

Fondul Proprietatea SA

Annual Sole Director's Report

For the Financial Year Ended 31 December 2021

(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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List of Abbreviations

ACDP	Annual Cash Distribution Policy
AIF	Alternative Investment Fund
AIF Law	Romanian Law no. 243/2019 on the regulation of alternative investment funds and amending and supplementing certain normative acts
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
BVB	Bucharest Stock Exchange
CAEN	Classification of Economic Activities in Romania
CCC	Credit Counterparty Committee
CIIF	Certificate for financial instrument registration
CNVM	National Securities Commission (currently FSA)
Companies' Law	Law 31/1990 regarding companies, with subsequent amendments
DCM	Discount Control Mechanism
Depozitarul Central SA	Romanian Central Depository
Depository Bank/ Depository	BRD – Groupe Societe Generale SA
EGM	Extraordinary General Shareholders Meeting
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 Depository 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
GRI	Global Reporting Initiative Standards
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
PRIIPs	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
TCFD	Task Force on Climate-related Financial Disclosures
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 2021 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. We are happy to see continuing strong performance registered by the Fund's share price and GDR which, for the first time since the listing on the Bucharest and London Stock Exchanges, traded at a premium versus the NAV.

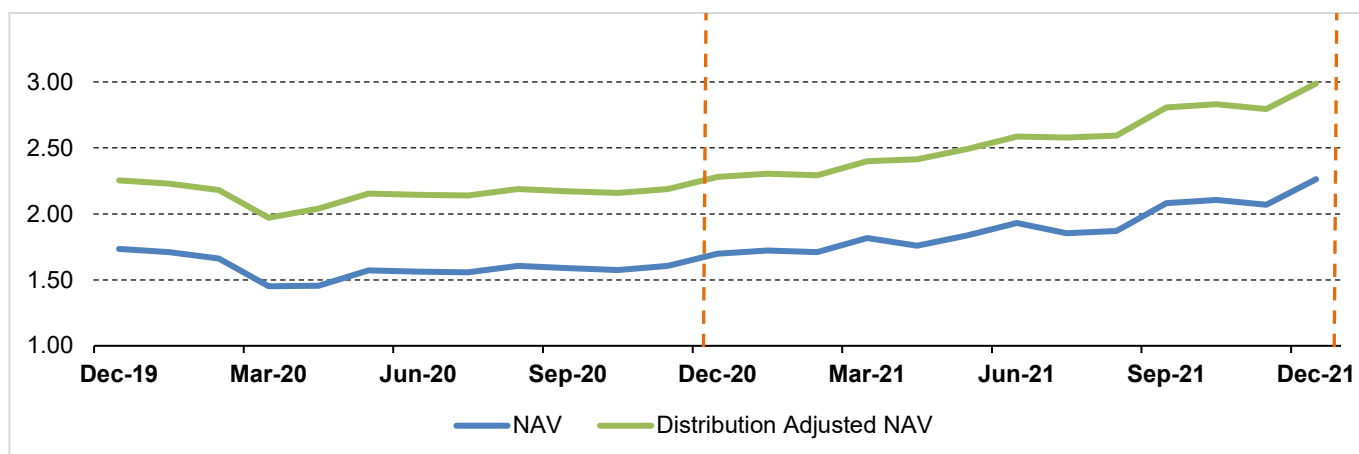
The NAV total return in 2021 was 47.8%, the total return for the local shares was 48.5%, while the total return for the GDRs was 42.0%. Since the start of the calculation of the Fund's performance¹, the NAV total return was 257.24%, while the total return for local shares was 569.47%, and 224.77% for the GDRs.

On BVB, the share price traded between a discount to the NAV of 19.76 %² and a premium to the NAV of 5.25 %². As at the end of the year, the share price was trading at a discount of 3.83%².

On LSE, the GDR traded between a discount of 19.31 %² and a premium of 4.46 %², ending the year at a 4.22%² discount.

The average annual discount for ordinary shares was 5.69%², while for GDRs was 7.63%².

