, data as at 31 December 2020; the chart reflects the company NAV value as a % in total NAV value of listed holdings

Key portfolio developments**Dividends**

During 2020, 13 companies in the Fund's portfolio declared dividends for the 2019 and 2018 financial years. In addition, 5 companies declared special dividends. The total amount of gross dividend income recorded by the Fund in 2020 is RON 1.2 billion, and the most significant amounts relate to Hidroelectrica SA, E-Distributie companies and OMV Petrom SA. For more details regarding dividend income, please refer to section *Financial Statements Analysis*.

Disposals

On 16 September 2020, the Fund sold 1.7 billion shares in OMV Petrom SA under an accelerated bookbuild offering. The agreed selling price was RON 0.33 per share and the gross proceeds of the transaction amount to RON 561 million. The Fund's remaining participation in OMV Petrom SA after this transaction is of 6.9973% of its share capital.

Also, during 2020 the Fund sold its entire holding of 7.1% (as at 31 December 2019) in Nuclearelectrica SA.

Participation in share capital increases

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

On 15 September 2020, the Fund subscribed to the share capital increase of Nuclearelectrica SA with a cash contribution of RON 97,350. This was effective on 27 October 2020, the date of registration with the Romanian Central Depository.

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

Energy Sector Updates

Updates on the regulatory requirements in the energy sector

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

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

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

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

To apply the new provisions of Law no. 123/2012, on 12 June 2020 ANRE adopted a new Methodology by Order no. 88/2020, regarding the establishment of regulated tariffs and prices applied by suppliers of last resort to final customers for the period 1 July 1 – 31 December 2020 and for the amendment of the framework for electricity sale purchase agreement between electricity producers and suppliers of last resort. The methodology was applicable for the period 1 July 2020 - 31 December 2020. According to an ANRE report, the total volume of electricity that had to be sold by producers to suppliers of last resort based on regulated contracts during H2 2020 amounted to approximately 3.98 TWh.

Other regulations

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

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

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

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

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

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

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

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

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

Source: ANRE Decision no. 2101 from 12 December 2019

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

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

Source: ANRE Decision no. 463 from 23 March 2020

According to the ANRE orders, the specific electricity distribution tariffs for the companies in the Fund's portfolio operating in power distribution sector, applicable starting with 1 January 2021, compared to those applicable starting 1 January 2020 and 16 January 2020, are the following:

| Company | Voltage level | Tariffs starting 1 Jan 2020 (RON/MWh) | Tariffs starting 16 Jan 2020 (RON/MWh) | Tariffs starting 1 Jan 2021 (RON/MWh) | change (%) | change (%) |
|---------------------------|----------------|---|--|---|---------------|---------------|
| | | (1) | (2) | (3) | (3)/(1)-1 | (3)/(2)-1 |
| E-Distributie Banat | High Voltage | 15.93 | 15.64 | 15.51 | -2.64% | -0.83% |
| | Medium Voltage | 36.46 | 35.80 | 38.27 | 4.96% | 6.90% |
| | Low Voltage | 109.54 | 107.57 | 107.81 | -1.58% | 0.22% |
| E-Distributie Dobrogea | High Voltage | 20.56 | 20.21 | 20.17 | -1.90% | -0.20% |
| | Medium Voltage | 41.29 | 40.58 | 42.80 | 3.66% | 5.47% |
| | Low Voltage | 134.02 | 131.71 | 135.17 | 0.86% | 2.63% |
| E-Distributie Muntenia | High Voltage | 10.17 | 10.00 | 10.41 | 2.36% | 4.10% |
| | Medium Voltage | 32.50 | 31.95 | 34.55 | 6.31% | 8.14% |
| | Low Voltage | 115.67 | 113.67 | 112.22 | -2.98% | -1.28% |

Source: ANRE Orders 224, 225 and 226 from 17.12.2019, ANRE Orders no. 4, 5 and 6 from 15.01.2020, ANRE Orders no. 217, 218, 219 from 9.12.2020

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

| Company | Voltage level | Tariffs starting 1 Jan 2020 (RON/kWh) | Tariffs starting 1 July 2020 (RON/kWh) | change (%) |
|---------------------------------|----------------|---|--|---------------|
| | | (1) | (2) | (2)/(1)-1 |
| Enel Energie (Banat Area) | Medium Voltage | 0.3440 | 0.3357 | -2.4% |
| | Low Voltage | 0.4535 | 0.4433 | -2.3% |
| Enel Energie (Dobrogea Area) | Medium Voltage | 0.3315 | 0.3250 | -1.9% |
| | Low Voltage | 0.4655 | 0.4567 | -1.9% |

| Company | Voltage level | Tariffs starting 1 Jan 2020 (RON/kWh) | Tariffs starting 1 July 2020 (RON/kWh) | change (%) |
|--|----------------|---|--|---------------|
| Enel Energie Muntenia (South Muntenia Area) | Medium Voltage | 0.3011 | 0.2936 | -2.5% |
| | Low Voltage | 0.4168 | 0.4073 | -2.3% |
| Engie Romania (South Muntenia Area) | Medium Voltage | 0.3503 | 0.3435 | -1.9% |
| | Low Voltage | 0.4660 | 0.4571 | -1.9% |

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

The gas distribution tariffs for Distrigaz Sud Retelele (a subsidiary of Engie Romania SA operating in gas distribution sector) were approved by ANRE in June 2020, as follows:

| Annual consumption (MWh) | Tariffs starting 1 Jul 2019 (RON/MWh) | Tariffs starting 1 Jul 2020 (RON/MWh) | change (%) |
|--|--|--|---------------|
| | (1) | (2) | (2)/(1)-1 |
| between 0-280 | 31.49 | 30.24 | -4.0% |
| between 280-2,800 | 29.66 | 28.49 | -3.9% |
| between 2,800-28,000 | 28.27 | 27.16 | -3.9% |
| between 28,000-280,000 | 21.78 | 20.94 | -3.9% |
| higher than 280,000 | 14.74 | 14.18 | -3.8% |
| clients benefitting from proximity distribution tariff | 4.00 | 4.00 | 0.0% |

Source: ANRE Orders no. 117/24.06.2019, and 125/24.06.2020.

According to ANRE's Order no. 14/ 5 February 2020, the RRR for electricity and gas distribution companies would be set by the regulator. The provision from GEO 19/2019 setting the rate at 6.9% was effective for the first 120 days of 2020. According to ANRE Order no. 75/6 May 2020 the new RRR level for electricity and gas distribution companies is 6.39% until the end of 2023.

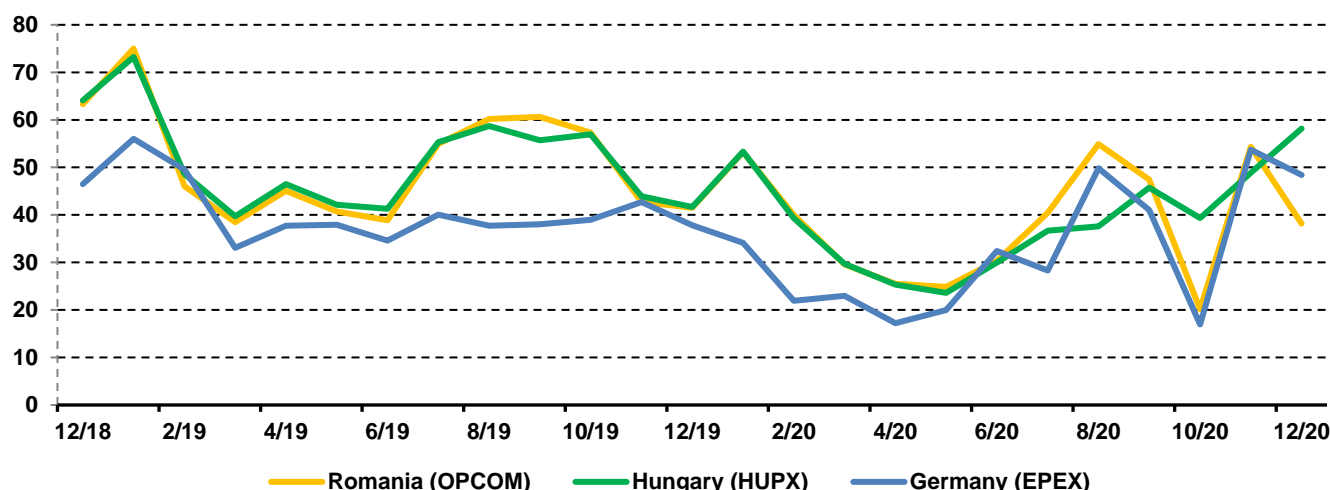
On 17 July 2020, ANRE issued Orders no. 143 and 144, respectively, requiring gas producers with an annual output higher than 3 TWh to sell 40% of their gas production on centralised market between July 2020 - December 2022, following the full liberalisation of gas market beginning with 1 July 2020 (ANRE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

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

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

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

Electricity prices (EUR/ MWh)



Source: Bloomberg

Energy resources (thousand tonnes barrels of oil equivalent)

| | January – December 2020 | | | January – December 2019 | | | % change | | |
|-----------------------------------|-------------------------|-----------------|-----------------|-------------------------|-----------------|-----------------|---------------|--------------|---------------|
| | Total | Production | Import | Total | Production | Import | Total | Production | Import |
| Net coal | 2,992.1 | 2,567.1 | 425.0 | 4,283.4 | 3,664.0 | 619.4 | -30.1% | -29.9% | -31.4% |
| Crude oil | 10,219.2 | 3,236.2 | 6,983.0 | 12,003.3 | 3,338.4 | 8,664.9 | -14.9% | -3.1% | -19.4% |
| Usable natural gas | 8,971.8 | 7,290.1 | 1,681.7 | 10,202.0 | 8,077.5 | 2,124.5 | -12.1% | -9.7% | -20.8% |
| Hidro. nuclear. and import energy | 5,542.2 | 4,888.5 | 653.7 | 5,295.2 | 4,855.7 | 439.5 | +4.7% | +0.7% | +48.7% |
| Import oil products | 3,309.6 | - | 3,309.6 | 2,970.0 | - | 2,970.0 | +11.4% | - | +11.4% |
| Others | 407.3 | - | 407.3 | 498.1 | - | 498.1 | -18.2% | - | -18.2% |
| Total resources | 31,442.2 | 17,981.9 | 13,460.3 | 35,252.0 | 19,935.6 | 15,316.4 | -10.8% | -9.8% | -12.1% |

Source: National Institute of Statistics webpage

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

| No | Name | Fund's stake (%) | Value as at 31 December 2020 ¹ (RON million) | % of NAV as at 31 December 2020 ¹ |
|---------------------------------|---|------------------|---|--|
| 1 | Hidroelectrica SA | 19.94% | 5,128.9 | 50.0% |
| 2 | OMV Petrom SA | 7.00% | 1,440.7 | 14.0% |
| 3 | CN Aeroporturi Bucuresti SA | 20.00% | 624.1 | 6.1% |
| 4 | Engie Romania SA | 12.00% | 538.8 | 5.3% |
| 5 | E-Distributie Banat SA | 24.13% | 272.7 | 2.7% |
| 6 | CN Administratia Porturilor Maritime SA | 20.00% | 235.8 | 2.3% |
| 7 | E-Distributie Muntenia SA | 12.00% | 227.8 | 2.2% |
| 8 | Societatea Nationala a Sarii SA | 49.00% | 201.2 | 2.0% |
| 9 | E-Distributie Dobrogea SA | 24.09% | 177.2 | 1.7% |
| 10 | Alro SA | 10.21% | 163.3 | 1.6% |
| Top 10 equity holdings | | | 9,010.5 | 87.9% |
| Total equity holdings | | | 9,246.7 | 90.1% |
| Net cash and receivables | | | 1,020.2 | 9.9% |
| Total NAV | | | 10,266.9 | 100.0% |

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

¹ Rounded to one decimal**Hidroelectrica SA**

| RON million | 2019 | 2020* |
|------------------|---------|---------|
| Revenues | 4,177.2 | 3,787.6 |
| Operating profit | 1,975.3 | 1,686.0 |
| Net profit | 1,386.5 | 1,453.5 |
| Dividends** | 1,253.3 | - |

Source: Individual IFRS financial statements

*preliminary results

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

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

May: According to management, over the first three months of 2020, the company reported a turnover of RON 848.4 million, down 14.3% y.o.y, an EBITDA of RON 595.0 million, down 19.5% y.o.y, an operating profit of

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

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

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

October: According to management, during 9M 2020 total turnover of the company decreased by 15.8% y.o.y. to RON 2,759.7 million, EBITDA declined by 19.5% y.o.y to RON 1,928.0 million, profit before tax was 21.3% lower y.o.y, reaching RON 1,538.8 million, while net profit decreased by 3.9% y.o.y. to RON 1,264.2 million.

During 9M 2020, the total energy sold out of own production was 10.87 TWh, down compared to 12.04 TWh during 9M 2019, while total energy sold reached 12.0 TWh, declining from 12.9 TWh the previous year.

During 9M 2020 the company sold a volume of 2.55 TWh of electricity through regulated contracts, compared to 1.48 TWh during 9M 2019. Over the same period, the average realised electricity selling price was down 9.0% y.o.y to RON 205.3 per MWh. On the competitive segment of the electricity market the average realized price for 9M 2020 was RON 231.3 per MWh, compared to RON 240.3 per MWh in 9M 2019, while the average regulated price at which the company sold electricity was RON 106.3 per MWh, down 4.8% y.o.y. At the end of September 2020, the company's net cash position stood at RON 1.38 billion.

December: On 23 December 2020, Hidroelectrica SA and STEAG GmbH signed an agreement concerning the purchase by Hidroelectrica SA of STEAG's shares in Romanian subsidiaries Crucea Wind Farm and STEAG Energie Romania following a competitive process which involved both local and international bidders. Crucea Wind Farm is the entity that owns Crucea wind park located in Constanta county, Romania, which has an installed capacity of 108 MW. STEAG Energie Romania is an operations and maintenance entity, providing its services exclusively to Crucea Wind Farm. On 1 February 2021, the transaction was approved by the GSM of Hidroelectrica SA. The transaction will complete in accordance with conditions stipulated in the agreement.

February 2021: According to the preliminary unaudited results provided by the management, during 2020 the company registered a turnover of RON 3,788 million, down 8.7% y.o.y, an EBITDA of 2,698 million, down by 8.0% y.o.y, an operating profit of RON 1,686 million, down 14.6% y.o.y., a profit before tax of RON 1,764 million, down 15.2% y.o.y and a net profit of RON 1,453 million, up 4.8% y.o.y. Electricity delivered by the company out of its own production reached 14.58 TWh, down 1.3% y.o.y, while total electricity sold reached 15.96 TWh, up 0.7% y.o.y. Over the period, the average realised selling price was down 6.6% y.o.y. to RON 214.1 per MWh. On the competitive segment of the electricity market, the average realised price was RON 238.6 per MWh, down 1.6% y.o.y. During the 2020, the company delivered on the regulated market a total volume of electricity of 3.15 TWh compared to 1.64 TWh in 2019, at an average price of RON 109.5 per MWh, down 3.0% y.o.y. At the end of December, the company's cash position stood at RON 2.08 billion.

COVID-19 considerations

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

OMV Petrom SA

| RON million | 2019 | 2020* | Budget 2019 | Budget 2020 |
|------------------|----------|----------|-------------|-------------|
| Sales | 25,485.5 | 19,717.0 | 16,762.0 | 18,088.0 |
| Operating profit | 4,245.1 | 1,467.1 | 3,966.0 | 3,453.0 |
| Net profit | 3,634.7 | 1,291.0 | 3,202.0 | 2,815.0 |
| Dividends** | 1,756.0 | 1,756.0 | - | - |

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

*Preliminary results

**Based on separate IFRS financial statements

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

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

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

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

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

June: Company announced that it was selected as the winner of the open international tender held by the Ministry of Economy and Sustainable Development of Georgia for the Offshore Block II in the Black Sea. Exploration block covers a total area of 5,282 square km and a Product Sharing Contract could be signed in Q1 2021.

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

September: Following Mr. Peter Zeilinger's waiver of his mandate, the company announced the appointment of Mr. Christopher Veit as member of the Executive Board responsible for Upstream of OMV Petrom starting with 1 October 2020 until 16 April 2023. Mr. Veit studied Mechanical Engineering and holds a master's degree in Petroleum Engineering from the Mining University at Leoben. He began his career at OMV in 1986.

October: the company reported Q3 2020 consolidated sales declining by 26% y.o.y, due to the low oil and gas prices environment. Upstream results remained negative but saw a significant improvement q.o.q. Clean CCS (current cost of supply) operating result of Downstream Oil decreased by 36% y.o.y to RON 373 million, as the refining margin dropped by 85% y.o.y. to just USD 0.94/bbl, and despite a significant recovery in retail sales, which were almost flat y.o.y., after the lockdown was lifted during the summer. Power output picked up significantly to 1.3 TWh, 30% higher y.o.y., and more than double compared to Q2. However, the anticipated impairments of Upstream assets were booked together with other one-off negative adjustments. In this context, net income attributable to shareholders turned negative in Q3 2020 and declined by 90% in the first nine months of 2020 compared to the same period of 2019.

February 2021: The company reported 2020 preliminary results. Consolidated sales decreased in Q4 2020 by 37% y.o.y., negatively impacted by lower sales volumes and prices for petroleum products and natural gas, as well as

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

lower sales volumes for electricity, partially offset by higher prices for electricity. The Clean CCS Operating Result of RON 467 million in Q4 2020 was lower by 58% y.o.y., mainly due to the negative evolution in Upstream, triggered by lower crude oil and gas prices, and lower refining margins in Downstream Oil, partially mitigated by better market conditions in the power sector for the Downstream Gas segment.

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

COVID-19 considerations

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

- Average Brent oil price of USD 60/bbl; Management subsequently changed its guidance to USD 40/bbl and the actual average price was USD 41.84/bbl.
- Refining margins to be above the level of 2019. Preliminary results point to a 38% y.o.y. decline to USD 2.9/bbl.
- Gas price expected to be below the level of 2019

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

- A decrease of 1 USD/bbl in Brent price is impacting the company by EUR 20 million;
- A decrease of 1 USD/bbl in refining margin is impacting the company by EUR 25 million;
- A 5 cents appreciation of USD against EUR is impacting the company by EUR 35 million;
- A decrease of 1 EUR/MWh in gas price is impacting the company by EUR 20 million.

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

- Average Brent oil price expected to be at USD 50-55/bbl for 2021 (2020: USD 41.84/bbl), slightly above the guidance in Q3 2020 report;
- Refining margins expected to be above USD 4/bbl, vs. previous assumption of around USD 3/bbl (2020: USD 2.9/bbl);
- Demand for oil products and power is expected to be above 2020, while demand for gas is expected to be broadly similar to 2020.

OMV Petrom's management also announced mid and long-term price assumptions review, as follows: average Brent oil price expected to be at USD 60/bbl for 2022-2023 (from 2022: USD 70/bbl and 2023 75/bbl, respectively); for 2024-2029, the company expects a Brent oil price of USD 65/bbl (previously USD 75/bbl), and USD 60/bbl until 2035, respectively and USD 60/bbl going forward (from USD 75/bbl).

Consequently, price assumption revision triggered non-cash net impairments of RON 920 million before tax in Q3 2020. A reversal of impairment for Brazi power plant (ca. RON 480 million) due to improved outlook was also booked.

CN Aeroporturi Bucuresti SA

| RON million | 2019 | 2020* | Budget 2019 | Budget 2020** |
|-------------------|---------|---------|-------------|---------------|
| Operating revenue | 1,066.6 | 409.8 | 1,067.1 | 466.1 |
| Operating profit | 399.0 | (128.1) | 399.5 | (137.4) |
| Net profit | 359.6 | (120.3) | 318.5 | (129.5) |
| Dividends*** | 183.5 | - | 162.7 | - |

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

*preliminary results

** restated

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

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

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

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

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

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

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

October: The majority shareholder proposed and voted for new 4 months Board interim mandates for Mr. Mircea Cristian Raicu and Mr. Adrian Constantin Florescu, and for extending by 2 months the interim mandate of Mr. Corvin Nedelcu. The majority shareholder also voted to approve a revised 2020 budget, which envisages net losses of RON 129.5 million. Operating revenues are seen coming down by 56.3% y.o.y., due to the drop in traffic, while operating expenses are estimated to contract by just 9.6% y.o.y.

November: Shareholders approved the appointment of Mr. Catalin Diaconu as temporary board member. The majority shareholder proposed and voted for extending by 2 months the interim mandate of Mr. Cosmin Florin Mihaltan, Mr. Cosmin Catalin Pestesan and Mr. Gabriel Plaiasu. The company released 9M 2020 financial results: operating revenues of RON 304.3 million (-61.3% y.o.y.), negative EBIT of RON -57.5 million and net loss of RON 49.6 million. Passengers traffic was down by 66% y.o.y., to just 3.8 million passengers, and aircraft movements also halved during the same period.

January 2021: The majority shareholder replaced five interim Board members with Mr. Cosmin Mircea, Mr. Eduard Zevedei, Mr. Florin Tancu, Mr. Mugur Popescu and Mr. Adrian Preda. Mr. Cosmin Catalin Pestesan replaced Mr. Florin Dimitrescu as General Manager, while retaining his interim Board mandate. Preliminary 2020 results point to a net loss of RON 120.3 million. Traffic was down by 70% in 2020 to 4.5 million passengers, and the number of aircraft movements also halved compared to 2019.

COVID-19 considerations

The company has been heavily impacted by the current crisis: the number of passengers and flights have seen a significant decline since the beginning of the COVID-19 pandemic. ACI Europe, the airport industry trade body, reveals in a report from November 2020¹ that passenger traffic decreased by 73% during Q3 2020 and saw a worsening trend in November with a drop of 83% compared to the same period in 2019.

Engie Romania SA

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

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

*Dividends are based on the separate financial statements

December: Engie announced the acquisition of a photovoltaic park with a total installed capacity of 9.3 MW located in Harghita County, previously owned by Ever Solar, a subsidiary of the German group Soventix and Alpine Solar.

E-Distributie Banat SA

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

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

¹ <https://www.aci-europe.org/44-industry-data/40-airport-traffic.html>

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

October: Enel S.p.A. published the 9M 2020 financial results for the global group¹. For Romania it reported an EBITDA of EUR 100 million for the infrastructure and networks' segment (distribution), 15% higher compared to the same period of 2019. For the retail segment (supply), in the first 9M of 2020 EBITDA stood at EUR 62 million vs. EUR 4 million at 30 September 2019.

December: ANRE published the regulated tariffs applicable starting with 1 January 2021. On average, the tariffs were increased by 1.63% (for more details on tariffs please see section *Energy Sector Updates*).

CN Administratia Porturilor Maritime SA

| RON million | 2019 | 2020* | Budget 2019 | Budget 2020 |
|-------------------|-------|-------|-------------|-------------|
| Operating revenue | 369.0 | 385.6 | 352.3 | 380.0 |
| Operating profit | 117.0 | 160.9 | 75.5 | 96.3 |
| Net profit | 108.2 | 146.4 | 64.7 | 95.7 |
| Dividends | 27.5 | - | 17.2 | 25.1 |

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

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

August: The company released H1 2020 financial results reporting operating revenues of RON 208.5 million (up 17.8% y.o.y.), operating profit of RON 97.4 million, up 29.0% y.o.y. and net profit of RON 90.5 million, up 24.6% y.o.y. Rent revenues were main positive driver for the top line. However, volumes of goods operated through Constanta port were down 3.4% y.o.y. to 29.7 million tons, mainly due to decline in the volume of crude oil, petroleum products and ferrous and non-ferrous minerals, while cereals volume advanced by 38% y.o.y. to 11.3 million tons. Steep decline in third party costs drove 25% y.o.y. surge in profitability.

December: Former deputy CEO, Mr Florin Goidea, was appointed as CEO as a result of a selection process. His mandate would end in H1 2022.

February 2021: According to the preliminary 2020 results, sales were down y.o.y. by around 1.4% to RON 345.2 million, although traffic declined by 9.3% y.o.y. to 60.4 million tones, the reduction in traffic being driven mainly by crude oil and petroleum products, which registered a decline of 18.5% y.o.y. to 11.7 million tones. Preliminary net profit for the year stands at RON 146.4 million, up 35.3% y.o.y. The boost in profitability was supported by significantly lower provisions, but we stress out that the final level of provisions will be established only by the audited financial statements.

COVID-19 considerations

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

E-Distributie Muntenia SA

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

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

¹Based on consolidated figures at Enel Group level, prepared according to IFRS

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

October: Enel S.p.A. published the 9M 2020 financial results for the global group¹. For Romania it reported an EBITDA of EUR 100 million for the infrastructure and networks' segment (distribution), 15% higher compared to the same period of 2019. For the retail segment (supply), in the first 9M of 2020 EBITDA stood at EUR 62 million vs. EUR 4 million at 30 September 2019.

December: ANRE published the regulated tariffs applicable starting with 1 January 2021. On average, the tariffs were increased by 1% (for more details on tariffs please see section *Energy Sector Updates*).

Societatea Nationala a Sarii SA (Salrom)

| RON million | 2018* | 2019 | H1 2019 | H1 2020 | Budget 2019 | Budget 2020 | Revised Budget 2020 |
|-------------------|-------|-------|---------|---------|-------------|-------------|---------------------|
| Operating revenue | 436.9 | 469.2 | 209.0 | 127.7 | 411.9 | 396.2 | 322.8 |
| Operating profit | 93.5 | 84.6 | 57.7 | 3.1 | 63.7 | 69.3 | 25.9 |
| Net profit | 76.4 | 77.0 | 48.8 | 4.1 | 62.2 | 59.8 | 23.7 |
| Dividends | 76.4 | 40.4 | - | - | 62.2 | 59.8 | 23.7 |

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

*restated

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

March: Following the resignation of Mr Dan Gheorghe as board member of the company, Fondul Proprietatea proposed, and subsequently shareholders approved, the appointment of Mr Catalin Niculita as board member. The majority shareholder proposed and voted for Mr Nicolae Tulici and Mr Lucian Petrica Rusu as temporary board members.

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

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

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

October: the Fund proposed and voted for extending by 2 months the interim mandate of Ms. Simona Fatu and Mr. Catalin Niculita. The majority shareholder proposed and voted for extending by 2 months the interim mandate of Mr. Nicolae Tulici, Mr. Catalin Paraschiv and Mr. Lucian Rusu Petrica.

The company revised the 2020 Budget adjusting operating revenues downwards by 18.5% compared to initial 2020 Budget (-31.2% vs. 2019 actual results) and net profit by 60.4% vs initial 2020 Budget (-69.2% vs. 2019 actual results).

December: Fondul Proprietatea proposed and appointed through cumulative voting Ms Simona Fatu and Ms Simona Ochian as board members. The majority shareholder proposed and voted for Mr Nicolae Tulici, Mr Catalin Paraschiv and Mr Lucian Rusu Petrica and as temporary board members. The mandates started on 8 January 2021 for a period of 4 months.

E-Distributie Dobrogea SA

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

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

¹ Based on consolidated figures at Enel Group level, prepared according to IFRS

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

October: Enel S.p.A. published the 9M 2020 financial results for the global group¹. For Romania it reported an EBITDA of EUR 100 million for the infrastructure and networks' segment (distribution), 15% higher compared to the same period of 2019. For the retail segment (supply), in the first 9M of 2020 EBITDA stood at EUR 62 million vs. EUR 4 million at 30 September 2019.

December: ANRE published the regulated tariffs applicable starting with 1 January 2021. On average, the tariffs were increased by 2.93% (for more details on tariffs please see section *Energy Sector Updates*).

Alro SA

| RON million | 2018 | 2019 | 9M 2019 | 9M 2020 | Budget 2019* | Budget 2020* |
|-------------------|---------|---------|---------|---------|--------------|--------------|
| Operating revenue | 2,982.5 | 2,777.8 | 2,162.4 | 1,942.0 | 2,870.8 | 2,432.5 |
| Operating profit | 361.8 | 99.2 | 126.0 | 355.1 | 122.7 | 139.2 |
| Net profit/loss | 235.3 | (67.2) | (22.7) | 273.4 | 53.0 | 60.2 |
| Dividends | 326.6 | - | - | - | - | - |

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

*Computed using the NBR USD/RON FX rate as at 31 December 2019 for 2019 values/ as at 31 December 2020 for 2020 values

November: Alro reported 9M 2020 financial results, as follows: operating revenue was down by 10.2% y.o.y. at RON 1,942.0 million during 9M 2020, due to the slowdown in demand experienced during this period, which was further reflected in the overall output levels. LME aluminium prices declined by 9.5% y.o.y. at USD 1,633 per tonne during January-September 2020. EBIT almost tripled, reaching RON 355.1 million for 9M 2020 vs. RON 126.0 million during 9M 2019. Alro Group reported a net profit of RON 273.4 million during 9M 2020 vs. a net loss of RON 22.7 million in 9M 2019, mainly due the one-off recognised as state aid scheme, amounting to RON 557.9 million, out of which RON 249.9 million was paid in September 2020.

COVID-19 considerations

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

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.

¹Based on consolidated figures at Enel Group level, prepared according to IFRS

Key Financial Highlights

Evolution of liquid assets

| RON million | 31 Dec 2020 | 30 Sep 2020 | 30 Jun 2020 | 31 Mar 2020 | 31 Dec 2019 |
|--|-----------------|----------------|-----------------|----------------|--------------|
| Current accounts* | 34.4 | 36.0 | 431.3 | 25.9 | 31.9 |
| Bank deposits | 660.0 | 955.8 | 139.5 | 641.6 | 338.4 |
| Treasury bills and government bonds | 380.3 | 168.6 | 152.0 | - | 137.3 |
| Dividend receivables | - | 10.6 | 436.1 | 24.2 | - |
| Total liabilities** | (54.6) | (153.7) | (466.5) | (55.8) | (49.0) |
| Liquid assets less liabilities | 1,020.1 | 1,017.3 | 692.4 | 635.9 | 458.6 |
| Net Assets Value | 10,266.9 | 9,909.2 | 10,141.4 | 9,585.8 | 11,871.4 |
| % Liquid assets less liabilities in NAV | 9.9% | 10.3% | 6.8% | 6.6% | 3.9% |

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

**Total liabilities less provisions

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

The current accounts and total liabilities positions as at 30 June 2020 are significant as a result of the annual dividend distribution approved by shareholders during the 28 April 2020 GSM, with payment date 1 July 2020. The large amount of liquid assets at 30 September 2020 is mainly related to the collection of dividends from portfolio companies and to the accelerated bookbuild offering of OMV Petrom SA shares carried by the Fund in September 2020.

As at 31 December 2020, the bank deposits, treasury bills and government bonds captions are significant mainly due to the cash inflows from the disposal of the entire holding in Nuclearelectrica SA, partially offset by the third buyback tender offer finalised by the Fund in December 2020.

For more details regarding the liquid asset evolution during 2020 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 2020 was 0.88% and including transaction related expenses this was 0.94% (2019: 0.75% and including transaction related expenses this was 0.76%). The Total Expense Ratio of the Fund recorded the same value as OCR for both 31 December 2020 and 31 December 2019.

The higher OCR level was mainly due to the higher level of management and administration fees in 2020 compared to 2019 (RON 65.9 million in 2020 vs. RON 54.7 million in 2019) and due to the decrease with 2.8% in average NAV in 2020 compared to 2019.

Performance fees

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

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

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.

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

The Performance fees recorded by the Fund in 2020 as a result of the Fund's share price discount to NAV lowering below 20%/ 15% in certain trading days amounted to RON 1.96 million (2019: nil).

Income from operating activity

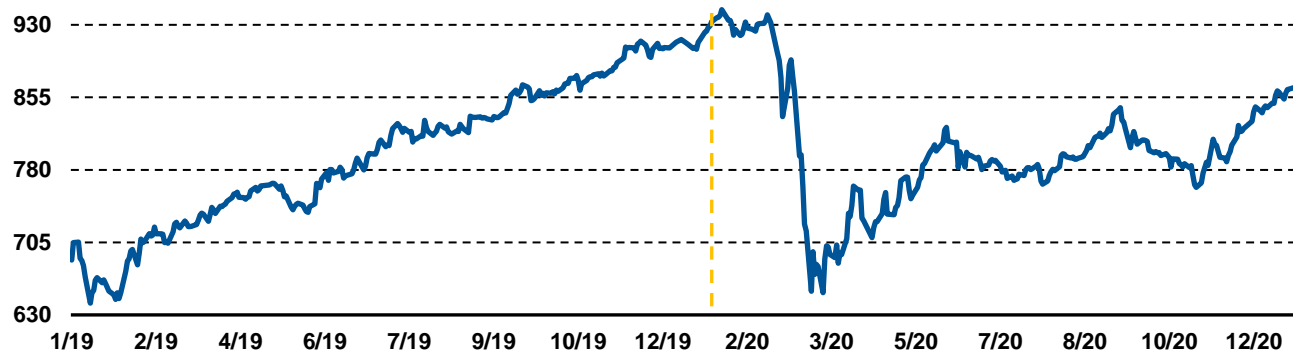
The income from operating activity mainly comprises the gross dividend income, the changes in fair value of financial instruments at fair value through profit or loss, interest income and the net realised gains/ losses from transactions with financial instruments. The changes in fair value of the equity 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 2020 the Fund's exposure to Romanian equities accounted for 90.1% of the NAV, the difference of 9.9% 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), decreased by 4.7% during 2020 compared to the end of 2019.

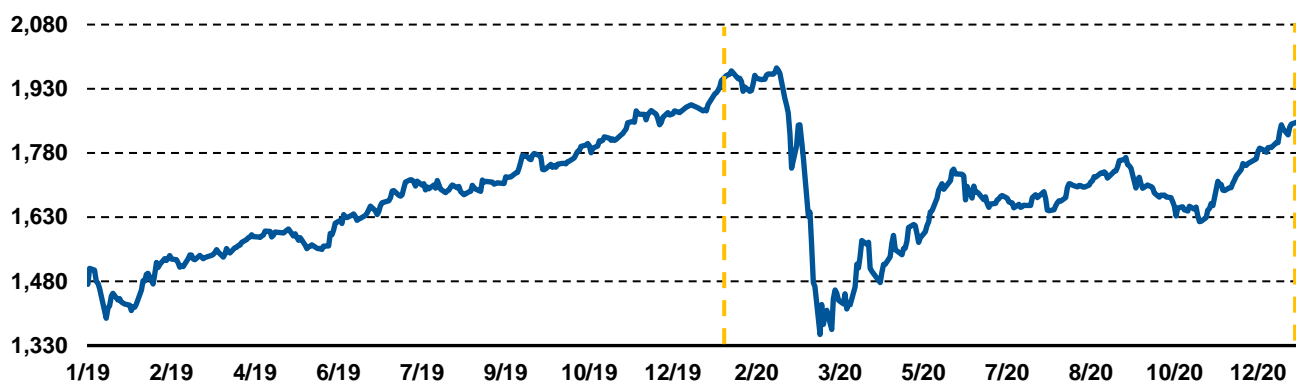
BET-BK index is a free float market capitalisation weighted index of the Romanian and foreign stocks listed on BVB's regulated market with the highest free-float market capitalisation adjusted with liquidity factors. BET-BK was designed to be used as a benchmark by asset managers and other institutional investors. The calculation methodology reflects on legal requirements and investment limits applying to investment funds. BET-BK decreased by 1.3% during 2020 compared to the end of 2019.

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, valuation risk and credit 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, regulatory 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 |
|---|--|
| <p><i>Risks related to COVID-19 pandemic</i></p> <p>The widespread nature of the COVID-19 outbreak and the measures taken to contain the spread have a significant impact on global economic and local Romanian activity and are likely to reverberate for several quarters.</p> <p>The evolution of the pandemic and the accompanying governmental actions will have a continuing impact on the Fund's companies and their financial situation and will impact the overall performance of the Fund, possibly leading to increased price volatility.</p> <p>Since most holdings of the Fund are not listed and do not have observable market prices, the risk of estimation uncertainty regarding valuation also increased.</p> <p>There are also amplified risks with respect to the Fund's operations including increased risks connected to cyber security, as well as increased uncertainty with respect to legal and regulatory implications driven by governmental actions to contain the virus or limit economic impact for the wider population.</p> | <p>The risks associated with the pandemic affect all areas of the Fund's investments as well as operations.</p> <p>Fund Management and Board of Nominees are reviewing and discussing the situation regularly, including a review of the portfolio, risk management and business continuity. The AIFM regularly reports on the status of operations.</p> <p>The Fund ensures ongoing communication with investors including current reports, investor calls, and updates on the website.</p> <p>Company valuations are thoroughly tested with respect to relevance and impact from the pandemic.</p> <p>Mitigation strategies apply as detailed within the specific areas of risk.</p> |
| <p><i>Market risk</i></p> <p>Changes in market prices and rates, such as security prices, changes in interest rates or foreign exchange rates will affect the Fund's income or the value of its holdings.</p> | <p>The Fund implements market risk management techniques to manage and control market risk exposures, keeping them within acceptable levels, while optimising return. The AIFM has an ongoing risk management framework in compliance with requirements of the AIFM Directive.</p> |
| <p><i>Security price risk and valuation risk</i></p> <p>Fluctuations in the value of a security instrument as a result of changes in market prices, whether caused by factors specific to the issuer or factors affecting all instruments traded in the market, can negatively affect the Fund's income or value of its holdings.</p> <p>Securities without a readily available market price, such as the Fund's unlisted holdings, are exposed to uncertainties coming from the valuation of the securities prices, from factors such as the choice of</p> | <p>Diversification across securities and industries is the primary technique for mitigating equity price risk. All potential investments undergo a thorough due diligence process. Portfolio management reviews the risk/ return profiles of portfolio assets on a regular basis. A detailed pricing policy ensures adequate valuation of the unlisted holdings. Independent valuations are reviewed by Franklin Templeton's Fair Valuation Committee.</p> |

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

| Description of risk | Mitigating action |
|--|--|
| arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Failure or breach of information technology systems and security may entail risk of financial loss, disruption to operations or damage to the reputation of the Fund. Operational risks arise from all the Fund's operations. | Fund has in place an operational monitoring system, documented through policies and procedures, which ensures escalation and remediation of potential operational issues. The information technology framework is designed to mitigate the risk of a cyber security breach. A dedicated Cyber Security Program aims to monitor, identify and respond to cyber-attacks and external threats. The operational monitoring system covers all teams involved with the operations of the Fund. |
| <p>Legal and Regulatory risk</p> <p>The existence, operation and the initial set-up of the Fund are regulated by local and European regulations. Such regulations may be subject to change or subject of some local interpretations and may directly affect the Fund and its shareholders.</p> <p>This risk is sustained by the legislative history of the past years that reveals a series of laws which have also changed the Fund's portfolio composition.</p> | <p>Representatives of the Fund consult with external agencies and law firms with the aim to anticipate potential regulatory changes and interpretations and assess their impact on the Fund. In doing so the Fund strives to optimise its operational efficiency under current and upcoming regulations.</p> <p>Franklin Templeton has internal policies promoting compliance with best practices and regulations.</p> |

Source: Fondul Proprietatea

Internal Control and Risk Management

Franklin Templeton has 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.

Franklin Templeton has established Compliance departments responsible for managing the compliance risk of the AIFM and of the Fund, considering the applicable legislation as well as the internal policies and procedures. The Compliance Officer in charge of Fondul Proprietatea is part of Regulatory Compliance team, is member of Franklin Templeton International Compliance Team and reports directly to the Luxembourg Compliance Director. 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 and FTIS are covered by relevant policies, procedures and global good standing practices implemented within the Franklin Templeton 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 multi-annual Regulatory Compliance Monitoring Plan. The risk assessment is a critical element of the compliance oversight and monitoring program. The high-risk areas are reviewed at least annually to reflect the results of the final risk assessment for each year.

In respect of the portfolio monitoring activity, Franklin Templeton 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 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, Regulatory Compliance and operating departments. Corrective action is taken as necessary to address and resolve any issues. Trading errors are monitored by the Investment Compliance department of Franklin Templeton. Regulatory Compliance 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 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 the management of 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, valuation risk and credit 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 portfolio using observable prices for listed securities and proxies for the unlisted holdings. 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 local and global markets, commodities, as well as historical scenarios.

The 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 FT Counterparty Credit Committee.

No risk limits set by the AIFM have been exceeded or were likely to be exceeded during 2020.