We are pleased that we have been able to continue to generate positive NAV and share price returns for the Fund's shareholders, and 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 2021, BVB was the third in terms of capital market index appreciation, in both local and EUR terms compared to the largest markets in Central Europe, as shown in the table below:

% change in 2021	in local currency	in EUR
PX (Czech Republic)	38.84%	46.51%
ATX (Austria)	38.87%	38.87%
BET-XT (Romania)	31.08%	28.93%
BUX (Hungary)	14.62%	19.43%
WIG20 (Poland)	14.26%	13.94%

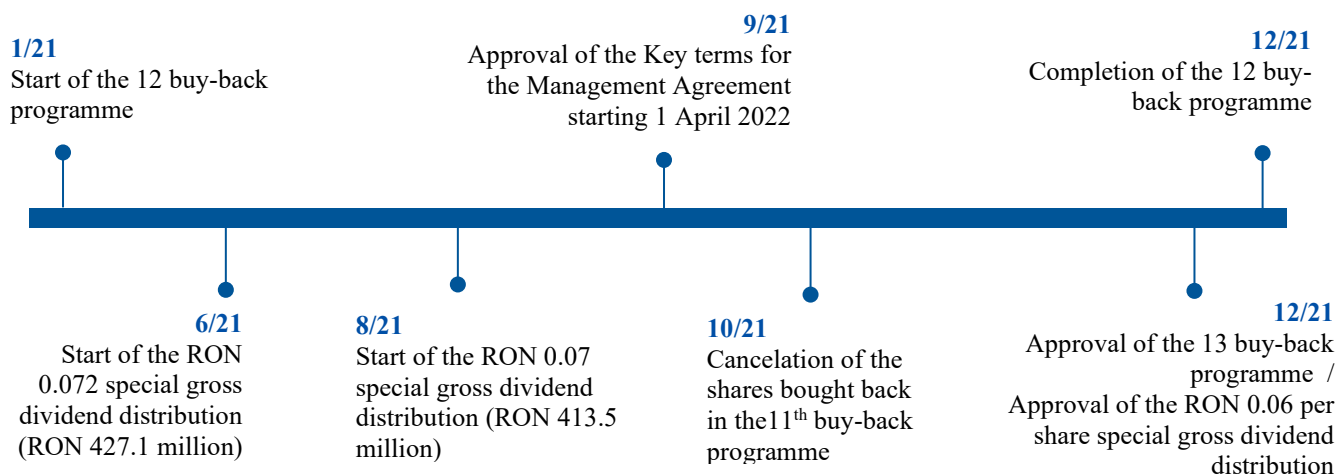
Source: Bloomberg

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 The start of the calculation for the Fund's performance is 31 December 2010 for the NAV, 25 January 2011 for the Share Price, and 29 April 2015 for the GDRs

² Calculated as the discount/premium 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 2021



Some of the key highlights for 2021 were:

- Completion of the twelve buy-back programme for 194.37 million shares. The total value of the programme excluding transaction costs was RON 328.05 million, and the average share price was RON 1.6878 per share;
- First special gross dividend distribution of RON 427.1 million to shareholders;
- Second special gross dividend distribution of RON 413.5 million to shareholders;
- 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 2021:
 - The approval of several changes to the Constitutive Act;
 - The appointment of two new Board of Nominees members;
 - The cancellation of shares bought-back by the Fund during 2020;
 - The distribution of a gross special dividend of RON 0.072 payable starting 22 June 2021, as proposed by the Sole Director;
 - The distribution of a gross special dividend of RON 0.07 payable starting 27 August 2021, as proposed by the Sole Director;
 - The approval of the renewal of the mandate for a duration of two years starting with 1 April 2022;
 - The approval of the Investment Policy Statement, in force starting 1 April 2022;
 - The approval of a RON 0.06 per share special gross distribution payable starting 18 February 2022;
 - The approval of the thirteenth buy-back programme to repurchase a maximum number of 800 million shares, between January 2022 - 31 December 2022.

Profit Appropriation Proposal

As per these annual financial statements, prepared in accordance with the IFRS, the Fund recorded a net profit for the financial year ended 31 December 2021 of RON 5,012,644,707. The Fund's Sole Director proposal, subject for shareholders' approval in accordance with the legislation in force, for the appropriation of the net accounting profit for the 2021 financial year in an amount of RON 5,012,644,707 is as follows:

- RON 133,041,538 to legal reserves;
- RON 777,032,797 to dividends;
- RON 230,576,693 to other reserves;
- RON 3,871,993,679 unallocated profit that remains available to the Fund's shareholders.

Trading on the Bucharest Stock Exchange

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

- 527.47 million shares were traded on BVB last year, equivalent to 8.72% of the Fund's paid shares as at 31 December 2021;
- The value of trading in Fondul Proprietatea shares was RON 905.79 million (EUR 183.05 million - based on average exchange rate for the year) in 2021. The total trading value since the listing reached RON 28.28 billion / EUR 5.71 billion;
- The average daily trading volume in 2021 was 2.09 million shares.