Liquidity Risk

As at 31 December 2020, the Fund held 73.8% of the NAV in unlisted securities. There were no assets subject to special arrangements arising from their illiquid nature.

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 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 2022 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 using derivatives to hedge any risks as of 31 December 2020. 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 2020.

Therefore, the actual level of leverage recorded under the requirements of AIFM Directive for 31 December 2020 is 1.00 (or 100.00%) using the "commitment" method and 0.9134 (or 91.34%) 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 and other corporate governance principles

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.

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.

The Fund is subject to the regulatory framework for the application of the principles of corporate governance at the entities authorised, regulated and supervised by the FSA, as approved by FSA Regulation 2/2016.

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, together with all shareholders resolutions that modified the Constitutive Act;
- The Management Agreement, signed between the Fund and FTIS in 2019;
- The IPS; and
- Other internal regulations.

Commitment to follow the principles of corporate governance

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

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

The Fund implemented corporate governance principles and has in place:

- The Code of Ethics;
- 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 financial 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 the Fund;
- i) to approve the strategy and the development policies of the Fund;
- 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 approve significant related parties' transactions, if their value is greater than 5% of the net asset value, at the proposal of the AIFM;
- m) 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 2020, there were 4 GSMs, and 5 EGM resolutions and 8 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 as at 31 December 2020 (*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 AIFM 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*" for 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.

Increase of the share capital of the Fund

The share capital of the Fund can be increased with EGM approval, in accordance with the provisions of 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 outstanding unpaid 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 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.

Beginning with 2016, the Fund implemented the Board members annual evaluation – 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 2020

The structure of the Board of Nominees as at 31 December 2020 was the following:

| Name | Position | First appointment date | Current mandate until | Length of service | Board of Nominees meetings attendance | Audit and Valuation Committee meetings attendance | Nomination and Remuneration Committee meetings attendance |
|---------------------------|---|------------------------|-----------------------|----------------------|---------------------------------------|---|---|
| Mr Piotr Rymaszewski | Chairman of the Board and Chairman of Nomination and Remuneration Committee | 5 Apr 2012 | 5 Apr 2021 | 8 years and 8 months | 17/17 | 5/5 | 5/5 |
| Mr Mark Gitenstein | Member of the Board | 23 Apr 2013 | 29 Sep 2022 | 7 years and 8 months | 13/17 | 3/5 | 5/5 |
| Mr Julian Healy | Chairman of Audit and Valuation Committee and Member of the Board | 21 Mar 2012 | 5 Apr 2021 | 8 years and 9 months | 17/17 | 5/5 | 5/5 |
| Mr Ciprian Ladunca | Member of the Board | 16 Nov 2020 | 16 Nov 2023 | 1 month | 2/2 | 1/1 | 0/0 |
| Mrs Ilinca von Derenthall | Member of the Board | 26 Nov 2020 | 26 Nov 2023 | 1 month | 1/1 | 1/1 | 0/0 |

Source: Fondul Proprietatea

Two members of the Board of Nominees will have served for nine years as members of the Board during 2021 and as a result, a plan for succession is under way, a shareholders meeting being planned to take place on 24 March 2021.

On 27 July 2020, Mrs. Vivian Nicoli has resigned from her positions held within the Fund's Board of Nominees and Consultative Committees, with effective date 1 September 2020. On 23 September 2020, as an implementation of the succession planning, Mr. Steven van Groningen has resigned from his positions held within the Fund's Board of Nominees and Consultative Committees with effective date 13 November 2020.

During the 13 November 2020 GSM, two new members of the Board were appointed for a mandate of 3 years - Mrs. Ilinca von Derenthall (mandate started on 26 November 2020) and Mr. Ciprian Ladunca (mandate started on 16 November 2020).

During 2020 there were:

- 17 formal meetings of the Board of Nominees;
- 6 meetings of the Audit and Valuation Committee;

- 5 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.

As at 31 December 2020 Mr Rymaszewski held no shares issued by the Fund. Mr. Rymaszewski is an independent member.

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 then 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 2020, Mr Gitenstein held 400 GDRs having as support shares issued by the Fund. Mr Gitenstein is an independent member.

Mr. Julian Healy has long and extensive experience in 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 2020, Mr Healy held no shares issued by the Fund. Mr. Healy is an independent member.

Mr. Ciprian Ladunca has long and extensive experience in financial institutions and various industries, being an advocate for good corporate governance and corporate finance best practices. He is a certified accountant under Romanian legislation. Mr Ladunca also acts as a trusted advisor and non-executive director in a number of other companies.

As at 31 December 2020, Mr Ladunca held 20,000 shares issued by the Fund. Mr. Ladunca is an independent member.

Mrs. Ilinca von Derenthall is an experienced finance professional with an international executive career in financial audit, investment banking and wealth management. Mrs. von Derenthall was active in Germany and Romania and currently works out of Vienna, Austria. Her knowledge of doing business and knotting strong personal ties comprises Central and South-Eastern Europe. Mrs. Derenthall also acts as a non-executive director and supervisor of the board of directors in a number of other companies.

As at 31 December 2020, Mrs. Derenthall held no shares issued by the Fund. Mrs. Derenthall is an independent member.

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 resolution 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 2020, 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 2020 the members of the Audit and Valuation Committee were Mr Julian Healy (as Chairman), Mr Mark Gitenstein, Mr Piotr Rymaszewski, Mr. Ciprian Ladunca and Mrs. Ilinca von Derenthall.

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 2020 the Nomination and Remuneration Committee members were Mr Piotr Rymaszewski (as Chairman), Mr Mark Gitenstein, Mr Julian Healy, Mr. Ciprian Ladunca and Mrs. Ilinca von Derenthall.

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 2020, 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.

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. Two 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 current mandate as the AIFM and Sole Director of the Fund is of 2 years starting 1 April 2020.

The Sole Director issues decisions regularly and whenever necessary for the daily operations of the Fund. The Sole Director is responsible for the Fund's executive management. FTIS as Sole Director and AIFM acts in the best interest of the Fund and 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/ AIFM.

On 31 December 2020 FTIS, the current AIFM of the Fund, does not hold any shares issued by the Fund.

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, FT has developed and implemented several policies and procedures. FTIS applies FT global best practices to meet regulatory obligations and comply with laws and regulations.

These include:

- Code of Ethics and Business Conduct that summarizes the values, principles and business practices guiding the FT business conduct and also provides a set of basic principles to guide Covered Persons (all officers, directors, employees and temporary employees of Franklin Resources, Inc. and all of its United States and non-U.S. subsidiaries and affiliates), regarding the minimum ethical requirements expected from them;
- 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 comply with the U.S. Foreign Corrupt Practices Act and applicable anti-bribery and anti-corruption regulations of the local jurisdictions where FTIS operates;
- 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 and the persons closely related to them and to the Sole Director qualify as insiders and 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 2020, the Sole Director issued 42 resolutions on all matters requiring its approval in accordance with the Constitutive Act.

Permanent representatives of the Sole Director

As at 31 December 2020, Eric Bedell, Craig Blair, John Hosie, Rafal Kwasny, Calin Metes, Johan Meyer, Daniel Naftali, Luis Perez and Boris Petrovic 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 2020, Mr Bedell held no shares issued by the Fund.

Craig Blair is General Manager, Conducting Officer and Board Member of Franklin Templeton International Services S.à r.l. Mr. Blair has worked in the global financial services industry for over 16 years, holding various responsibilities in the Luxembourg, UK, Irish, Eastern European and Brazilian asset management industries. As Head of FTIS, he is responsible for the day-to-day operations of the corporate entity and EU wide branch structure and leads a team of nine conducting officers that ensure management services and delegation oversight responsibilities are performed for a number of UCITS and AIFs. He has a broad knowledge of fund governance practices in open and closed end fund vehicles, including former experience as a designated person for an Irish self-managed investment company, as well as extensive experience of servicing boards and board committees of globally distributing SICAV and FTSE listed investment trust vehicles. He currently also sits on the Board of ALFI and co-chairs the ALFI Management Company Technical Committee.

As at 31 December 2020, 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 2020, 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 2020, Mr Kwasny held no shares issued by the Fund.

Calin Metes is a deputy CEO of FTIS Bucharest Branch and one of the two deputy portfolio managers for Fondul Proprietatea. Mr. Metes focuses on investment functions related to the Fondul Proprietatea business as well as on any other Franklin Templeton investments in Romania. He has more than 15 years of experience, out of which 11 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 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, all from Babes-Bolyai University in Cluj Napoca. Mr. Metes holds the Chartered Financial Analyst ® designation.

As at 31 December 2020, Mr Metes held no shares issued by the Fund.

Johan Meyer is the CEO of FTIS Bucharest Branch and the 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 2020, Mr Meyer held no shares issued by the Fund.

Daniel Naftali is one of one of the two deputy portfolio managers for Fondul Proprietatea. He joined Franklin Templeton in 2010. He has 15 years of experience, out of which 11 within Franklin Templeton. Prior to joining Franklin Templeton, Mr. Naftali acted as an investment analyst at Raiffeisen Asset Management Romania, and equity analyst at Alpha Finance Romania. Mr Naftali holds a MSc degree in International Securities, Investment and Banking from the ICMA Centre, Henley Business School – University of Reading, UK, a master's degree in Banking and Insurance from the University of Orleans, France, and a MSc and BSc in Finance and Banking from the Academy of Economic Studies in Bucharest. He also is a CAIA Charter holder.

As at 31 December 2020, 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 2020 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 8 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 15 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 2020 Mr Petrovic held no shares issued by the Fund.

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 to shareholders, 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 2020 – a summary of this is available at the link: https://www.franklintempleton.lu/download/en-lu/common/ilrkb6k/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 2020 (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 | Amount (EUR) | No. of beneficiaries |
|---|----------------|----------------------|
| Total remuneration for the financial year ended 30 September 2020, out of which: | 652,241 | 196 |
| Fixed remuneration paid by FTIS to members of staff | 470,945 | 196 |
| Variable remuneration paid by FTIS to members of staff, except for performance fees | 181,296 | 182 |
| Variable remuneration representing performance fees | - | - |

Source: FTIS

| Name | Amount (EUR) |
|---|----------------|
| Details regarding the remuneration for the financial year ended 30 September 2020 | |
| Remuneration paid to members of the board of directors or of the supervisory board | 19,537 |
| Remuneration paid to senior management (Key decision makers) | 161,067 |
| Remuneration paid to members of staff with control responsibilities (compliance, risk management, internal audit, etc.) | 22,888 |
| Remuneration paid to members of staff whose actions have a material impact on the risk profile of the Fund | - |
| Total | 203,492 |

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.

Brexit Impact on the Fund's Activity

The UK left the European Union at 23:00 GMT on 31 January 2020. The transition period took place between 31 January and 31 December 2020.

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

The Fund is regulated as an AIF under Romanian law, with its AIFM being a Luxembourg company. In light of the UK Temporary Permissions Regime that allows up to a three-year extension of current "passporting" for the AIFM into the UK, we expect that the UK Financial Conduct Authority will continue to recognise the marketing activities for Fondul Proprietatea in UK at least until the end of 2022.

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

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 main 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 Depositary'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 Depositary assists the Fund in recovering the difference of tax on dividends withheld by the issuers (in case of investments abroad or in Romania), according to the tax treaties in force;
- 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 Depositary or by a third party to whom the custody was delegated by the Depositary, the Depositary shall be liable to the Fund in the conditions set forth by Article 21 (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 Depositary proves the existence of an exoneration cause set forth by the EU Regulation 231/2013, the Depositary 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 Depositary in connection with safe-keeping of Custody Assets other than losses of such Custody Assets, the Depositary shall not be liable towards the Fund for its actions or inactions in relation to these obligations as long as they respect the legal provisions and the damages are not due to the Depositary'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 Depositary:

- With respect to all duties other than the safe-keeping of Custody Assets, the Depositary shall not be liable towards the Fund for its actions or inactions in relation to these obligations, as long as they respect the legal provisions, and, in addition, the Depositary shall not bear any prejudice or expense resulting from such action or inaction, except in the case where these are due to the Depositary's negligence, fraud, breach of agreement, bad faith or wilful default;
- The Depositary 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 Depositary 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 Depositary;
- The Depositary 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 Depositary 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 2020 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 and FTIS 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 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 shall keep confidential any documents and information acquired in the performance of their duties.

General Data Protection Regulation

The Fund has fully implemented GDPR and there have not been identified any issues during 2020.

SFDR implementation

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

The AIFM has implemented a policy for integrating sustainability risks and opportunities into their research, analysis and investment decision-making processes.

Sustainability risk means an environmental, social, or governance event or condition, that, if it occurs, could potentially or actually cause a material negative impact on the value of the Fund's investments. Sustainability risks can either represent a risk on their own or have an impact on other risks such as market risks, operational risks, liquidity risks or counterparty risks.

Sustainability risks are important elements to consider in order to enhance long-term risk adjusted returns for investors and determine specific Fund's strategy risks and opportunities. Integration of sustainability risk may vary depending on the Fund's strategy, assets and/ or portfolio composition. The AIFM makes use of specific methodologies and databases into which environmental, social, and governance data from external research companies, as well as own research results, are incorporated. Assessment of sustainability risks is complex and may be based on ESG data, which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed.

To the extent that a sustainability risk occurs, or occurs in a manner that is not anticipated by the AIFM's models, there may be a sudden, material negative impact on the value of an investment, and hence on the NAV. Such negative impact may have an equivalent negative impact on the market price for shares traded on BVB or on GDRs traded on LSE.

Conflicts of interests

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

The Board of Nominees has also set strict rules for potential conflicts of interests in the Code of Ethics.

Financial Statements Analysis

The audited financial statements for the year ended 31 December 2020, 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 2020. The analysis presents the main developments during 2020, for more details regarding the comparative amounts from previous period, please see the corresponding section in *Annex 1 IFRS Financial Statements*.

Statement of Financial Position

| RON million | 31 December 2020 | 31 December 2019 | 31 December 2018 | 31 Dec 2020 vs. 31 Dec 2019 (%) |
|-------------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| | Audited | Audited | Audited | |
| Cash and current accounts | 34.4 | 31.9 | 19.6 | |
| Deposits with banks | 660.0 | 338.4 | 187.1 | |
| Treasury bills | - | - | 49.6 | |
| Government bonds | 380.3 | 137.3 | 131.6 | |
| Dividend receivables | - | - | 137.0 | |
| Equity investments | 9,246.7 | 11,413.1 | 9,337.4 | |
| Other assets | 0.6 | 0.3 | 1.5 | |
| Total assets | 10,322.0 | 11,921.0 | 9,863.8 | -13.4% |
| Payables | 19.8 | 16.7 | 14.8 | |
| Other liabilities | 35.3 | 32.8 | 20.6 | |
| Total liabilities | 55.1 | 49.5 | 35.4 | 11.3% |
| Total equity | 10,266.9 | 11,871.5 | 9,828.4 | -13.5% |
| Total liabilities and equity | 10,322.0 | 11,921.0 | 9,863.8 | -13.4% |

Source: IFRS financial statements

Overview

The **cash and cash equivalents** of the Fund in 2020, included term deposits with banks, treasury bills and government bonds. All instruments are denominated in RON and have maturities of up to one year.

The increase in **liquid assets** by 111.7% during 2020 is mainly due to the cash inflows from the dividends collected from portfolio companies (RON 1,207.9 million) and the proceeds from disposal of equity investments of RON 920.6 million which were offset by the payments for the acquisition of own shares within the eleventh buy-back programme (RON 1,065.2 million), including the tender offers finalised in March, September and December and by the payments to shareholders regarding cash distributions in total amount of RON 398.0 million.

The net decrease in **equity investments** of RON 2,166.4 million during 2020 was mainly generated by:

- the decrease in the value of unlisted holdings by RON 787.9 million following the valuation update process at the end of the year, mainly generated by the decrease of CN Aeroporturi Bucuresti SA (total impact RON 398.8 million), E-Distributie companies (total impact RON 591.6 million) and Societatea Nationala a Sariei (total impact RON 74.2 million), partially netted off by the increase in value for Hidroelectrica SA (total impact RON 242.4 million);
- the disposal of 1.7 billion shares in OMV Petrom SA under an accelerated bookbuild offering and the disposal of the entire holding in Nuclearelectrica SA (total impact RON 920.6 million);
- the negative evolution of OMV Petrom SA share price, the largest listed holding (total impact RON 529.9 million, share price decrease of 18.7%).

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 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 2020 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, 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 accounting and reporting software, net of the accumulated amortisation. During 2020 and 2019 the Fund did not incur any capital expenditure costs.

Statement of Comprehensive Income

| RON million | 2020 Audited | 2019 Audited | 2018 Audited |
|--|-----------------|-----------------|-----------------|
| Gross dividend income | 1,218.7 | 942.9 | 776.2 |
| Net unrealised (loss)/ gain from equity investments at fair value through profit or loss | (1,103.2) | 2,260.3 | 225.3 |
| Net realised (loss)/ gain from disposal of equity investments at fair value through profit or loss | (142.6) | 9.9 | 4.5 |
| Interest income | 14.0 | 9.9 | 9.8 |
| (Impairment losses)/ Reversal of impairment losses on receivables, net | (0.2) | (10.3) | 0.2 |
| Other income, net* | 3.2 | 3.4 | 2.9 |
| Net operating (loss)/ income | (10.1) | 3,216.1 | 1,018.9 |
| Administration fees recognised in profit or loss | (55.2) | (50.3) | (46.8) |
| Other operating expenses | (27.1) | (25.6) | (26.5) |
| Operating expenses | (82.3) | (75.9) | (73.3) |
| Finance costs | (0.1) | (0.4) | (0.3) |
| (Loss)/ Profit before income tax | (92.5) | 3,139.8 | 945.3 |
| Income tax expense | (10.5) | (9.9) | (10.2) |
| (Loss)/ Profit for the year | (103.0) | 3,129.9 | 935.1 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the year | (103.0) | 3,129.9 | 935.1 |

Source: IFRS financial statements

* Other income, net included mainly the net gain/ (loss) from revaluation of government securities at fair value, net foreign exchange gain/ (loss), annual income from the depositary bank of the Fund's GDRs and other operating income/ (expenses).

Gross dividend income for the year ended 31 December 2020 mainly included the dividend income earned from from E-Distributie companies (RON 522.9 million), Hidroelectrica SA (RON 399.5 million) and OMV Petrom SA (RON 175.6 million).

The **net unrealised loss from equity investments at fair value through profit or loss** for 2020 of RON 1,103.2 million was generated by the negative change in fair value of the Fund's holdings as result of the negative impact of the COVID-19 pandemic on the economic activity and global capital markets. This was mainly related to the holdings in CN Aeroporturi Bucuresti SA (RON 398.8 million), OMV Petrom SA (RON 331.0 million), E-Distributie Banat SA (RON 246.6 million), E-Distributie Muntenia SA (RON 200.7 million), and E-Distributie Dobrogea SA (RON 144.3 million), partially netted off by the increase in Hidroelectrica SA fair value (RON 242.4 million) as a result of the company's strong performance.

The **net realised loss from disposal of equity investments at fair value through profit or loss** for 2020 was generated by the partial disposal of OMV Petrom SA holding (realised loss of RON 198.9 million) and by the disposal of the entire holding in Nuclearelectrica SA (realised gain of RON 56.3 million).

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

Additional details on the **administration fees** for 2020 and comparatives are presented below:

| RON million | 2020 Audited | 2019 Audited | 2018 Audited |
|---|-----------------|-----------------|-----------------|
| Recognised in profit or loss | 55.2 | 50.3 | 46.8 |
| Base fee | 49.0 | 43.9 | 41.8 |
| Distribution fee for dividends | 4.2 | 6.4 | 5.0 |
| Performance fee | 2.0 | - | - |
| Recognised in other comprehensive income | 10.7 | 4.4 | 13.7 |
| Distribution fee for buy-back programmes | 10.7 | 4.4 | 13.7 |
| Total administration fees | 65.9 | 54.7 | 60.5 |

Source: IFRS financial statements

The increase in the base fee in 2020 compared to 2019 was mainly as a result of the increase in the Fund's share price on BVB while the increase in the distribution fee for buy-back programmes was as a result of the three tender offers finalised in March, September and December 2020 (for 585.0 million shares in total) vs. only one tender in August 2019 (for 150 million shares).

The distribution fee for dividend distribution is lower in 2020 compared to 2019 as a result of the lower dividend per share distributed by the Fund in 2020.

The performance fees recorded in 2020 are as a result of the Fund's share price discount to NAV lowering below 15%/20% in certain trading days.

Other operating expenses

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

| RON million | 2020 Audited | 2019 Audited | 2018 Audited |
|---------------------------------|-----------------|-----------------|-----------------|
| FSA monthly fees | 9.4 | 9.8 | 9.3 |
| Transaction costs | 5.5 | 1.5 | 1.4 |
| Depository fees | 0.6 | 0.7 | 0.6 |
| Other expenses | 11.6 | 13.6 | 15.2 |
| Other operating expenses | 27.1 | 25.6 | 26.5 |

Source: IFRS financial statements

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

Statement of Cash Flows

| RON million | 2020 Audited | 2019 Audited | 2018 Audited |
|--|---|---|---|
| Cash flows from operating activities | | | |
| Dividends received (net of withholding tax) | 1,207.9 | 1,059.7 | 629.2 |
| Proceeds from disposal of equity investments | 920.6 | 200.9 | 173.0 |
| Proceeds from transactions with treasury bills and bonds | 253.0 | 188.6 | 129.9 |
| Interest received | 12.3 | 9.5 | 11.2 |
| Amounts collected from the depository Bank of the Fund's GDRs | 4.2 | 3.9 | 4.5 |
| Acquisitions of treasury bills and bonds | (530.3) | (174.5) | (151.6) |
| Suppliers and other taxes and fees paid | (114.1) | (103.2) | (114.3) |
| Subscriptions to share capital increase of portfolio companies | (0.5) | (6.3) | (2.5) |
| Other payments, net | (1.2) | (1.4) | (0.9) |
| Net cash flows from operating activities | 1,751.9 | 1,177.2 | 678.5 |
| Cash flows from financing activities | | | |
| Acquisition cost of treasury shares | (1,065.2) | (440.4) | (1,369.7) |
| Dividends paid (net of withholding tax) | (395.3) | (599.8) | (469.8) |
| Payments to shareholders related to the return of capital | (2.7) | (3.1) | (7.5) |
| Payment of interest and fees related to the short-term bank loans | (0.1) | (0.5) | (0.3) |
| Net cash flows used in financing activities | (1,463.3) | (1,043.8) | (1,847.3) |
| Net increase/ (decrease) in cash and cash equivalents | 288.6 | 133.4 | (1,168.8) |
| Cash and cash equivalents at the beginning of the year | 405.7 | 272.3 | 1,441.1 |
| Cash and cash equivalents at the end of the year | 694.3 | 405.7 | 272.3 |
| | 31 December 2020 Audited | 31 December 2019 Audited | 31 December 2018 Audited |
| Cash and current accounts | 34.4 | 31.9 | 19.6 |
| Bank deposits with original maturities of less than three months | 659.9 | 338.3 | 187.1 |
| Treasury bills and government bonds with original maturities of less than three months | - | 35.6 | 65.7 |
| | 694.3 | 405.8 | 272.4 |

Source: IFRS financial statements

During 2020 the **proceeds from disposal of equity investments** were related to the disposal of the entire holding in Nuclearelectrica SA and of the partial disposal of the shares in OMV Petrom SA.

Dividends paid for 2020 included the net payments to shareholders regarding the dividend distribution of RON 0.0642 per share approved by shareholders during the 28 April 2020 GSM, with payment date 1 July 2020.

Acquisition cost of treasury shares represent the acquisition cost 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. For more details, please see section “*Buy-back Programmes*”.

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 18*.

Subsequent Events

Resolutions adopted by shareholders during the 14 January 2021 GSM

On 14 January 2021, the shareholders approved a resolution for several changes to the Constitutive Act that will enter into force after FSA approval and registration with the Trade Registry;

Updates regarding the Fund's application to FSA for registering as an AIF

In February 2021, the FSA sent several comments for the documents filed in the Fund's application for registering as an AIF, related to the draft of prospectus and its annexes, the rules of the Fund and the PRIIPS Key Information Document. The AIFM is updating the documentation and will file the new set of documents after the publication of this report.

Changes in FTIS Bucharest Branch management

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

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

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

Subsequent changes in Romanian Water Law

Following the latest changes approved in December 2020, further amendments to Romanian Water Law are currently debated in Parliament, with a potential impact on the activity of Hidroelectrica SA. On 8 February 2021, the Senate as first chamber discussing the amendments, approved a change that would allow Hidroelectrica SA to continue to use indirect methods for determining the water volumes as before July 2020 (i.e. cancelling the effects of the changes in legislation adopted after July 2020). The next legislative steps are to have the amendments discussed and approved by the Chamber of Deputies as decisional chamber, promulgated by the Romanian President, and published in the Official Gazette of Romania. The entire legislative process involves several mandatory steps and the final wording of the law cannot be predicted.

The changes in legislation are estimated to be effective after the date of publication of this report. The Fund is monitoring the legislative process in Parliament as well as Hidroelectrica SA ongoing discussions with ANAR in order to be able to assess any potential impact on the company.

Signatures:

22 February 2021

Johan Meyer

Permanent Representative

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

Prepared by

Catalin Cadaru

Financial Reporting Manager

Franklin Templeton International Services S.à r.l. Bucharest Branch

Annex 1

FONDUL PROPRIETATEA SA

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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.

This is a pdf version of the official annual financial statements in the European Single Electronic Reporting Format (i.e. xhtml format) which is available on the webpage of Fondul Proprietatea SA, www.fondulproprietatea.ro.

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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, 2020, 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, 2020 are identified as follows:
 - Total Equity RON 10,266,919,426
 - Net loss for the financial year RON (102,978,968)
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020, 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 |
|---|--|
| <p><u>Valuation of equity investments</u></p> <p>Refer to note 14 to the financial statements. The Fund's investment in equity investments represents 90% 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.</p> <p>The determination of fair value for the Level 3 equity investments, representing 83% 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 October 31, 2020.</p> <p>The COVID-19 pandemic has resulted in an increase in the uncertainty of assumptions underlying the economic outlook. This combined with varying government responses, has raised the complexity of significant judgement and estimates when determining the fair value for unlisted companies in which the Fund holds participation.</p> <p>Accordingly, valuation and accounting of equity investments is considered to be a key audit matter.</p> | <p>We have assessed the key controls over the valuation process of the Fund's equity investments. Our testing of the design and implementation of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures.</p> <p>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.</p> <p>For a sample of unquoted equity investments with significant valuation inputs, we involved our own internal valuation specialists to critically assess the valuation methodology, 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 31 October 2020 to 31 December 2020), in order to identify significant events which may have a significant impact on the fair value of the equity investments. We have assessed the accuracy of the changes in fair value that have been reflected in the financial statements. We have also analyzed how the evaluations related to the selected sample reflected the impact of COVID-19 on the economic sector of which the Fund's investments are part.</p> <p>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 against disclosures of IFRS 13 <i>Fair Value Measurement</i>.</p> |

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, 2020, 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, 2020, 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

Requirements for audits of public interest entities

15. We have been appointed by the General Assembly of Shareholders on September 4, 2019 to audit the financial statements of Fondul Proprietatea S.A. for the financial year ended December 31, 2020. The uninterrupted total duration of our commitment is 14 years, covering the financial years ended December 31, 2007 until December 31, 2020.

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.

Report on compliance with the Commission Delegated Regulation (EU) 2018/815 ("European Single Electronic Format Regulatory Technical Standard" or "ESEF ")

16. We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 on the European single electronic format ("ESEF Regulation") for the financial statements included in the annual financial report in XHTML format ("Digital file") prepared by Fondul Proprietatea S.A.

(i) Fondul Proprietatea's Management Responsibility for the Digital file prepared in compliance with the ESEF

Fondul Proprietatea's management is responsible for preparing digital file that comply with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal controls relevant to the application of the ESEF
- preparation of financial statements contained in the annual report in the current XHTML format;
- ensuring consistency between the digital file and the financial statements to be submitted in accordance with FSA Norm no. 39 / 2015;

(ii) Our Responsibility

Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of Fondul Proprietatea's process for preparation of the digital file in accordance with ESEF, including relevant internal controls;
- reconciling the digital file with the audited financial statements of Fondul Proprietatea to be submitted in accordance with FSA Norm no. 39 / 2015;
- evaluate if all financial statements contained in the annual report have been prepared in a valid XHTML format;

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the financial statements for the year ended 31 December 2020 included in the annual financial report in the digital file comply in all materials respects with the requirements of ESEF Regulation.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our audit opinion relating to the financial statements of Fondul Proprietatea S.A. for the year ended 31 December 2020 is set out in the section Report on the audit of the financial statements above.

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 no. AF 3344*

On behalf of:

DELOITTE AUDIT SRL

*Registered in the Electronic Public Register of Financial
Auditors and Audit Firms under no. FA 25*

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
February 22, 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

| | | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|-------------|--|--|
| | <i>Note</i> | | |
| Gross dividend income | 6 | 1,218,657,007 | 942,894,907 |
| Interest income | | 14,038,979 | 9,867,055 |
| Other income, net | | 4,301,573 | 3,938,407 |
| Net (loss)/gain from equity investments at fair value through profit or loss | 7 | (1,245,837,059) | 2,270,241,487 |
| Net foreign exchange loss | | (1,117,671) | (510,220) |
| Impairment losses on receivables, net | 4(b) iv) | (170,681) | (10,345,916) |
| Net operating (loss)/income | | (10,127,852) | 3,216,085,720 |
| Operating expenses | 8 | (82,251,945) | (75,879,626) |
| Finance costs | 9 | (76,500) | (437,667) |
| (Loss)/Profit before income tax | | (92,456,297) | 3,139,768,427 |
| Withholding tax on the dividend income | 10 | (10,522,671) | (9,897,515) |
| (Loss)/Profit for the period | | (102,978,968) | 3,129,870,912 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | (102,978,968) | 3,129,870,912 |
| Basic and diluted (loss)/earnings per share | 11 | (0.0159) | 0.4436 |

The annual financial statements were authorised for issue on 22 February 2021 by:

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

Johan Meyer

Permanent Representative

Prepared by:

Catalin Cadaru

Financial Reporting Manager

The notes on pages 13 to 52 are an integral part of these annual financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

| | <i>Note</i> | 31 December 2020 | 31 December 2019 |
|--|-------------|-------------------------|-------------------------|
| Assets | | | |
| Cash and current accounts | 12 | 174,667 | 83,551 |
| Distributions bank accounts | 12 | 34,255,963 | 31,799,616 |
| Deposits with banks | 12 | 659,982,573 | 338,381,995 |
| Government bonds | 4(b) iii) | 380,268,285 | 137,303,498 |
| Equity investments | 14 | 9,246,709,268 | 11,413,083,382 |
| Other assets | | 613,444 | 332,386 |
| Total assets | | 10,322,004,200 | 11,920,984,428 |
| Liabilities | | | |
| Payable to shareholders | 15 (a) | 34,380,437 | 31,988,947 |
| Other liabilities and provisions | 15 (b) | 20,704,337 | 17,543,492 |
| Total liabilities | | 55,084,774 | 49,532,439 |
| Equity | | | |
| Paid share capital | 16 (a) | 3,560,099,870 | 3,770,082,341 |
| Reserves related to the unpaid share capital | 16 (b) | 189,182,422 | 189,182,422 |
| Other reserves | 16 (c) | 539,400,224 | 536,545,225 |
| Treasury shares | 16 (d) | (1,086,443,209) | (446,008,591) |
| Retained earnings | | 7,064,680,119 | 7,821,650,592 |
| Total equity | | 10,266,919,426 | 11,871,451,989 |
| Total liabilities and equity | | 10,322,004,200 | 11,920,984,428 |

The notes on pages 13 to 52 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

| | Share capital | Reserves related to the unpaid share capital | Other reserves | Treasury shares | Retained earnings | Total attributable to the equity holders of the Fund |
|---|----------------------|---|----------------------|------------------------|----------------------|---|
| Balance as at 1 January 2020 | 3,770,082,341 | 189,182,422 | 536,545,225 | (446,008,591) | 7,821,650,592 | 11,871,451,989 |
| Loss for the period | - | - | - | - | (102,978,968) | (102,978,968) |
| Profit appropriation to other reserves | - | - | 236,026,121 | - | (236,026,121) | - |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | 236,026,121 | - | (339,005,089) | (102,978,968) |
| Transactions with owners, recorded directly in equity | | | | | | |
| Dividends declared | - | - | - | - | (417,965,384) | (417,965,384) |
| Acquisition of treasury shares | - | - | - | (1,086,443,209) | - | (1,086,443,209) |
| Cancellation of treasury shares | (209,982,471) | - | (236,026,120) | 446,008,591 | - | - |
| Distributions for which the statute of limitation occurred | - | - | 2,854,998 | - | - | 2,854,998 |
| Total transactions with owners recorded directly in equity | (209,982,471) | - | (233,171,122) | (640,434,618) | (417,965,384) | (1,501,553,595) |
| Balance as at 31 December 2020 | 3,560,099,870 | 189,182,422 | 539,400,224 | (1,086,443,209) | 7,064,680,119 | 10,266,919,426 |

The notes on pages 13 to 52 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

| | Share capital | Reserves related to the unpaid share capital | Other reserves | Treasury shares | Retained earnings | Total attributable to the equity holders of the Fund |
|---|----------------------|--|----------------------|------------------------|----------------------|---|
| Balance as at 1 January 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 | - | - | 80,910,369 | - | (80,910,369) | - |
| Profit appropriation to other reserves | - | - | 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 | - | - | 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 13 to 52 are an integral part of these annual financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|--|--|
| Cash flows from operating activities | | |
| Dividends received (net of withholding tax) | 1,207,910,543 | 1,059,655,125 |
| Proceeds from disposal of equity investments | 920,634,404 | 200,906,333 |
| Proceeds from transactions with treasury bills and bonds | 252,957,872 | 188,627,069 |
| Interest received | 12,328,285 | 9,539,497 |
| Amounts collected from the depository Bank of the Fund's GDRs | 4,215,191 | 3,903,730 |
| Acquisition of treasury bills and bonds | (530,280,208) | (174,521,938) |
| Suppliers and other taxes and fees paid | (114,065,852) | (103,234,951) |
| Subscriptions to share capital increase of portfolio companies | (512,460) | (6,330,030) |
| Other payments, net | (1,310,131) | (1,366,555) |
| Net cash flows from operating activities | 1,751,877,644 | 1,177,178,280 |
| Cash flows from financing activities | | |
| Acquisition cost of treasury shares | (1,065,217,543) | (440,362,147) |
| Dividends paid (net of withholding tax) | (395,298,925) | (599,767,099) |
| Payments to shareholders related to the return of capital | (2,717,792) | (3,142,228) |
| Payment of fees related to the short term bank loans | (74,950) | (486,578) |
| Net cash flows used in financing activities | (1,463,309,210) | (1,043,758,052) |
| Net increase in cash and cash equivalents | 288,568,434 | 133,420,228 |
| Cash and cash equivalents at the beginning of the period | 405,776,121 | 272,355,893 |
| Cash and cash equivalents at the end of the period as per the Statement of Cash Flows | 694,344,555 | 405,776,121 |
| <i>Reconciliation of Statement of Cash Flows with the equivalent items reported in the Statement of Financial Position</i> | | |
| | 31 December 2020 | 31 December 2019 |
| Cash and current accounts (see Note 12) | 174,667 | 83,551 |
| Distributions bank accounts (see Note 12) | 34,255,963 | 31,799,616 |
| Bank deposits with original maturities of less than three months (see Note 12) | 659,913,925 | 338,295,751 |
| Government bonds with original maturities of less than three months | - | 35,597,203 |
| | 694,344,555 | 405,776,121 |
| Interest accrued on bank deposits (see Note 12) | 68,648 | 86,244 |
| Government bonds with original maturities of more than three months and less than one year (see Note 4 b)) | 380,268,285 | 101,706,295 |
| Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position | 1,074,681,488 | 507,568,660 |

The notes on pages 13 to 52 are an integral part of these annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

1. General information

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

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

The Fund undertakes its activities in accordance with Law 24/2017 on issuers of financial instruments and market operations, Law 74/2015 regarding Alternative Investment Fund Managers, Law 247/2005, Law 297/2004 regarding the capital market, as subsequently amended, Law 243/2019 regulating the alternative investment funds and amending and supplementing certain normative acts and Companies Law 31/1990 republished as subsequently amended and it is an entity authorised, regulated and supervised by the FSA, as an issuer. Until 2013, FSA (the financial market supervisory authority) was known as the National Securities Commission. In accordance with its Constitutive Act, the main activity of the Fund is the management and administration of its portfolio.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020(all amounts are in RON unless otherwise stated)

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 2020 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 23 February 2021, 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 2020 and continues to meet them.

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

(b) Basis of measurement

These 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 transactions. 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 2020 were as follows: 4.8694 RON/EUR, 3.9660 RON/USD and 5.4201 RON/GBP (31 December 2019: 4.7793 RON/EUR, 4.2608 RON/USD and 5.6088 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

2. Basis of preparation (continued)**(e) Use of estimates (continued)**

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

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

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

During 2020, the Fund's Sole Director performed a periodic analysis of multiples values of publicly traded peer companies and adjusted the value of unlisted holdings accordingly, where the case. At the financial year-end, the values of all unlisted portfolio holdings were updated based on the latest valuation reports prepared by the independent valuers. Further details on the fair value adjustments are presented in Note 5. The Fund's Sole Director will continue to closely monitor the evolution of the economic environment and the effects of the economic measures applied on a national and international level.

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

Additional information on the impact of the COVID-19 pandemic on the Fund is included in Note 4 "Risk management" and Note 14 "Equity investments".

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 2019 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 it 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.

3. Significant accounting policies (continued)

(a) Subsidiaries and associates (continued)

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 2020 and 31 December 2019, 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 2020 and 31 December 2019 are disclosed in Note 18 (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.

- *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.

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

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.

3. Significant accounting policies (continued)

(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 2020 and 31 December 2019.

(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.

(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.

3. Significant accounting policies (continued)

(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.

(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, if any, are presented in the statement of comprehensive income under the caption "Realised net gains/(losses) from disposal of non-current assets held for sale".

3. Significant accounting policies (continued)

(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.

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 2020 and 2019, 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 resources.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(n) Distributions to shareholders (continued)**

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 2020 and 31 December 2019, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted earnings per share are the same.

(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 to 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, relevant to the Fund, are effective for the current reporting period:

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020);
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020);
- Amendments to References to the Conceptual Framework in IFRS Standards adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(q) Standards and interpretations effective in the current year (continued)**

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 IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" Phase 2 - adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

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.

(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 relevant to the Fund, which were not endorsed as at the reporting date of these financial statements:

- Amendments to IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts - Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- 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);
- Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(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", "Oil and gas" and "Power and gas utilities: distribution and supply" sectors.

The Fund's exposure to industries is detailed below:

| | 31 December 2020 | 31 December 2019 |
|---|-------------------------|-------------------------|
| Power utilities: generation | 5,128,900,000 | 5,189,786,742 |
| Oil and gas | 1,440,749,726 | 2,531,605,991 |
| Power and gas utilities: distribution, supply | 1,312,100,000 | 1,849,700,000 |
| Infrastructure | 950,292,324 | 1,338,147,171 |
| Heavy industry | 226,084,700 | 307,105,400 |
| Aluminum | 163,261,759 | 170,550,231 |
| Postal services | 13,100,000 | 11,500,000 |
| Others | 12,220,759 | 14,687,847 |
| | 9,246,709,268 | 11,413,083,382 |

As at 31 December 2020, the listed and liquid investments represented 17% (31 December 2019: 26%) of the total Fund's equity investments. As at 31 December 2020, the Fund's listed liquid holdings are in amount of RON 1,604,011,486 (31 December 2019: RON 3,005,442,964) and represent investments in companies listed on Bucharest Stock Exchange which are included in the BET-BK index. For these investments, a ten per cent increase in the BET-BK index at 31 December 2020 would impact profit or loss and would determine an increase in equity of RON 181,869,994 (31 December 2019: RON 323,233,053). An equal change in the opposite direction as at 31 December 2020 would impact profit or loss and would determine a decrease in equity by RON 181,869,994 (31 December 2019: RON 323,233,053). This analysis assumes that all other variables remain constant.