Trading on the London Stock Exchange

- In 2021, 12.21 million GDRs were traded on LSE, for a total value of USD 250.05 million/ RON 1.09 billion.
- Since the listing on the LSE on 29 April 2015, the total trading volume was 140.37 million GDRs, reaching USD 1.82 billion / RON 7.95 billion.
- The average daily trading volume in 2021 was 48,286 GDRs.

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 – Second reporting period

The Adjusted NAV per share as at 31 December 2021 was 45.5% higher than the 31 December 2020 NAV per share of RON 1.6974.

NAV Objective	Amount RON	Details
Total NAV as 31 December 2021	13,244,639,868	
Special dividend gross distributions	1,191,868,702	First special dividend distribution of RON 0.072 per share, with Ex-date 27 May 2021, Registration date 28 May 2021 and Payment date 22 June 2021, Second special dividend distribution of RON 0.07 per share with Ex-date 5 August 2021, Registration date 6 August 2021 and Payment date 27 August 2021 and Third special dividend distribution of RON 0.06 per share with Ex-date 27 January 2022, Registration date 28 January 2022 and Payment date 18 February 2021 (see Note below)
Distribution fees for special dividends approved after 31 December 2020	11,914,206	Distribution fee for the 2021 special dividend distributions
Distribution fees for buy-backs performed after 31 December 2020	3,266,509	Distribution fees for buy-backs, after 31 December 2020
Costs related to buy-backs after 31 December 2020	768,403	Fees related to twelfth buy-back programme after 31 December 2020, excluding the distribution fees for buy-backs, plus fees related to the eleventh buy-back programme which were paid after 31 December 2020

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.

NAV Objective	Amount RON	Details
Costs related to the returns of capital and dividends after 31 December 2020	54,378	Fees charged by the Central Depositary and Paying Agent for the payments performed for returns of capital and dividends
Total Adjusted NAV as at 31 December 2021	14,452,512,066	
Number of Fund's paid shares, less treasury shares and GDRs held as at 31 December 2021	5,854,012,863	
Adjusted NAV per share as at 31 December 2021	2.4689	
NAV per share as at 31 December 2020	1.6974	
Difference	0.7715	
%	45.5%	

Source: Fondul Proprietatea

Note: the third special dividend distribution amount, include above, was estimated based on the number of shares entitled to receive dividends as at 31 December 2021. The final figure will be determined based on the shareholders structure at the registration date (28 January 2022)

The total NAV as at 31 December 2021 was 29.0% higher compared to the end of 2020, while the NAV per share increased by 33.3% over the same period. OMV Petrom SA, the largest listed holding in the portfolio, recorded a share price increase of 37.3%, having a total NAV impact of RON 537.1 million. In addition, dividends were recorded for this company in amount of RON 116.7 million. The value of Hidroelectrica SA increased by RON 3,399.1 million following the valuation updates conducted in March, June, September and December 2021 reporting and, in addition, dividends were recorded for this company in amount of RON 456.0 million.

The Sole Director is committed to its continued efforts to protect shareholders' value and to implement the necessary measures in accordance with the IPS. In 2021, the Sole Director proposed, and shareholders approved, the following cash distributions:

- during the 28 April 2021 shareholders' meeting a gross cash special dividend distribution of RON 0.072 per share with payment date starting on 22 June 2021;
- during the 16 July 2021 shareholders' meeting a gross cash special dividend tariff of RON 0.07 per share with payment date starting on 27 August 2021;
- during the 15 December 2021 shareholders' meeting a gross cash special dividend distribution of RON 0.06 per share with payment date starting on 18 February 2022.

Discount Objective – Second reporting period

In the period between 1 January 2021 and 31 December 2021, the share price discount to NAV varied between lower than 15% and between 15% - 20% for both shares and GDRs in all trading days. Also, the Fund's shares traded on BVB at a premium in 40 trading days. In 2021, the discount objective was achieved as the Fund traded at a discount level of less than 15% during at least 2/3 of the trading days in the reporting period.