The Fund's equity investments also include both unlisted instruments issued by companies domiciled in Romania and listed but not liquid instruments, both of which representing 83% of total equity investments as at 31 December 2020 (74% of total equity investments as at 31 December 2019). Although Fund's management believes that its estimates of fair value for these equity investments are appropriate, the use of different methodologies or assumptions could lead to different measurement of fair value. Changing one or more of the inputs used to reasonably determine alternative assumptions would have the following effects on the profit or loss:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

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

| Valuation techniques used | Change in the significant unobservable inputs used in the valuation as at 31 December 2020 | Impact on the profit or loss |
|---|---|-------------------------------------|
| Market approach - comparable companies (based on EBITDA multiple) | EBITDA multiple increase by 10% | 598,377,340 |
| | EBITDA multiple decrease by 10% | (598,377,340) |
| | Discount for lack of marketability increase by 10% | (109,397,261) |
| | Discount for lack of marketability decrease by 10% | 109,397,261 |
| Income approach - discounted cash flow method | EBITDA margin increase by 10% | 250,540,000 |
| | EBITDA margin decrease by 10% | (125,320,000) |
| | Weighted average cost of capital increase with 0.50% | (56,570,000) |
| | Weighted average cost of capital decrease with 0.50% | 120,150,000 |
| | Long-term revenue growth rate increase with 0.50% | 91,650,000 |
| | Long-term revenue growth rate decrease with 0.50% | (43,210,000) |

The above sensitivity analysis was performed for the equity investments representing 97% of the total unlisted and illiquid portfolio and took into account the most relevant unobservable inputs impacting the holdings values and their reasonable possible variance. The 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 risk profile of the Fund's interest-bearing financial instruments is:

| Fixed rate instruments | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| Bank deposits with original maturities of less than three months | 659,913,925 | 338,295,751 |
| Government bonds | 369,955,045 | 134,732,025 |
| | 1,029,868,970 | 473,027,776 |

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 2020, the local currency depreciated compared to the EUR (from 4.7793 RON/EUR at 31 December 2019 to 4.8694 RON/EUR at 31 December 2020) and appreciated compared to the USD (from 4.2608 RON/USD at 31 December 2019 to 3.9660 RON/USD at 31 December 2020) and to the GBP (from 5.6088 RON/GBP at 31 December 2019 to 5.4201 RON/GBP at 31 December 2020).

The Fund's exposure to currency risk was as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(a) Market risk (continued)***(iii) Currency risk (continued)*

| RON | 31 December 2020 | 31 December 2019 |
|-----------------------------|-------------------------|-------------------------|
| Monetary assets | | |
| Petty cash | 114 | 114 |
| Cash and current accounts | 69,819 | 73,169 |
| Distributions bank accounts | 34,255,963 | 31,799,616 |
| Deposits with banks | 659,982,573 | 338,381,995 |
| Government bonds | 380,268,285 | 137,303,498 |
| Other financial assets | 445,140 | 30,030 |
| | 1,075,021,894 | 507,588,422 |
| Monetary liabilities | | |
| Other financial liabilities | (35,684,999) | (33,034,313) |
| | 1,039,336,895 | 474,554,109 |

| EUR (in RON equivalent) | 31 December 2020 | 31 December 2019 |
|--------------------------------|-------------------------|-------------------------|
| Monetary assets | | |
| Current accounts with banks | 2,971 | 3,905 |
| Monetary liabilities | | |
| Other financial liabilities | (16,447,827) | (13,431,153) |
| | (16,444,856) | (13,427,248) |

| USD (in RON equivalent) | 31 December 2020 | 31 December 2019 |
|--------------------------------|-------------------------|-------------------------|
| Monetary assets | | |
| Current accounts with banks | 99,253 | 2,804 |
| Monetary liabilities | | |
| Other financial liabilities | (475,920) | (512,325) |
| | (376,667) | (509,521) |

| GBP (in RON equivalent) | 31 December 2020 | 31 December 2019 |
|--------------------------------|-------------------------|-------------------------|
| Monetary assets | | |
| Current accounts with banks | 2,510 | 3,559 |
| Monetary liabilities | | |
| Other financial liabilities | (39,695) | - |
| | (37,185) | 3,559 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 2020 and 31 December 2019 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 2020 | 31 December 2019 |
|------------------------|-------------------------|-------------------------|
| EUR | 1,644,486 | 1,342,725 |
| USD | 37,667 | 50,952 |
| GBP | 3,719 | (356) |

As at 31 December 2020 and 31 December 2019, 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

As at 31 December 2020, the Fund's maximum exposure to credit risk from cash and deposits with banks was RON 694,413,089 (31 December 2019: RON 370,265,048).

Cash and deposits with banks are held with the following banks:

| Cash and deposits held with banks | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| Citi Bank | 237,332,282 | 36,532,565 |
| ING Bank | 141,017,436 | 85,019,692 |
| Banca Comerciala Romana | 135,870,871 | 121,599,961 |
| Unicredit Bank | 135,816,579 | 85,004,808 |
| BRD - Groupe Societe Generale | 44,374,853 | 42,106,015 |
| Raiffeisen Bank | 1,068 | 2,007 |
| | 694,413,089 | 370,265,048 |

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 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

During 2020 and 2019 the Fund invested in treasury bills, but all of them have the maturity date during the year, therefore the balances as at 31 December 2020 and 31 December 2019 are nil. 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 2020

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(b) Credit and counterparty risk (continued)***(iii) Government bonds*

As at 31 December 2020, the Fund's maximum exposure to credit risk from government bonds was RON 380,268,285 (31 December 2019: RON 137,303,498). These items are assessed to have low credit risk being issued by the Ministry of Public Finance of Romania.

As at 31 December 2020, the Fund held the following government bonds, denominated in RON, which have original maturities of less than one year:

| ISIN | Value as at 31 December 2020 | No. of units | Coupon rate | Maturity date |
|--------------|---------------------------------|--------------|----------------|---------------|
| RO1521DBN041 | 249,205,686 | 48,520 | 3.25% | 22-Mar-2021 |
| RO1121DBN032 | 131,062,599 | 12,500 | 5.95% | 11-Jun-2021 |
| Total | 380,268,285 | | | |

As at 31 December 2019, the Fund held the following government bonds, denominated in RON, which have original maturity of less than one year:

| 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 | | | |

(iv) Other assets

As at 31 December 2020 and 31 December 2019, the Fund did not have 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. The dividend receivable from CN Aeroporturi Bucuresti SA was written-off from the accounting on 31 December 2020 due to the very low probability to be received by the Fund considering the lack of a decision of CN Aeroporturi Bucuresti shareholders clarifying the source of dividend distribution.

(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 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 83% of total equity investments as at 31 December 2020 and 74% of total equity investments as at 31 December 2019). 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 an optimal level of liquid assets to finance current liabilities.

The following tables present the split of the Fund's financial assets and financial liabilities by residual maturities:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

4. Risk management (continued)**(c) Liquidity risk (continued)**

| 31 December 2020 | Less than 1 month | 1 to 3 months | 3 to 12 months | No fixed maturity | Total |
|------------------------------|--------------------------|----------------------|-----------------------|--------------------------|-----------------------|
| Financial assets | | | | | |
| Cash and current accounts | 174,667 | - | - | - | 174,667 |
| Distributions bank accounts | 34,255,963 | - | - | - | 34,255,963 |
| Deposits with banks | 659,982,573 | - | - | - | 659,982,573 |
| Government bonds | - | 249,205,686 | 131,062,599 | - | 380,268,285 |
| Equity investments | - | - | - | 9,246,709,268 | 9,246,709,268 |
| Other financial assets | 445,140 | - | - | - | 445,140 |
| | 694,858,343 | 249,205,686 | 131,062,599 | 9,246,709,268 | 10,321,835,896 |
| Financial liabilities | | | | | |
| Other financial liabilities | 52,648,441 | - | - | - | 52,648,441 |
| | 52,648,441 | - | - | - | 52,648,441 |

| 31 December 2019 | Less than 1 month | 1 to 3 months | 3 to 12 months | No fixed maturity | Total |
|------------------------------|--------------------------|----------------------|-----------------------|--------------------------|-----------------------|
| 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 |
| Government bonds | - | 137,303,498 | - | - | 137,303,498 |
| 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 |

(d) Taxation risk

The Fund had to comply with the Romanian tax legislation in force and with any direct applicable tax legislation issued by the European Union. Interpretation of the text and practical implementation procedures of the 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 and may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is possible that the Fund will 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.

4. Risk management (continued)

(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.

The widespread nature of the COVID-19 outbreak and the measures taken to contain the spread continue to have a significant impact on global economic activity and this is likely to reverberate for the next period. Many countries have taken decisive steps, such as prompt monetary and fiscal policy responses. Central banks in the United States and Europe cut the interest rates and the National Bank of Romania has also joined the trend and has adjusted the monetary policy to lower interest rates. The quantum of the fiscal and monetary policy response to mitigate the impact of the situation is unprecedented. Governments across the world, Romania included, are taking numerous actions to support their economies, from extended unemployment benefits to packages targeting small businesses, hospitals and healthcare centres, which will lead to increased budgetary constraints in the short term.

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 10,266,919,426 at 31 December 2020 (31 December 2019: RON 11,871,451,989).

The Fund is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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 2020 | | | | | |
| Cash and current accounts | 174,667 | - | - | 174,667 | 174,667 |
| Distributions bank accounts | 34,255,963 | - | - | 34,255,963 | 34,255,963 |
| Deposits with banks | 659,982,573 | - | - | 659,982,573 | 659,982,573 |
| Government bonds | - | 380,268,285 | - | 380,268,285 | 380,268,285 |
| Equity investments | - | 9,246,709,268 | - | 9,246,709,268 | 9,246,709,268 |
| Other financial assets | 445,140 | - | - | 445,140 | 445,140 |
| Other financial liabilities | - | - | (52,648,441) | (52,648,441) | (52,648,441) |
| | 694,858,343 | 9,626,977,553 | (52,648,441) | 10,269,187,455 | 10,269,187,455 |

| | 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 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

6. Gross dividend income

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|--|--|
| Hidroelectrica SA | 399,532,431 | 558,165,909 |
| E-Distributie Banat SA | 213,812,923 | - |
| E-Distributie Muntenia SA | 187,961,077 | - |
| OMV Petrom SA | 175,569,990 | 152,915,798 |
| E-Distributie Dobrogea SA | 121,130,893 | - |
| CN Aeroporturi Bucuresti SA | 36,700,452 | 93,039,412 |
| Nuclearelectrica SA | 34,883,435 | 26,728,073 |
| Societatea Nationala a Sarii SA | 19,803,298 | 37,428,152 |
| Engie Romania SA | 12,084,098 | 16,411,668 |
| ENEL Energie Muntenia SA | 10,586,397 | - |
| CN Administratia Porturilor Maritime SA | 5,492,149 | 3,676,101 |
| Alcom SA | 275,360 | 1,602,858 |
| Alro SA | - | 33,349,130 |
| BRD Groupe Societe Generale SA | - | 18,306,434 |
| Other | 824,504 | 1,271,372 |
| | 1,218,657,007 | 942,894,907 |

The dividend income was subject to 5% Romanian withholding tax in 2020 and 2019. In cases where the relevant shareholding of the Fund was above 10% of total share capital of the paying company, for at least one year prior to the dividend distribution date, a withholding tax exemption is applied.

According to the Annual Cash Distribution Policy of the Fund, the special cash distributions received from portfolio companies are not subject to Fund's dividend distribution to shareholders. The Fund Manager may propose the distribution to shareholders of such amounts after considering the on-going measures imposed by the Discount Control Mechanism and the available cash. For the purpose of the Annual Cash Distribution Policy of the Fund, the special cash distributions are the amounts distributed by the portfolio companies from other sources than the annual net profit included in the latest annual financial statements. From the total gross dividend income for the year ended 31 December 2020 a total amount of RON 683,070,542 represent special cash distributions (year ended 31 December 2019: RON 259,341,245).

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

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--|--|
| Unrealised loss from equity investments at fair value through profit or loss | (1,432,785,224) | (98,827,836) |
| Unrealised gain from equity investments at fair value through profit or loss | 329,597,853 | 2,359,136,734 |
| Realised loss from equity investments at fair value through profit or loss | (198,900,000) | - |
| Realised gain from equity investments at fair value through profit or loss | 56,250,312 | 9,932,589 |
| Total | (1,245,837,059) | 2,270,241,487 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

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

The unrealised loss from equity investments at fair value through profit or loss for the year ended 31 December 2020 was generated by the negative change in fair value of the Fund's holdings. These negative changes were triggered by the negative impact of the COVID-19 pandemic on the economic activity and global capital markets, but also by the decrease in value of certain Fund's unlisted portfolio companies as a result of special dividends declared by these companies (as for example, E-Distributie companies and Hidroelectrica SA). The most significant decreases of fair value were recorded by the holdings in E-Distributie group (total unrealised loss of RON 591,600,000), OMV Petrom SA (unrealised loss of RON 529,856,264) and CN Aeroporturi Bucuresti SA (unrealised loss of RON 398,800,000).

The unrealised gain from equity investments at fair value through profit or loss for the year ended 31 December 2020 was mainly generated by the change in fair value for the holding in Hidroelectrica SA (unrealised gain of RON 242,400,000).

The unrealised 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 (unrealised gain of RON 1,001,500,000) and OMV Petrom SA (unrealised gain of RON 838,205,116), as a result of the strong performance of these companies.

The realised loss and 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. For the year ended 31 December 2020, these were generated by the partial disposal of the holding in OMV Petrom SA (realised loss of RON 198,900,000) and disposal of the entire holding in Nuclearelectrica SA (realised gain of RON 56,250,312).

The realised 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 entire holding in BRD Groupe Societe Generale SA (realised gain of RON 9,932,589).

8. Operating expenses

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--|--|
| Administration fees (i) | 55,232,614 | 50,297,447 |
| FSA monthly fees (ii) | 9,384,781 | 9,801,000 |
| Third party services (iii) | 9,001,599 | 10,618,654 |
| Intermediaries and other fees related to disposal of portfolio holdings (iv) | 5,515,939 | 1,501,030 |
| BON remunerations and related taxes (v) | 1,376,217 | 1,407,175 |
| Depositary bank fee | 569,074 | 672,860 |
| Other operating expenses | 1,171,721 | 1,581,460 |
| | 82,251,945 | 75,879,626 |

(i) Administration fees

The administration fees include the base fee and the distribution fee. The distribution fee related to dividend distributions to shareholders is recognised through profit or loss while the distribution fee related to the buy-backs is recognised directly in equity as buy-backs acquisition cost. An additional base fee of 0.05% is payable to FTIS as performance fee when the discount of the Fund's share price to net asset value per share is below or equal to 20% but above 15% and a further 0.05% when the discount is equal or below 15%.

The administration fees recorded during the year ended 31 December 2020 and the year ended 31 December 2019 are presented in the table below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

8. Operating expenses (continued)

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--|--|
| Base fee | 49,089,707 | 43,853,105 |
| Distribution fee related to dividend distributions to shareholders | 4,183,001 | 6,423,188 |
| Performance fee | 1,959,906 | 21,154 |
| Administration fees recognised in profit or loss | 55,232,614 | 50,297,447 |
| Distribution fees related to buy-backs recognised in equity | 10,674,300 | 4,402,209 |
| Total administration fees | 65,906,914 | 54,699,656 |

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

(ii) FSA monthly fees

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

(iii) Third party services

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

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--|--|
| Legal consultancy and litigation assistance | 4,083,794 | 5,108,475 |
| Portfolio valuation services | 1,630,453 | 1,297,291 |
| Financial auditor's fees | 651,912 | 615,899 |
| Board of Nominees accommodation, transport and insurance costs | 416,858 | 638,637 |
| Investors' relations expenses | 396,314 | 845,075 |
| Public relations services | 368,324 | 299,916 |
| Tax compliance and advisory services | 351,514 | 377,319 |
| Regulatory and compliance expenses | 323,510 | 273,584 |
| Other services | 778,920 | 1,162,458 |
| | 9,001,599 | 10,618,654 |

The financial audit fees are recorded in the year they relate to. The financial auditor of Fondul Proprietatea for the years 2020 and 2019 was Deloitte Audit SRL.

The total audit fees for the audit of the 2020 annual statutory financial statements, prepared in accordance with IFRS, amount approximately to RON 530,863, including VAT. In addition, during 2020 Deloitte Audit SRL provided other assurance and non-audit services specifically requested by the Financial Supervisory Authority, for a total fee of RON 121,049, including VAT.

The total audit fees for the audit of the 2019 annual statutory financial statements, prepared in accordance with IFRS, amount approximately to RON 496,582, 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.

(iv) Intermediaries and other fees related to disposal of portfolio holdings

Intermediaries and other fees related to the disposal of portfolio holdings for the year ended 31 December 2020 and the year ended 31 December 2019 mainly include the brokerage fees related to the disposal of the listed holdings on the stock exchange market and expenses recorded in relation to the consultancy services for the potential disposals of certain unlisted holdings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

8. Operating expenses (continued)*(v) BON remunerations and related taxes*

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

9. Finance cost

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

The Fund did not use the credit facility during the year ended 31 December 2020 and the year ended 31 December 2019. The finance costs for the year ended 31 December 2020 of RON 76,500 (the year ended 31 December 2019: RON 437,667) comprise the commitment fee on undrawn amounts from the credit facility.

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

10. Income tax

No current tax expense and no deferred tax were recorded during the year ended 31 December 2020 and the year ended 31 December 2019.

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|--|--|
| Reconciliation of effective tax rate | | |
| Net (loss)/profit for the period | (102,978,968) | 3,129,870,912 |
| Withholding tax on the dividend income | (10,522,671) | (9,897,515) |
| (Loss) /Profit excluding income tax | (92,456,297) | 3,139,768,427 |
| Income tax benefit/(expense) using the standard tax rate (16%) | 14,793,008 | (502,362,948) |
| <i>Impact on the income tax of:</i> | | |
| Taxation applied on dividend income | 184,462,450 | 140,965,670 |
| Non-taxable income (other than dividend income) | 266,851,876 | 291,322,079 |
| Non-deductible expenses | (396,084,675) | (92,478,984) |
| Elements similar to revenues (taxable equity items) | (456,800) | (234,019) |
| Fiscal result impact in the current period | (80,088,530) | 127,851,720 |
| Profit appropriation to legal reserves | - | 25,038,967 |
| Tax on income (i.e. withholding tax on the dividend income) | (10,522,671) | (9,897,515) |

The fiscal result impact as at 31 December 2020 of RON 80,088,530 included in the table above represents the unrecognised deferred tax for the tax losses recorded for the year ended 31 December 2020 (see Note 13 for further details). The fiscal impact as at 31 December 2019 of RON 127,851,720 represents the current tax on profit for the year ended 31 December 2019 which was offset by the Fund's tax losses carried forward.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

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

Basic (loss)/earnings per share is calculated by dividing the loss or profit for the period by the weighted average number of ordinary paid shares in issue during the period, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares (based on their settlement date). As at 31 December 2020 and 31 December 2019, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted (loss)/earnings per share are the same.

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--|--|
| (Loss)/Profit for the period | (102,978,968) | 3,129,870,912 |
| Weighted average number of ordinary shares | 6,496,260,041 | 7,056,072,680 |
| Basic and diluted (loss)/earnings per share | (0.0159) | 0.4436 |

12. Cash and current accounts and deposits with banks

| | 31 December 2020 | 31 December 2019 |
|----------------------------------|-------------------------|-------------------------|
| Petty cash | 114 | 114 |
| Current accounts with banks | 174,553 | 83,437 |
| Distributions bank accounts | 34,255,963 | 31,799,616 |
| Cash and current accounts | 34,430,630 | 31,883,167 |

| | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| Bank deposits with original maturities of less than three months | 659,913,925 | 338,295,751 |
| Interest accrued on bank deposits | 68,648 | 86,244 |
| Deposits with banks | 659,982,573 | 338,381,995 |

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

13. Deferred tax

As at 31 December 2020 and 31 December 2019 there is no difference between the carrying amount and tax base of assets and liabilities that could result in amounts that are deductible/ taxable when determining taxable profit or tax loss of future periods. In consequence, as at 31 December 2020 and 31 December 2019, the net deferred tax position is nil as the Fund did not recognise any deferred tax asset or deferred tax liability.

As at 31 December 2020 the unused fiscal loss carried forward amounts to RON 3,420,608,901 (31 December 2019: RON 2,920,055,589) out of which RON 2,920,055,589 will expire on 31 December 2022 and RON 500,553,312 will expire on 31 December 2027.

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

The effective tax rate used to calculate the deferred tax position of the Fund is 16% (standard tax rate).

There was no movement in the deferred tax position during the year ended 31 December 2020 and the year ended 31 December 2019. The deferred tax balances during both these periods were zero.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

14. Equity investments

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

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

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

The movement in the carrying amounts of equity investments at fair value through profit or loss during the year ended 31 December 2020 and the year ended 31 December 2019 is presented below:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|--|--|
| Opening balance | 11,413,083,382 | 9,337,440,399 |
| Net (loss)/gain from equity investments at fair value through profit or loss (see Note 7) | (1,245,837,059) | 2,270,241,487 |
| Disposals | (920,634,405) | (200,898,504) |
| Subscriptions to share capital increase of portfolio companies | 97,350 | 6,300,000 |
| Closing balance | 9,246,709,268 | 11,413,083,382 |

Disposals

During the year ended 31 December 2020, the Fund sold part of its holdings in OMV Petrom SA and the entire holding in Nuclearelectrica SA.

During the year ended 31 December 2019, the Fund sold its entire holding in BRD Groupe Societe Generale SA.

Portfolio

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

| | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| Hidroelectrica SA | 5,128,900,000 | 4,886,500,000 |
| OMV Petrom SA | 1,440,749,726 | 2,531,605,991 |
| CN Aeroporturi Bucuresti SA | 624,100,000 | 1,022,900,000 |
| Engie Romania SA | 538,800,000 | 512,400,000 |
| E-Distributie Banat SA | 272,700,000 | 519,300,000 |
| Administratia Porturilor Maritime SA | 235,800,000 | 248,700,000 |
| E-Distributie Muntenia SA | 227,800,000 | 428,500,000 |
| Societatea Nationala a Sarii SA | 201,200,000 | 275,400,000 |
| E-Distributie Dobrogea SA | 177,200,000 | 321,500,000 |
| Alro SA | 163,261,759 | 170,550,231 |
| Romaero SA | 56,140,375 | 30,431,231 |
| Enel Energie SA | 52,500,000 | 26,300,000 |
| Enel Energie Muntenia SA | 43,100,000 | 41,700,000 |
| Zirom SA | 24,884,700 | 31,705,400 |
| CN Administratia Canalelor Navigabile SA | 17,751,740 | 14,899,840 |
| Nuclearelectrica SA | - | 303,286,742 |
| Other | 41,820,968 | 47,403,947 |
| Total equity investments | 9,246,709,268 | 11,413,083,382 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

14. 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 2020 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------------|----------------|----------------------|----------------------|
| Equity investments: | 1,604,011,486 | - | 7,642,697,782 | 9,246,709,268 |
| <i>Power utilities: generation</i> | - | - | 5,128,900,000 | 5,128,900,000 |
| <i>Oil and gas</i> | 1,440,749,726 | - | - | 1,440,749,726 |
| <i>Power and gas utilities: distribution, supply</i> | - | - | 1,312,100,000 | 1,312,100,000 |
| <i>Infrastructure</i> | - | - | 950,292,324 | 950,292,324 |
| <i>Heavy industry</i> | - | - | 226,084,700 | 226,084,700 |
| <i>Aluminum</i> | 163,261,759 | - | - | 163,261,759 |
| <i>Postal services</i> | - | - | 13,100,000 | 13,100,000 |
| <i>Other</i> | - | - | 12,220,759 | 12,220,759 |
| Government bonds | 380,268,285 | - | - | 380,268,285 |
| Total | 1,984,279,771 | - | 7,642,697,782 | 9,626,977,553 |

| 31 December 2019 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------------|----------------|----------------------|-----------------------|
| Equity investments: | 3,005,442,964 | - | 8,407,640,418 | 11,413,083,382 |
| <i>Power utilities: generation</i> | 303,286,742 | - | 4,886,500,000 | 5,189,786,742 |
| <i>Power and gas utilities: distribution, supply</i> | - | - | 1,849,700,000 | 1,849,700,000 |
| <i>Oil and gas</i> | 2,531,605,991 | - | - | 2,531,605,991 |
| <i>Infrastructure</i> | - | - | 1,338,147,171 | 1,338,147,171 |
| <i>Heavy industry</i> | - | - | 307,105,400 | 307,105,400 |
| <i>Aluminum</i> | 170,550,231 | - | - | 170,550,231 |
| <i>Postal services</i> | - | - | 11,500,000 | 11,500,000 |
| <i>Other</i> | - | - | 14,687,847 | 14,687,847 |
| Government bonds | 137,303,498 | - | - | 137,303,498 |
| Total | 3,142,746,462 | - | 8,407,640,418 | 11,550,386,880 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

The fair value hierarchy for the other assets and liabilities which are not classified at fair value through profit or loss but for which the fair value amount was disclosed in these annual financial statements (see Note 5), is either Level 1, respectively for cash and cash equivalents and other financial liabilities or Level 3, respectively for all other financial assets.

The table below presents the movement in Level 3 equity investments during the year ended 31 December 2020 and the year ended 31 December 2019:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--------------------------------|--------------------------------|
| Opening balance | 8,407,640,418 | 7,055,038,913 |
| Net unrealised (loss)/gain recognised in profit or loss | (764,942,636) | 1,346,301,505 |
| Subscriptions to share capital increase of portfolio companies | - | 6,300,000 |
| Transfers in/(out) of Level 3 | - | - |
| Closing balance | 7,642,697,782 | 8,407,640,418 |

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that financial instrument is classified on Level 3. Assessing the significance of an input to the fair value measurement in its entirety requires significant judgment, considering factors specific to the asset.

The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

For Level 3, the equity investments valuations were performed using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs, which ensures that the underlying data is accurate, and that appropriate inputs were used in the valuation.

As at 31 December 2020, the fair value for 85% of the Level 3 equity investments (31 December 2019: for 96% of the Level 3 equity investments) was determined by applying the market comparison technique using comparable trading multiples for EBITDA, while the fair value for almost 15% of the Level 3 equity investments (31 December 2019: for almost 4% of the Level 3 equity investments) was determined by applying the income approach using the discounted cash flow method.

In 2020, the valuation technique used for the valuation of the holdings in the airports and the maritime ports companies (part of the investments in the infrastructure sector) was changed from the market approach - comparable companies, which was used in the previous years, to income approach method, mainly due to the following reasons:

- Market multiples of the companies in the airports peer group have significantly varied over the last twelve months as the companies were severely impacted by the COVID-19 crisis thus displaying high levels of volatility.
- The restrictions due to COVID-19 are not aligned in all countries and airports may be affected differently considering their level of cash, debt, size, number of passengers.
- Industry analyses indicate that worldwide maritime ports were differently affected by the COVID-19 pandemic, depending on the specificity of their activities. There is no information related to how this is reflected in the level for multiples of each comparable companies in the peer group.
- Despite the worldwide impact of COVID-19 on marine industry, the Fund's holding in the Romanian maritime ports (i.e. Constanta Ports) displayed a stable evolution during the first half of 2020, as the company's operations mainly relate to maritime traffic of goods and not passengers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

The valuation reports were prepared as at 31 October 2020 (for 31 December 2019: as at 30 September 2019), based on financial information available for the companies under valuation at the respective dates.

Given the current context of the COVID-19 pandemic, the valuations are based on prevailing market, economic and other conditions at the valuation date and correspond with a period of significant volatility in global financial markets and widespread macro-economic uncertainty. To the extent possible, these conditions were reflected in the valuation. However, the factors driving these conditions can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and on the Fund's portfolio holdings specifically, could impact the estimated fair values in the future, either positively or negatively. In light of the spread of the coronavirus and the emergence to find some solutions, the existing uncertainty regarding the impact for businesses could persist for sometime. As a result, the current valuation may not have identified, or reliably quantified the impact of all such uncertainties and implications.

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

Based on the analysis of market multiples evolution between 31 October 2020 and 31 December 2020, generally, it resulted that all multiples followed an increasing trend, the main drivers including: the decrease in yields, the descending trend in market risk premiums and additional factors related to market excitement due to improved perspectives regarding COVID-19. In addition, for the power generation sector, the increase in the price of CO₂ certificates was noted as a potential factor for the market multiples increase.

The Fund's Sole Director believes that the fair values of the equity investments presented in these financial statements represent the best estimates under the current conditions and based on available information.

Considering the economic uncertainties, the increased economic risk and the strong volatility existing in the capital markets due to the negative impact of the COVID-19 pandemic, the Fund's Sole Director closely monitors the evolution of the economic environment and the effects of the economic measures on the Fund's portfolio companies. The Fund's Sole Director will perform a periodic analysis of multiples values of publicly traded peers companies and will adjust the value of unlisted holdings accordingly, if the case.

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

The economic uncertainties are expected to continue in the foreseeable future and consequently, there is a possibility that the assets of the Fund are not recovered at their carrying amounts in the ordinary course of business. A corresponding impact on the Fund's profitability cannot be estimated reliably as of the date of these 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.

For the financial investments classified as Level 1, the Fund had adequate information available with respect to active markets, with sufficient trading volume, for obtaining accurate prices.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

| Financial assets | Fair value as at 31 December 2020 | Valuation technique | Unobservable inputs range (weighted average) | Relationship of unobservable inputs to fair value |
|--|-----------------------------------|--|--|--|
| Total | 7,642,697,782 | | | |
| Unlisted equity instruments | 6,466,280,349 | Market approach - comparable companies (based on EBITDA multiple) | EBITDA multiple ranging from 4.45 - 9.83 (9.00) Discount for lack of marketability: 14.7% or 20% (14.72%) | The higher the EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. |
| Unlisted equity instruments and Listed illiquid equity instruments | 1,105,747,229 | Income approach - discounted cash flow method | Weighted average cost of capital ranging from 10.40% - 14.50% (11.24%) Discount for lack of marketability ranging from 9.6% - 16.3% (14.67%) Discount for lack of control: 0% or 17% or 18.8% or 19.1% or 26.7% (17.91%) Long-term revenue growth rate: 2% or 2.5% (2%) | The lower the weighted average cost of capital, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. The lower the discount for the lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value. |
| Unlisted equity instruments | 10,700,000 | Market approach - comparable companies (based on Price /Earnings multiple) | Price/Earnings value: 8.09 (8.09) Discount for lack of marketability: 24.0% (24.0%) | The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. |
| Unlisted equity instruments | 0 | Market approach - comparable companies (based on Revenue multiple) | Revenue multiple: 0.35 (0.35) | Irrespective of the evolution of the unobservable inputs, the value of this investment is zero due to the negative equity value of this company generated by a high level of net debts. |
| Listed illiquid equity instruments | 57,570,204 | Bucharest Stock Exchange reference price | These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the Financial Supervisory Authority. | |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

| Financial assets | Fair value as at 31 December 2019 | Valuation technique | Unobservable inputs range (weighted average) | Relationship of unobservable inputs to fair value |
|------------------------------------|-----------------------------------|---|--|--|
| Total | 8,407,640,418 | | | |
| Unlisted equity instruments | 8,042,522,140 | Market approach - comparable companies (based on EBITDA multiple) | EBITDA multiple ranging from 4.84 - 10.64 (9.29) Discount for lack of marketability: 14.7% or 20% (14.71%) | The higher the EBITDA multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. |
| Unlisted equity instruments | 308,780,200 | Income approach - discounted cash flow method | Weighted average cost of capital: 12.09% or 12.90% or 13.40% (12.95%) Discount for lack of marketability: 12% or 14.6% or 16.2% (14.75%) Discount for lack of control: 0% or 19.1% or 24.9% (17.17%) Long-term revenue growth rate: 2% (2%) | The lower the weighted average cost of capital, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. The lower the discount for the lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value. |
| Unlisted equity instruments | 11,500,000 | Market approach - comparable companies (based on Price /Earnings multiple) | Price/Earnings value: 8.79 (8.79) Discount for lack of marketability: 24.2% (24.2%) | The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. |
| Unlisted equity instruments | 1,393,800 | Market approach - comparable companies (based on Price/Book value multiple) | Price/Book value: 0.29 (0.29) Discount for lack of marketability: 14.7% (14.7%) | The higher Price/ Book value multiple, the higher the fair value. The lower discount for lack of marketability, the higher the fair value. |
| Unlisted equity instruments | 0 | Market approach - comparable companies (based on Revenue multiple) | Revenue multiple: 0.49 (0.49) | Irrespective of the evolution of the unobservable inputs, the value of this investment is zero due to the negative equity value of this company generated by a high level of net debts. |
| Listed illiquid equity instruments | 43,444,278 | Bucharest Stock Exchange reference price | These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the FSA. | |

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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14. Equity investments (continued)

Significant unobservable inputs are the following:

Revenue multiple: is a tool used to appraise businesses based on market comparison to similar public companies. Revenue based business value estimation may be preferred to earnings multiple valuation whenever there is uncertainty regarding some of a company's expenses. The most common tendency is to value a firm based on its sales whenever this number is the most direct indication of a company's earning capacity.

EBITDA multiple: represents the most relevant multiple used when pricing investments and it is calculated using information from comparable public companies (similar geographic location, industry size, target markets and other factors that valuers consider to be reasonable). The traded multiples for comparable companies are determined by dividing the enterprise value of a company by its EBITDA and further discounted for considerations such as the lack of marketability and other differences between the comparable peer group and specific company.

Discount for lack of marketability: represents the discount applied to the comparable market multiples to reflect the liquidity differences between a portfolio company relative to its comparable peer group. Valuers estimate the discount for lack of marketability based on their professional judgement after considering market liquidity conditions and company-specific factors.

Discount for lack of control: represents the discount applied to reflect the absence of the power of control considered under the discounted cash flow method, in order to derive the value of a minority shareholding in the equity of subject companies.

Weighted average cost of capital: represents the calculation of a company's cost of capital in nominal terms (including inflation), based on the Capital Asset Pricing Model. All capital sources (shares, bonds and any other long-term debts) are included in a weighted average cost of capital calculation.

Price/Earnings multiple ("P/E"): Price/Earnings ratio is a market prospect ratio that calculates the market value of an investment relative to its earnings by comparing the market price per share by the earnings per share. It shows what the market is willing to pay for an investment based on its current earnings. Investors often use this ratio to evaluate what an investment's fair market value should be by predicting future earnings per share.

Price/Book value multiple: often expressed simply as price-to-book, this multiple measures a company's market price in relation to its book value (net assets). It reflects how many times the book value per share investors are ready to pay for a share. The Price/Book value multiple varies dramatically between industries. A company that requires more assets (e.g. a manufacturing company with factory space and machinery) will generally post a significantly lower price to book than a company whose earnings come from the provision of a service (e.g. a consulting firm).

15. Liabilities**(a) Payable to shareholders**

| | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| Net dividends payable to shareholders | 34,228,491 | 26,264,210 |
| Returns of capital due to shareholders | 151,946 | 5,724,737 |
| Payable to shareholders | 34,380,437 | 31,988,947 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

15. Liabilities (continued)**(a) Payable to shareholders (continued)**

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

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|--|--|
| Opening balance | 31,988,947 | 19,657,190 |
| Gross distributions approved during the period | 417,965,383 | 642,318,809 |
| Dividend withholding tax due to State Budget for the distributions approved during the period | (14,702,177) | (25,615,106) |
| Payments of net distributions performed from the dedicated bank accounts | (398,016,717) | (602,909,327) |
| Distributions for which the statute of limitation occurred | (2,854,999) | (1,462,618) |
| Closing balance | 34,380,437 | 31,988,947 |

(b) Other liabilities and provisions

| | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| Administration fees | 16,447,827 | 12,907,820 |
| Provision for litigations | 856,247 | 856,247 |
| Financial Supervisory Authority fees | 778,355 | 840,591 |
| Tax on dividends due to State Budget | 772,075 | 762,056 |
| Intermediaries and other transactions fees related to disposal of portfolio holdings | - | 1,035,658 |
| Other liabilities | 1,849,833 | 1,141,120 |
| | 20,704,337 | 17,543,492 |

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

The movement in the paid share capital is presented below:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---------------------------------|--|--|
| Opening balance | 3,770,082,341 | 4,543,838,477 |
| Cancellation of treasury shares | (209,982,471) | (773,756,136) |
| Closing balance | 3,560,099,870 | 3,770,082,341 |

During the year ended 31 December 2020, the paid in share capital of the Fund decreased by RON 209,982,471 following the cancellation on 30 September 2020 of 403,812,443 treasury shares acquired by the Fund within the tenth buyback programme.

During the year ended 31 December 2019, the paid in share capital of the Fund decreased by RON 773,756,136 following the cancellation on 15 October 2019 of 1,487,992,569 treasury shares acquired by the Fund within the ninth buy-back programme.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

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

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

| | 31 December 2020 | 31 December 2019 |
|-------------------------------|-------------------------|-------------------------|
| Number of shares in issue | 7,210,158,254 | 7,613,970,697 |
| Number of paid shares | 6,846,345,904 | 7,250,158,347 |
| Number of unpaid shares | 363,812,350 | 363,812,350 |
| Nominal value per share (RON) | 0.52 | 0.52 |

The shareholders structure as at 31 December 2020 was as follows:

| Shareholder categories | % of subscribed share capital | % of paid share capital |
|---|--------------------------------------|--------------------------------|
| Romanian institutional investors | 31.41% | 33.08% |
| The Bank of New York Mellon (depository bank for the Fund's GDRs) | 20.68% | 21.78% |
| Romanian private individuals | 17.49% | 18.42% |
| Foreign institutional investors | 11.24% | 11.84% |
| Foreign private individuals | 2.97% | 3.13% |
| Romanian State | 0.09% | 0.10% |
| Treasury shares | 11.07% | 11.65% |
| Unpaid shares (see Note 16(b)) | 5.05% | - |
| Total | 100.00% | 100.00% |

Source: Depozitarul Central SA (Central Depository)

(b) Reserves related to the unpaid share capital

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

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

| | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| Legal reserve | 533,826,946 | 533,826,946 |
| Other reserves | 236,026,121 | 640,744,712 |
| Distributions for which the statute of limitation occurred | 5,573,278 | 2,718,279 |
| Losses from cancellation of treasury shares (negative equity reserves) | (236,026,121) | (640,744,712) |
| | 539,400,224 | 536,545,225 |

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 the Fund incurred an accounting loss for the year ended 31 December 2020, there was no amount transferred to the legal reserve in 2020. As at 31 December 2019, an amount of RON 156,493,546, representing 5% of the 2019 profit was transferred to the legal reserve (profit before income tax of RON 3,129,870,912).

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

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

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

Losses from cancellation of treasury shares comprise the negative reserves related to the losses on the cancellation of treasury shares acquired at an acquisition value higher than the nominal value. This amount may be covered from retained earnings and other equity elements, in accordance with the resolution of the General Shareholders Meeting.

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

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 2020:

| | |
|---|--------------------|
| 1 January 2020 | 640,744,712 |
| Coverage of the negative balance existing as at 31 December 2019 from other reserves, according to Resolution no.2 of 28 April 2020 Ordinary General Shareholders' Meeting | (640,744,712) |
| Negative equity reserve arising on the cancellation of shares acquired during the 10 th buy-back programme (recorded on 30 September 2020) according to share capital decrease Resolution no. 2 of 28 April 2020 Extraordinary General Shareholders' Meeting | 236,026,121 |
| 31 December 2020 | 236,026,121 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

16. 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 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 |

(d) Treasury shares

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

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

The eleventh buy-back programme refers to the acquisition by the Fund of a maximum number of 800,000,000 shares and/or equivalent global depository receipts corresponding to the Fund's shares.