Discount/Premium (%) Evolution¹

	(Discount)/ Premium at the Start of the Reporting Period – 4 January 2021	(Discount)/ Premium at the End of the Reporting Period – 31 December 2021	Average (Discount)/ Premium for the Reporting Period 4 January – 31 December 2021	(Discount)/ Premium Range for the Reporting Period 4 January – 31 December 2021
Share price	(10.02)%	(3.83)%	(5.69)%	(19.76)% – 5.25%
GDR	(10.92)%	(4.22)%	(7.63)%	(19.31)% – 4.46%

Source: Fondul Proprietatea

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

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

Investor Relations Update

We continued our efforts to increase the visibility and the profile of the Fund, and to keep investors and shareholders up to date with the effects of the pandemic and of the entire economic environment on the Fund and its portfolio companies. Considering the travel restrictions imposed by the pandemic, most of the investor meetings and conferences continued to be held in the online environment. During the year, we participated in 10 investors conferences organised by international brokers, where we discussed with representatives of 108 international asset managers. Furthermore, we had 81 additional conference calls with analysts, brokers, current and prospective investors interested in the latest developments regarding the Fund's corporate actions and its portfolio companies. During the easing of the travel restrictions, in fall, we also organized 2 road-shows in London, U.K. and one in the United States, in Washington, Boston, and New York. During these road-shows, we met with investment professionals from 24 asset managers and brokers.

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 2020 annual results, 2021 first quarter, 2021 first half, and 2021 third quarter results conference calls, with 27 analysts and investors participating on average to the calls. Also, on 21 September we organized a conference call for investors and analysts to present them more details on the Baneasa airport valuation, and 36 participants joined the call.

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 shareholders and investors that the Fund is 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, i.e. 42,747,979 GDRs as at 31 December 2021, each GDR representing 50 Shares. As at 31 December 2021, 1,066,138,400 of the Fund's issued shares were held by The Bank of New York Mellon, the GDR depositary bank, representing 21,322,768 GDRs, i.e. 49.88 % of the GDR Facility.

Credit Facility Agreement

The Fund has in place a credit facility from BRD Groupe Societe Generale SA expiring on 29 June 2022, for a 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 2021, and the outstanding balance is nil.

Changes in Board of Nominees Composition

During the **24 March 2021 OGM** of the Fund, the shareholders approved the appointment of Mr. Nicholas Paris for replacing Mr. Julian Healy, and the appointment of Mr. Ömer Tetik for replacing Mr. Piotr Rymaszewski. Both newly appointed members of the Board of Nominees started their three (3) years mandates on 6 April 2021.

Starting with **12 April 2021**, the Board of Nominees decided that the new Chairperson of the Board of Nominees is Mrs. Ilinca von Derenthall, and the new Chairperson of the Nomination and Remuneration Committee is Mr. Nicholas Paris.

Starting with **18 December 2021**, Mr. Mark Gitenstein has resigned from his positions held within the Fund's Board of Nominees and all consultative committees of the Fund. The Board of Nominees is working on the ongoing succession planning, and the appointment of a new member of the Board will be on the agenda of the next general meeting of shareholders.

Buy-back Programmes

During 2021 the Fund completed the cancellation process of the shares acquired within the eleventh buy-back programme (carried on during 2020) and acquired shares within the twelfth buy-back programme, which will be proposed for cancellation to shareholders in 2022. As at 31 December 2021 the Fund held 194,371,754 own shares, corresponding to the twelfth buy-back programme which was finalised on 31 December 2021 (last trade date).

The thirteenth buy-back programme to be implemented during 2022 was approved by shareholders during the 15 December 2021 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 2.5 per share.

Share Capital Decrease Process in 2021

On 25 October 2021, the Fund finalised the registration of the decrease of the subscribed share capital from RON 3,749,282,292.08 to RON 3,334,342,422.84 pursuant to the cancellation of 797,961,287 own shares acquired by Fondul Proprietatea during 2020, which was endorsed by FSA through Endorsement no. 344/11 October 2021.

2021 Distributions

2021 First Special Dividend Distribution

On **28 April 2021**, the shareholders approved the distribution of a gross special dividend of RON 0.072 per share, with Ex-date on 27 May 2021 and Registration date on 28 May 2021. The Fund started the payment of dividends on 22 June 2021. The payment 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 payment only within a three-year term starting with the Payment Date, namely by 22 June 2024.

2021 Second Special Dividend Distribution

On **16 July 2021**, the shareholders approved the distribution of a gross special dividend of RON 0.07 per share, with Ex-date on 5 August 2021 and Registration date on 6 August 2021. The Fund started the payment of dividends on 27 August 2021. The payment 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 payment only within a three-year term starting with the Payment Date, namely by 27 August 2024.

2021 Third Special Dividend Distribution

On **15 December 2021**, the shareholders approved the distribution of a gross special dividend of RON 0.06 per share, with Ex-date on 27 January 2022 and Registration date on 28 January 2022. The Fund will start the payment of dividends on 18 February 2022. The payment 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 payment only within a three-year term starting with the Payment Date, namely by 18 February 2025.