The movement in the number of treasury shares (including the equivalent shares of GDRs bought-back) during the year ended 31 December 2020 and the year ended 31 December 2019 is presented in the tables below:

| | Opening balance 1 January 2020 | Acquisitions during the period | Cancellations during the period | Closing balance 31 December 2020 |
|--------------------------|---|---|--|---|
| Tenth buy-back | 403,812,443 | - | (403,812,443) | - |
| Eleventh buy-back | - | 797,961,287 | - | 797,961,287 |
| | 403,812,443 | 797,961,287 | (403,812,443) | 797,961,287 |

| | 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 |

The movement of treasury shares carrying amounts during the year ended 31 December 2020 and the year ended 31 December 2019 is presented in the tables below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

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

| | Opening balance 1 January 2020 | Cost of treasury shares acquired | Cancellation of treasury shares | Closing balance 31 December 2020 |
|--------------------------|-----------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| Tenth buy-back | 446,008,591 | - | (446,008,591) | - |
| Eleventh buy-back | - | 1,086,443,209 | - | 1,086,443,209 |
| | 446,008,591 | 1,086,443,209 | (446,008,591) | 1,086,443,209 |

| | 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 |

(e) Dividend distribution approved during 2020

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

The shareholders which appear as registered in the shareholders' registry with the Central Depository at 10 June 2020 have the right to receive a gross dividend of RON 0.0642 per share, proportionally with their participation in the paid in share capital of the Fund. The payment started on 1 July 2020 and by the authorisation date of these annual financial statements, shareholders had collected over 96% of the total distribution.

(f) Accounting loss coverage

As per these annual financial statements, prepared in accordance with the IFRS, the Fund incurred an accounting loss of RON 102,978,968 for the financial year ended 31 December 2020. The main contributor to the accounting loss was the negative change in fair values of the Fund's holdings which includes the negative impact of the COVID-19 pandemic on economic activity and global financial markets. The net loss from equity investments at fair value through profit or loss was partially offset by the gross dividend income from portfolio companies recorded during the year. The accounting loss will be covered from 2016 unallocated profit, subject to shareholders' approval.

(g) Dividend distribution proposal for 2021

Although there is no distributable profit according to the Fund's statutory annual financial statements for the year ended 31 December 2020, the Fund's Sole Director remains committed to ensure an annual cash distribution to the Fund's shareholders. Thus, once the coverage of the accounting loss mentioned above (which legally impedes any distribution) is approved by the Fund's shareholders, the Fund's Sole Director proposal, subject to shareholders' approval, is a cash distribution of RON 0.072 per share from 2016 and 2017 unallocated profits.

17. Contingencies**Litigations**

At 31 December 2020, the Fund was involved in certain litigations, either as defendant or claimant. After analysing the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Fund considers that there are no litigations which may have significant effects on the Fund's financial position or profitability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

17. 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 Ministry of Public Finance appealed it. On 18 September 2020, Bucharest Court of Appeal admitted the appeal of Ministry of Public Finance. The decision of Bucharest Court of Appeal may be challenged with the second appeal by the Fund within 15 days from the day when the decision is communicated to the Fund. The decision of Bucharest Court of Appeal was not received by the Fund until the reporting date of these financial statements.

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

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--|--|
| Total Fund's cost with BON remuneration, <i>out of which</i> : | 1,376,217 | 1,407,175 |
| - Net remuneration paid to BON members | 987,464 | 997,977 |
| - Related taxes and contributions payable to State Budget | 388,753 | 409,198 |

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

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

On 23 September 2020 Mr. Steven van Groningen has resigned from his positions held within the Fund's Board of Nominees and Consultative Committees. The effective date of the resignation was 13 November 2020.

During the 13 November 2020 GSM, two new members of the Board of Nominees were appointed for a mandate of 3 years: Mrs. Ilinca von Derenthall (mandate started on 26 November 2020) and Mr. Ciprian Ladunca (mandate started on 16 November 2020).

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

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

| Transactions | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---------------------|--|--|
| Administration fees | 65,906,915 | 54,699,656 |

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

| Transactions | Year ended 31 December 2020 | Year ended 31 December 2019 |
|------------------------------------|--|--|
| Rent expense charged to the Fund | 7,463 | - |
| Operating cost charged to the Fund | 2,083 | - |
| | 9,546 | - |

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

| Transactions | Year ended 31 December 2020 | Year ended 31 December 2019 |
|------------------------------------|--|--|
| Rent expense charged to the Fund | 70,922 | 75,906 |
| Operating cost charged to the Fund | 24,498 | 27,568 |
| | 95,421 | 103,474 |

During the year ended 31 December 2020, the Fund also recorded RON 443,812 representing expenses incurred by FTIML on its behalf (year ended 31 December 2019: RON 988,236). 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

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

The outstanding liabilities owed by the Fund were as follows:

| Amounts due to: | 31 December 2020 | 31 December 2019 |
|------------------------|-------------------------|-------------------------|
| FTIS Luxembourg | 16,447,827 | 12,907,820 |
| FTIS Bucharest Branch | 9,546 | - |
| FTIML Bucharest Branch | - | 144,334 |
| | 16,457,372 | 13,052,155 |

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

(b) Subsidiaries

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

| | 31 December 2020 | 31 December 2019 |
|---------------------------|-------------------------|-------------------------|
| Ownership interest | | |
| Zirom SA | 100% | 100% |
| Alcom SA | 72% | 72% |
| Comsig SA | 70% | 70% |

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

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

During 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 150,000 new shares, at the nominal value of RON 10 per share (in total of RON 1,500,000).

As at 31 December 2020 and 31 December 2019, Comsig SA was in administrative liquidation process.

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

| | 31 December 2020 | 31 December 2019 |
|-----------|-------------------------|-------------------------|
| Zirom SA | 24,884,700 | 31,705,400 |
| Alcom SA | 8,863,429 | 11,493,897 |
| Comsig SA | - | - |
| | 33,748,129 | 43,199,297 |

As at 31 December 2020 and 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(all amounts are in RON unless otherwise stated)

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

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

| | 31 December 2020 | 31 December 2019 |
|---------------------------------|-------------------------|-------------------------|
| 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 2020 | Year ended 31 December 2019 |
|---------------------------------|--|--|
| Gross dividend income | | |
| Societatea Nationala a Sarii SA | 19,803,298 | 37,428,152 |
| Plafar SA | 100,097 | 89,964 |

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---------------------------------|--|--|
| Dividends received | | |
| Societatea Nationala a Sarii SA | 19,803,298 | 37,428,152 |
| Plafar SA | 100,097 | 89,964 |

As at 31 December 2020, the balance due by Societatea Nationala a Sarii SA to the Fund amounted RON 7,178 (31 December 2019: RON 6,804) and comprised the outstanding dividend receivable of RON 6,378 (31 December 2019: RON 6,378) and the penalties for delay payment of dividends of RON 800 (31 December 2019: RON 426). The outstanding balance due by Societatea Nationala a Sarii SA to the Fund is fully impaired.

19. Subsequent events**a) Resolutions adopted by shareholders during the 14 January 2021 General Shareholders' Meeting**

On 14 January 2021 the shareholders approved several changes of the Constitutive Act that will enter into force after FSA approval and registration with the Trade Registry.

b) Changes in Romanian Water Law (Law no. 107/1996)

During 2020, the Parliament approved several changes to the Water Law which entered into force on 13 July 2020 while the Romanian Government changed the Water Law starting with 31 December 2020. According to these changes, all owners of water installations that collect underground or surface waters are required to install water metering devices within 6 months calculated from 13 July 2020. This law has a direct impact on the activity of Hidroelectrica SA, the biggest Fund's portfolio holding. For the purpose of calculating the water volume used by its hydropower plants to produce electricity, Hidroelectrica SA has been using an indirect calculation method based on the electricity volume produced by each hydro-unit. Hidroelectrica's management considers that it is technically unfeasible to install standard water meters as required by the law, given the size and the variety of technical specifications of its power plants.

Following the latest changes approved in December 2020, further amendments to Romanian Water Law are currently debated in Parliament. On 8 February 2021, the Senate as first chamber discussing the amendments, approved a change that would allow Hidroelectrica SA to continue to use indirect methods for determining the water volumes as before July 2020 (i.e. cancelling the effects of the changes in legislation adopted after July 2020). The next legislative step is to have the amendments discussed and approved by the Chamber of Deputies as decisional chamber, promulgated by the Romanian President, and published in the Official Gazette of Romania.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020(all amounts are in RON unless otherwise stated)

19. Subsequent events (continued)

The entire legislative process involves several mandatory steps and the final wording of the law cannot be predicted. The Fund is monitoring the legislation process in Parliament and the ongoing discussions of Hidroelectrica's management with National Authority of Romanian Waters in order to be able to assess any potential impact on this portfolio company. The changes in legislation are estimated to be effective after the date of publication of these annual financial statements.

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 31 December 2020, prepared in accordance with CNVM Regulation 4/2010 (Annex no. 4)

| Item | 31 December 2019 | | | | 31 December 2020 | | | | Differences RON |
|--|-----------------------|-------------------------|------------|--------------------------|-----------------------|-------------------------|---------------|--------------------------|---------------------------|
| | % of the net asset | % of the total asset | Currency | RON | % of the net asset | % of the total asset | Currency | RON | |
| I. Total assets | 100.4202% | 100.0000% | | 11,921,320,295.07 | 100.5399% | 100.0000% | | 10,322,346,256.28 | (1,598,974,038.79) |
| 1 Securities and money market instruments, out of which: * | 26.8392% | 26.7270% | | 3,186,190,739.37 | 19.9739% | 19.8669% | | 2,050,713,400.44 | (1,135,477,338.93) |
| 1.1 securities and money market instruments admitted or traded on a regulated market from Romania, out of which: | 26.8392% | 26.7270% | - | 3,186,190,739.37 | 19.9739% | 19.8669% | - | 2,050,713,400.44 | (1,135,477,338.93) |
| 1.1.1 listed shares traded in the last 30 trading days | 25.5857% | 25.4788% | - | 3,037,393,345.00 | 16.1838% | 16.0970% | - | 1,661,581,690.23 | (1,375,811,654.77) |
| 1.1.2 listed shares not traded in the last 30 trading days | 0.0968% | 0.0964% | - | 11,493,896.77 | 0.0863% | 0.0859% | - | 8,863,425.29 | (2,630,471.48) |
| 1.1.3 Government bonds | 1.1567% | 1.1518% | - | 137,303,497.60 | 3.7038% | 3.6840% | - | 380,268,284.92 | 242,964,787.32 |
| 1.1.4 allotment rights not admitted at trading on a regulated market | - | - | - | - | - | - | - | - | - |
| 1.2 securities and money market instruments admitted or traded on a regulated market from a member state, out of which: | - | - | - | - | - | - | - | - | - |
| 1.2.1 listed shares traded in the last 30 trading days | - | - | - | - | - | - | - | - | - |
| 1.2.2 listed shares not traded in the last 30 trading days | - | - | - | - | - | - | - | - | - |
| 1.3 securities and money market instruments admitted on a stock exchange from a state not a member or negotiates on another regulated market from a state not a member, that operates on a regular basis and is recognized and opened to the public, approved by the Financial Supervisory Authority ("FSA") | - | - | - | - | - | - | - | - | - |
| 2 New issued securities | - | - | - | - | - | - | - | - | - |
| 3 Other securities and money market instruments mentioned at art. 187 letter a) of the Regulation no.15/2004, out of which: | 70.4565% | 70.1617% | - | 8,364,189,591.93 | 73.7930% | 73.3967% | - | 7,576,256,630.47 | (787,932,961.46) |
| - shares not admitted at trading on a regulated market | 70.4565% | 70.1617% | - | 8,364,189,591.93 | 73.7930% | 73.3967% | - | 7,576,256,630.47 | (787,932,961.46) |
| 4 Bank deposits, out of which: | 2.8502% | 2.8383% | | 338,381,995.05 | 6.4282% | 6.3937% | | 659,982,573.15 | 321,600,578.10 |
| 4.1 bank deposits made with credit institutions from Romania | 2.8502% | 2.8383% | - | 338,381,995.05 | 6.4282% | 6.3937% | - | 659,982,573.15 | 321,600,578.10 |
| - in RON | 2.8502% | 2.8383% | - | 338,381,995.05 | 6.4282% | 6.3937% | - | 659,982,573.15 | 321,600,578.10 |
| - in euro | - | - | - | - | - | - | - | - | - |
| 4.2 bank deposits made with credit institutions from an EU state | - | - | - | - | - | - | - | - | - |
| 4.3 bank deposits made with credit institutions from an non-EU state | - | - | - | - | - | - | - | - | - |
| 5 Derivatives financial instruments traded on a regulated market | - | - | - | - | - | - | - | - | - |
| 6 Current accounts and petty cash out of which: | 0.2686% | 0.2674% | | 31,883,167.06 | 0.3354% | 0.3336% | | 34,430,629.84 | 2,547,462.78 |
| - in RON | 0.2686% | 0.2674% | - | 31,872,899.07 | 0.3343% | 0.3325% | - | 34,325,895.24 | 2,452,996.17 |
| - in euro | 0.0000% | 0.0000% | EUR 817.05 | 3,904.93 | 0.0000% | 0.0000% | EUR 610.18 | 2,971.21 | (933.72) |
| - in USD | 0.0000% | 0.0000% | USD 658.17 | 2,804.33 | 0.0010% | 0.0010% | USD 25,026.03 | 99,253.23 | 96,448.90 |
| - in GBP | 0.0000% | 0.0000% | GBP 634.49 | 3,558.73 | 0.0000% | 0.0000% | GBP 463.12 | 2,510.16 | (1,048.57) |
| 7 Money market instruments, others than those traded on a regulated market, according to art. 101 par. (1) letter g) of Law no. 297/2004 regarding the capital market, with subsequent additions and amendments, out of which: | - | - | - | - | - | - | - | - | - |
| - Treasury bills with original maturities of less than 1 year | - | - | - | - | - | - | - | - | - |
| 8 Participation titles of OCIOU and/or of UCITS (A.O.P.C./O.P.C.V.M.) | - | - | - | - | - | - | - | - | - |
| 9 Other assets out of which: | 0.0057% | 0.0056% | | 674,801.66 | 0.0095% | 0.0091% | | 963,022.38 | 288,220.72 |
| - net dividend receivable from Romanian companies | 0.0000% | 0.0000% | - | - | - | - | - | - | - |
| - receivables related to the cash contributions to the share capital increases performed by portfolio companies | 0.0003% | 0.0003% | - | 30,030.00 | 0.0043% | 0.0042% | - | 445,140.00 | 415,110.00 |
| - tax on dividends to be recovered from the State Budget | 0.0029% | 0.0029% | - | 348,524.00 | 0.0034% | 0.0033% | - | 348,524.00 | - |
| - intangible assets | 0.0014% | 0.0014% | - | 161,372.47 | 0.0000% | 0.0000% | - | - | (161,372.47) |
| - advance payments for intangible assets | 0.0000% | 0.0000% | - | - | 0.0003% | 0.0002% | - | 28,384.79 | 28,384.79 |
| - other receivables out of which: | 0.0003% | 0.0002% | | 45,163.46 | 0.0002% | 0.0001% | | 5,180.00 | (39,983.46) |
| - in RON | 0.0003% | 0.0002% | - | 45,163.46 | 0.0001% | 0.0001% | - | 5,180.00 | (39,983.46) |
| - prepaid expenses | 0.0008% | 0.0008% | - | 89,711.73 | 0.0013% | 0.0013% | - | 135,793.59 | 46,081.86 |
| II. Total liabilities | 0.4202% | 0.4184% | | 49,874,855.48 | 0.5399% | 0.5370% | | 55,434,352.18 | 5,559,496.70 |
| 1 Liabilities in relation with the payments of fees due to the investment management company (S.A.I.) | 0.1087% | 0.1083% | - | 12,907,820.28 | 0.1602% | 0.1593% | - | 16,447,826.86 | 3,540,006.58 |
| 2 Liabilities related to the fees payable to the depositary bank | 0.0005% | 0.0005% | - | 60,266.97 | 0.0004% | 0.0004% | - | 42,297.22 | (17,969.75) |
| 3 Liabilities related to the fees payable to intermediaries | 0.0087% | 0.0087% | - | 1,035,658.41 | 0.0046% | 0.0046% | - | 475,920.00 | (559,738.41) |
| 4 Liabilities related to commissions and other bank services | - | - | - | - | - | - | - | - | - |
| 5 Interest payable | - | - | - | - | - | - | - | - | - |
| 6 Liabilities related to issuance costs | - | - | - | - | - | - | - | - | - |

Fondul Proprietatea SA

| Item | 31 December 2019 | | | | 31 December 2020 | | | | Differences RON |
|---|-----------------------|-------------------------|----------|--------------------------|-----------------------|-------------------------|----------|--------------------------|---------------------------|
| | % of the net asset | % of the total asset | Currency | RON | % of the net asset | % of the total asset | Currency | RON | |
| 7 Liabilities in relation with the fees/commissions to FSA | 0.0071% | 0.0071% | - | 840,591.36 | 0.0076% | 0.0075% | - | 778,355.05 | (62,236.31) |
| 8 Liabilities related to audit fees | 0.0000% | 0.0000% | - | 767.12 | 0.0018% | 0.0018% | - | 189,408.19 | 188,641.07 |
| 9 Other Liabilities, out of which: | 0.2952% | 0.2938% | - | 35,029,751.34 | 0.3653% | 0.3634% | - | 37,500,544.86 | 2,470,793.52 |
| - liabilities to the Fund's shareholders related to the dividend distribution | 0.2212% | 0.2203% | - | 26,264,210.09 | 0.3334% | 0.3316% | - | 34,228,490.76 | 7,964,280.67 |
| - liabilities related to the return of capital | 0.0482% | 0.0480% | - | 5,724,736.70 | 0.0015% | 0.0015% | - | 151,945.60 | (5,572,791.10) |
| - liabilities related to Government securities under settlement | - | - | - | - | 0.0000% | 0.0000% | - | - | - |
| - provisions | 0.0072% | 0.0072% | - | 856,247.22 | 0.0083% | 0.0083% | - | 856,247.22 | - |
| - liabilities related to buybacks under settlement | 0.0000% | 0.0000% | - | - | - | - | - | - | - |
| - remunerations and related contributions | 0.0003% | 0.0003% | - | 34,857.00 | 0.0003% | 0.0003% | - | 34,857.00 | - |
| - VAT payable to State Budget | 0.0005% | 0.0005% | - | 60,896.06 | 0.0000% | 0.0000% | - | 904.81 | (59,991.25) |
| - tax on dividends payable to State Budget | 0.0094% | 0.0093% | - | 1,110,580.00 | 0.0110% | 0.0110% | - | 1,120,599.00 | 10,019.00 |
| - other liabilities out of which: | 0.0084% | 0.0082% | - | 978,224.27 | 0.0108% | 0.0107% | - | 1,107,500.47 | 129,276.20 |
| - in RON | 0.0084% | 0.0082% | - | 978,224.27 | 0.0108% | 0.0107% | - | 1,107,500.47 | 129,276.20 |
| - in EUR | - | - | - | - | - | - | - | - | - |
| III. Net Asset Value (I - II) | 100.0000% | 99.5816% | | 11,871,445,439.59 | 100.0000% | 99.4630% | | 10,266,911,904.10 | (1,604,533,535.49) |

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

Unitary Net Asset Value

| Item | 31 December 2020 | 31 December 2019 | Differences |
|------------------------------|--------------------------|--------------------------|---------------------------|
| Net Asset Value | 10,266,911,904.10 | 11,871,445,439.59 | (1,604,533,535.49) |
| Number of outstanding shares | 6,048,384,617 | 6,846,345,904 | (797,961,287) |
| Unitary net asset value | 1.6974 | 1.7339 | (0.0365) |

DETAILED STATEMENT OF INVESTMENTS AS AT 31 December 2020
Securities admitted or traded on a regulated market in Romania, out of which:
1.1 listed shares traded in the last 30 trading days

| Issuer | Symbol | Date of the last trading session | No. of shares held | Nominal value | Share value | Total value | Stake in the issuer's capital | Stake in Fondul Proprietatea total asset | Stake in Fondul Proprietatea net asset | Evaluation method |
|-----------------|--------|----------------------------------|--------------------|---------------|-------------|-------------------------|-------------------------------|--|--|---------------------------------|
| Alro Slatina SA | ALR | 30/Dec/2020 | 72,884,714 | 0.5 | 2.2400 | 163,261,759.36 | 10.21% | 1.5816% | 1.5902% | Closing price |
| IOR SA | IORB | 29/Dec/2020 | 2,622,273 | 0.1 | 0.1880 | 492,987.32 | 0.86% | 0.0048% | 0.0048% | Reference price - Average price |
| Mecon SA | MECP | 16/Dec/2020 | 60,054 | 11.6 | 15.6000 | 936,842.40 | 12.51% | 0.0091% | 0.0091% | Reference price - Average price |
| OMV Petrom SA | SNP | 30/Dec/2020 | 3,963,548,078 | 0.1 | 0.3635 | 1,440,749,726.35 | 6.99% | 13.9576% | 14.0329% | Closing price |
| Romaero SA | RORX | 30/Dec/2020 | 1,311,691 | 2.5 | 42.8000 | 56,140,374.80 | 18.87% | 0.5439% | 0.5468% | Reference price - Average price |
| Total | | | | | | 1,661,581,690.23 | | 16.0970% | 16.1838% | |

1.2 listed shares but not traded in the last 30 trading days

| Issuer | Symbol | Date of the last trading session | No. of shares held | Nominal value | Share value | Total value | Stake in the issuer's capital | Stake in Fondul Proprietatea total asset | Stake in Fondul Proprietatea net asset | Evaluation method |
|--------------|--------|----------------------------------|--------------------|---------------|-------------|---------------------|-------------------------------|--|--|--|
| Alcom SA | ALCQ | 10/Feb/2017 | 89,249 | 2.5 | 99.3112 | 8,863,425.29 | 71.89% | 0.0859% | 0.0863% | Fair value / share (Value based on valuation report as at 31 October 2020) |
| Total | | | | | | 8,863,425.29 | | 0.0859% | 0.0863% | |

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

| Issuer | No. of shares held | Date of acquisition * | Acquisition price (total price of acquisition of shares)** | Share value | Total value | Stake in the issuer's capital | Stake in Fondul Proprietatea total asset | Stake in Fondul Proprietatea net asset | Company status | Evaluation method |
|---|--------------------|-----------------------|--|-------------|-------------------------|-------------------------------|--|--|---------------------------------|---|
| Aeroportul International Mihail Kogalniceanu - Constanta SA | 23,159 | 19/Jul/2005 | 1,490,898 | 111.0410 | 2,571,598.52 | 20.00% | 0.0249% | 0.0250% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| Aeroportul International Timisoara - Traian Vuia SA | 32,016 | 19/Jul/2005 | 2,652,588 | 199.9000 | 6,399,998.40 | 20.00% | 0.0620% | 0.0623% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| CN Administratia Canalelor Navigabile SA | 203,160 | 19/Jul/2005 | 15,194,209 | 87.3781 | 17,751,734.80 | 20.00% | 0.1720% | 0.1729% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| CN Administratia Porturilor Dunarii Fluviale SA | 27,554 | 19/Jul/2005 | 675,810 | 84.7332 | 2,334,738.59 | 20.00% | 0.0226% | 0.0227% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| CN Administratia Porturilor Dunarii Maritime SA | 21,237 | 19/Jul/2005 | 1,351,671 | 244.5669 | 5,193,867.26 | 20.00% | 0.0503% | 0.0506% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| CN Administratia Porturilor Maritime SA | 2,658,128 | 19/Jul/2005 | 52,691,564 | 88.7090 | 235,799,876.75 | 19.99% | 2.2844% | 2.2967% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| CN Aeroporturi Bucuresti SA *** | 2,875,443 | 5/Feb/2010 | 131,168,263 | 217.0448 | 624,099,950.85 | 20.00% | 6.0461% | 6.0788% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| Complexul Energetic Oltenia SA**** | 27,387,940 | 31/May/2012 | 670,353,852 | 0.0000 | 0.00 | 21.55% | 0.0000% | 0.0000% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| Comsig SA | 75,655 | 19/Jul/2005 | 132.633 | 0.0000 | 0.00 | 69.94% | 0.0000% | 0.0000% | Administrative liquidation | Priced at zero |
| E-Distributie Banat SA | 9,220,644 | 19/Jul/2005 | 141,578,929 | 29.5749 | 272,699,624.24 | 24.12% | 2.6418% | 2.6561% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| E-Distributie Dobrogea SA | 6,753,127 | 19/Jul/2005 | 114,760,053 | 26.2396 | 177,199,351.23 | 24.09% | 1.7167% | 1.7259% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| E-Distributie Muntenia SA | 3,256,396 | 19/Jul/2005 | 107,277,263 | 69.9546 | 227,799,879.62 | 12.00% | 2.2069% | 2.2188% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| Enel Energie Muntenia SA | 444,054 | 19/Jul/2005 | 2,833,769 | 97.0602 | 43,099,970.05 | 12.00% | 0.4175% | 0.4198% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| Enel Energie SA | 1,680,000 | 19/Jul/2005 | 26,124,808 | 31.2500 | 52,500,000.00 | 12.00% | 0.5086% | 0.5114% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| Engie Romania SA | 2,390,698 | 19/Jul/2005 | 62,610,812 | 225.3735 | 538,799,975.70 | 11.99% | 5.2197% | 5.2479% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| Gerovital Cosmetics SA | 1,350,988 | 19/Jul/2005 | 340,996 | 0.0000 | 0.00 | 9.76% | 0.0000% | 0.0000% | Bankruptcy | Priced at zero |
| Hidroelectrica SA | 89,396,405 | 19/Jul/2005 | 3,019,591,996 | 57.3725 | 5,128,895,245.86 | 19.94% | 49.6873% | 49.9556% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| Plafar SA | 132,784 | 28/Jun/2007 | 3,160,329 | 14.5160 | 1,927,492.54 | 48.99% | 0.0187% | 0.0188% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| Posta Romana SA | 14,871,947 | 19/Jul/2005 | 84,664,380 | 0.8808 | 13,099,210.92 | 6.48% | 0.1269% | 0.1276% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| Romplumb SA | 1,595,520 | 28/Jun/2007 | 19,249,219 | 0.0000 | 0.00 | 33.26% | 0.0000% | 0.0000% | Bankruptcy | Priced at zero |
| Salubriserv SA | 43,263 | 19/Jul/2005 | 207,601 | 0.0000 | 0.00 | 17.48% | 0.0000% | 0.0000% | Judicial reorganization | Priced at zero |
| Simtex SA | 132,859 | 28/Jun/2007 | 3,059,858 | 0.0000 | 0.00 | 30.00% | 0.0000% | 0.0000% | Judicial reorganization | Priced at zero |
| Societatea Nationala a Sariei SA | 2,005,884 | 28/Jun/2007 | 76,347,715 | 100.3049 | 201,199,994.03 | 48.99% | 1.9492% | 1.9597% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| World Trade Center Bucuresti SA | 198,860 | 19/Jul/2005 | 42,459 | 0.0000 | 0.00 | 19.90% | 0.0000% | 0.0000% | Insolvency | Priced at zero |
| World Trade Hotel SA | 17,912 | 19/Jul/2005 | 17,912 | 0.0000 | 0.00 | 19.90% | 0.0000% | 0.0000% | Unlisted companies, in function | Priced at zero (lack of annual financial statements for the last 7 financial years including the financial statements for the year-ended 31 December 2019; last available financial statements are those for the year-ended 31 December 2012) |
| Zirom SA | 6,542,083 | 28/Jun/2007 | 65,208,072 | 3.8037 | 24,884,121.11 | 100.00% | 0.2411% | 0.2424% | Unlisted companies, in function | Fair value / share (Value based on valuation report as at 31 October 2020) |
| Total | 173,337,716 | | 4,602,787,659 | | 7,576,256,630.47 | | 73.3967% | 73.7930% | | |

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 Banayasa - Aurel Vlaicu" S.A.

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

Fondul Proprietatea SA

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

Government bonds

| Issuer | ISIN code | No. of instruments | Date of acquisition | Coupon date | Due Date | Initial Value | Daily interest | Cumulated interest | Cumulated discount/premium | Market price / Reference composite price | Current value | Stake in FP total assets | Stake in FP net asset | Valuation method |
|---------------------|--------------|--------------------|---------------------|-------------|-------------|---------------|----------------|----------------------|----------------------------|--|-----------------------|--------------------------|-----------------------|---|
| Ministry of Finance | RO1121DBN032 | 1,000 | 29/Sep/2020 | 11/Jun/2021 | 11/Jun/2021 | 10,000,000.00 | 1,630.14 | 332,547.95 | - | 101.5246% | 10,485,007.95 | 0.1016% | 0.1021% | Fair value (reference composite price published by Reuters, including the cumulated interest) |
| Ministry of Finance | RO1121DBN032 | 4,000 | 27/Oct/2020 | 11/Jun/2021 | 11/Jun/2021 | 40,000,000.00 | 6,520.55 | 1,330,191.78 | - | 101.5246% | 41,940,031.78 | 0.4063% | 0.4085% | |
| Ministry of Finance | RO1121DBN032 | 7,500 | 19/Nov/2020 | 11/Jun/2021 | 11/Jun/2021 | 75,000,000.00 | 12,226.03 | 2,494,109.59 | - | 101.5246% | 78,637,559.59 | 0.7618% | 0.7659% | |
| Ministry of Finance | RO1521DBN041 | 10,000 | 29/Sep/2020 | 22/Mar/2021 | 22/Mar/2021 | 50,000,000.00 | 4,452.06 | 1,268,835.62 | - | 100.1852% | 51,361,435.62 | 0.4976% | 0.5003% | |
| Ministry of Finance | RO1521DBN041 | 3,000 | 29/Sep/2020 | 22/Mar/2021 | 22/Mar/2021 | 15,000,000.00 | 1,335.62 | 380,650.68 | - | 100.1852% | 15,408,430.68 | 0.1493% | 0.1501% | |
| Ministry of Finance | RO1521DBN041 | 11,520 | 13/Oct/2020 | 22/Mar/2021 | 22/Mar/2021 | 57,600,000.00 | 5,128.77 | 1,461,698.63 | - | 100.1852% | 59,168,373.83 | 0.5732% | 0.5763% | |
| Ministry of Finance | RO1521DBN041 | 15,000 | 5/Nov/2020 | 22/Mar/2021 | 22/Mar/2021 | 75,000,000.00 | 6,678.08 | 1,903,253.42 | - | 100.1852% | 77,042,153.42 | 0.7464% | 0.7504% | |
| Ministry of Finance | RO1521DBN041 | 9,000 | 17/Nov/2020 | 22/Mar/2021 | 22/Mar/2021 | 45,000,000.00 | 4,006.85 | 1,141,952.05 | - | 100.1852% | 46,225,292.05 | 0.4478% | 0.4502% | |
| Total | | | | | | | | 10,313,239.72 | | | 380,268,284.92 | 3.6840% | 3.7038% | |

Bank deposits

| Name of the bank | Starting date | Maturity date | Initial value | Daily interest | Cumulative interest | Current value | Stake in Fondul Proprietatea total asset | Stake in Fondul Proprietatea net asset | Evaluation method |
|-----------------------------|---------------|---------------|-----------------------|----------------|---------------------|-----------------------|--|--|--|
| CITI Bank | 28/Dec/2020 | 4/Jan/2021 | 101,500,000.00 | 4,088.20 | 16,352.78 | 101,516,352.78 | 0.9835% | 0.9888% | Bank deposit value cumulated with the daily related interest for the period from starting date |
| Unicredit Tiriac Bank | 29/Dec/2020 | 12/Jan/2021 | 135,800,000.00 | 5,167.94 | 15,503.83 | 135,815,503.83 | 1.3157% | 1.3228% | |
| Banca Comerciala Romana | 29/Dec/2020 | 12/Jan/2021 | 135,800,000.00 | 5,846.94 | 17,540.83 | 135,817,540.83 | 1.3158% | 1.3229% | |
| CITI Bank | 29/Dec/2020 | 5/Jan/2021 | 135,800,000.00 | 4,903.89 | 14,711.67 | 135,814,711.67 | 1.3157% | 1.3228% | |
| ING BANK | 31/Dec/2020 | 4/Jan/2021 | 141,000,000.00 | 4,308.33 | 4,308.33 | 141,004,308.33 | 1.3660% | 1.3734% | |
| BRD Groupe Societe Generale | 31/Dec/2020 | 4/Jan/2021 | 10,013,924.83 | 230.88 | 230.88 | 10,014,155.71 | 0.0970% | 0.0975% | |
| Total | | | 659,913,924.83 | | 68,648.32 | 659,982,573.15 | 6.3937% | 6.4282% | |

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

| | 31 December 2018 | 31 December 2019 | 31 December 2020 |
|-----------|-------------------|-------------------|-------------------|
| Net Asset | 10,219,444,079.68 | 11,871,445,439.59 | 10,266,911,904.10 |
| NAV/share | 1.4095 | 1.7339 | 1.6974 |

Franklin Templeton International Services S.à r.l acting in its capacity of Alternative Investment Fund Manager of Fondul Proprietatea SA

Johan Meyer
Permanent representative

BRD Groupe Societe Generale

Victor Strâmbei
Manager Depositary Department

Annex 3

Statement of persons responsible

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

The annual financial statements for the financial year 31 December 2020 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 2020 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 Sole Director’s Report of Franklin Templeton International Services S.à r.l regarding the management and administration of Fondul Proprietatea SA for the year 2020, includes an accurate overview of the developments and performance of Fondul Proprietatea SA, as well as a description of the main risks and uncertainties related to the business.

Johan Meyer

Permanent Representative

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

Catalin Cadaru

Financial Reporting Manager

Franklin Templeton International Services S.à r.l. Bucharest Branch

Annex 4

Constitutive Act of Fondul Proprietatea SA in force as at 31 December 2020

CONSTITUTIVE ACT IN FORCE UPDATED AS AT 25 SEPTEMBER 2020

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 legal provisions in force.

(3) Fondul Proprietatea is set up as an alternative investment fund (A.I.F.), addressed to retail investors, constituted as investment company of the closed-end-type.

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 (4) 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 3,749,282,292.08, divided in 7,210,158,254 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:
 - a) by issuing new shares in exchange for cash contributions;
 - b) by 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 approve significant related parties' transactions, if their value is greater than 5% of the net asset value, at the proposal of the AIFM;
 - m) 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 headquarter 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 held by the shareholders attending or being represented.
- (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. The permanent representative of the Alternative Investment Fund Manager or a person appointed by it 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 fulfilment 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 fulfilment 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 fulfil 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 nomination will be accompanied by the questionnaire regarding the independence of the candidate, completed and signed by the candidate, whose template shall be available in the informative materials, following that, this questionnaire will be brought to the attention of the shareholders. 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 Alternative Investment 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 companies and comparison 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 Nominees 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 according to the 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 AIFM must expressly accept such position, by executing the management agreement and must have in place professional liability insurance.

(5) The Management Agreement can be modified or replaced in accordance with articles 12 and 14, with the approval of the shareholders. Any replacement document or addendum of the 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 AIFM 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;

(xvii) approve any related parties transactions, and, if the related parties transactions' value is greater than 0.25% of the net asset value, to ask for the Board of Nominees' approval, and, if the related parties transactions' value is greater than 5% of the net asset value, to convene the GSM.

(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 Alternative Investment 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 in accordance with the applicable laws and regulations. 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 present periodical 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 internal audit 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 1 January and terminates on 31 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 and to the applicable accounting and financial reporting standards.

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, all registries provided by the law. The shareholders registry is kept by the Central Depository SA.

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. 243/2019 on alternative investment funds and for the amendment and completion of other legislation, as well as any other applicable law or regulation.
- (3) Subject to the terms of this Constitutive Act, of the Management Agreement 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 approved by the shareholders through Investment Policy Statement.

ARTICLE 35

Conditions for the replacement of the depositary

(1) Fondul Proprietatea shall conclude a depositary agreement with a depositary legal entity authorised and supervised by the Financial Supervisory Authority, which performs the depositary operations of securities, as well as any operations in connection with those. The activities to be developed by the depositary and the conditions for its replacement shall be provided in the depositary agreement.

(2) The depositary agreement shall mandatorily include clauses related to the replacement of the depositary 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 the Constitutive Act and the internal regulation which includes terms of reference/ responsibilities for Board and for the sole director. | ✓ | | |
| 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 and independent. Each 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 each member (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. All 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 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. | ✓ | | |

Compliance with the provisions of the FSA Regulation no. 2/2016

Regulation Provisions

| | Complies | Does not comply/partially complies | Reason for non-compliance |
|---|----------|------------------------------------|---------------------------|
| 1. The Fund mentioned in the Constitutive Act the basic responsibilities of the Board of Nominees regarding the implementation and observance of the principles of corporate governance. | ✓ | | |
| 2. The Constitutive Act and the internal regulations define the structures of corporate governance, the functions, competencies and responsibilities of the Board of Nominees and those of the sole administrator. | ✓ | | |
| 3. The Fund's annual financial statements are annexed to the annual report. The annual report of the Nomination and Remuneration Committee is a public document starting with 2021, and the annual report for the period ending on 31 December 2021 will be the subject of the shareholders' vote at the general meeting of shareholders to be held in April 2022. The annual report for 2020 includes explanations regarding the events relevant in relation to the application of the principles of corporate governance, recorded during the financial year. | ✓ | | |
| 4. The Fund has developed and implemented a communication strategy with stakeholders to ensure adequate information. | ✓ | | |
| 5. The management structure involving the Board of Nominees and the sole administrator ensures, as appropriate, a balance between executive and non-executive members, so that no person or small group of people influences the decision-making process. | ✓ | | |
| 6. The Board of Nominees meets at least once every 3 months to monitor the Fund's activities. | ✓ | | |
| 7. The Board of Nominees and the sole director regularly review the policies on financial reporting, internal control and the risk management system adopted by the Fund. | ✓ | | |
| 8. In its activity, the Board of Nominees has the support of a Nomination and Remuneration Committee that issues recommendations. | ✓ | | |
| 9. The Nomination and Remuneration Committee submits annual reports on its activity to the Board of Nominees. | ✓ | | |
| 10. In its activity, the Committee of Representatives has the support of the Audit and Valuation Committee that issues recommendations on various topics that are the subject of the decision-making process. | ✓ | | |
| 11. The advisory committees shall submit to the Board of Nominees the documentation and the reports on the matters entrusted to it. | ✓ | | |
| 12. In the Remuneration and Nomination Policy of the Fund there are provisions regarding the selection of candidacies for the members of the Board of Nominees, for the sole administrator, as well as regarding their mandate. | ✓ | | |
| 13. The fund ensures that the members of the management of the sole director benefit from professional training, so that they can fulfil their duties efficiently. | ✓ | | |
| 14. The key functions are established in such a way as to be appropriate to the organizational structure of the Fund and in accordance with the regulations applicable to it. | ✓ | | |

| Regulation Provisions | Complies | Does not comply/partially complies | Reason for non-compliance |
|--|---|------------------------------------|---------------------------|
| 15. The Board of Nominees shall periodically review the effectiveness of the Fund's internal control system and how it is updated to ensure rigorous risk management to which the Fund is exposed. | ✓ | | |
| 16. The Audit and Valuation Committee makes recommendations to the Board of Nominees regarding the selection, appointment, and replacement of the financial auditor, as well as the terms and conditions of his remuneration. | ✓ | | |
| 17. The Board of Nominees reviews at least once a year and ensures that remuneration policies are consistent and have effective risk management. | ✓ | | |
| 18. The Fund's Remuneration and Nomination Policy is a regulation that aims to implement and comply with the principles of corporate governance. | ✓ | | |
| 19. The Board of Nominees adopted the Code of Ethics in order to identify and adequately resolve situations of conflict of interest. | ✓ | | |
| 20. The sole director shall inform the Board of Nominees of potential or consumed conflicts of interest in which he / she may be / is involved in the conditions of their occurrence and shall not participate in the decision-making process related to the conflict status if these structures or persons are involved in the conflict status. | ✓ | | |
| 21. The Board of Nominees reviews at least once a year the efficiency of the Fund's risk management system. | ✓ | | |
| 22. The Fund has developed procedures for identifying, assessing, and managing significant risks to which it is or may be exposed. | ✓ | | |
| 23. The sole director has clear action plans to ensure business continuity and emergencies. | ✓ | | |
| 24. The subsidiary board applies principles and policies of internal governance similar to those of the parent company, unless there are other legal requirements that lead to the establishment of its own policies. | It does not apply because the Fund has no subsidiaries. | | |



FRANKLIN
TEMPLETON

FONDUL
PROPRIETATEA

Fondul Proprietatea SA
Premium Point (7th Floor)
78-80 Buzesti Street, 1st District
Bucharest 011017
Romania