Key portfolio updates

Significant Developments

Hidroelectrica, the largest electricity producer in Romania, reported record results during 2021 as a result of the increase in the average selling price of electricity and of a higher amount of electricity sold. The valuation of the company as reflected in the financial statements increased by 76,3% (RON 3,912.0 million) during 2021.

The table below show a summary of Hidroelectrica SA valuation:

	31 December 2020	31 December 2021	Change %
Reported NAV	5,128.9	8,528.0	66.3%
IFRS Financial Statements	5,128.9	9,040.9	76.3%

Process for share capital increase of CN Aeroporturi Bucuresti

The Fund Manager started court cases for the annulment of the shareholders' resolution, and for the suspension of the entire process until the claim for annulment is irrevocably closed. In addition, Fund Manager filed a challenge against the registration of the shareholders' resolution with the trade register.

Following the hearing that took place on 13 January 2022, the Bucharest Court of Appeal admitted the request for suspension filed by the Fund and ordered the suspension of the effects of the share capital increase until the claim for the annulment of the CNAB EGSM is irrevocably settled.

Considering the above, the dilution risk was assessed as not significant as at 31 December 2021, and no additional adjustments were applied to the valuation of the company. Additional disclosures on this topic are included in the following sections, including in the financial statements.

The Fund Manager is committed to protect the interest of the Fund and its shareholders and will continue to update shareholders regarding the subsequent events regarding the share capital increase process.

Please see *Subsequent events* section for additional information.

Dividends and Special Dividends Received from Portfolio Companies

During 2021, 13 companies in the Fund's portfolio declared dividends, most of them corresponding to the 2020 financial year.

The total amount of gross dividend income recorded by the Fund in 2021 is RON 655.1 million, and the most significant amounts relate to Hidroelectrica SA, E-Distributie companies, and OMV Petrom SA.

Out of the companies that declared dividends, 4 portfolio companies also approved the distribution of special dividends (as defined in Fondul's ACDP). The following gross amounts were approved as special dividends for the Fund in accordance with its shareholding in each company:

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

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 2022

Overview

On 11 March 2020, the World Health Organisation declared the epidemic of COVID-19 a pandemic.

Starting with 15 May 2020 there is a state of alert that was periodically extended and the next Government Decision in this regard is expected to be announced in March 2022. The authorities might impose additional local restrictions depending on the evolution of the pandemic context.

During 2021, the Government implemented various measures to help the economy to help absorb the impact of the COVID-19 pandemic, ensure social protection for vulnerable categories, and prepare the health system. Specific measures included: extended guarantees for companies taking loans for investments and working capital, covering the costs with technical unemployment for companies that suspend their operations due to the pandemic, procurement of medical equipment and medical protection equipment, additional bonuses to healthcare sector employees, acquisition of hygiene goods, and the possibility to suspend mortgage and consumer loan payments for a limited period of time, amongst others. Some of these measures are no longer applicable, with the Romanian Government expressing the hope to eliminate all restrictions in April 2022.

Economic impact

For the second year in a row, 2021 has seen global economic activity being significantly influenced by the conditions created by the COVID-19 pandemic. Recovery accelerated into the second half of the year reflecting additional fiscal support provided in a number of large economies, coupled with greater freedom of movement enabled by increasing vaccination levels. Global growth is expected to moderate from 5.9% in 2021 to 4.4% in 2022 and in 2023 is expected to reach 3.8%¹.

During 2022, the monetary policy in many countries will be used as a primary tool to curb inflationary pressures.

In Romania, during 2021, the state of alert was maintained at national level, with quarantine intervals. Due to these conditions, economic activity in some areas was conducted subject to limits as a result of measures taken to stop the spread of the virus. According with the press report from 15 February 2022 issued by the Romanian National Institute of Statistics the Romania's GDP in 2021 increased compared to the same period of the prior year by 5.6%².

The inflation during 2021 was driven by the rising prices for some raw materials, electricity and natural gas. The acceleration of the annual inflation rate in the period after the summer forecast led to an upward adjustment until 8.19%³ for the year ended. The evolution was influenced by the entry into force of Law no. 259/2021 regarding the establishment of a compensation schemes for electricity and natural gas consumption for the season cold 2021 - 2022, as well as of Law no. 226/2021 regarding the vulnerable consumer. Inflationary pressure is expected to continue into 2022, determined by the changing of electricity tariffs for consumers and renegotiation of most of the contracts for those in the competitive system.

¹ [World Economic Outlook update January 2022](#)

² https://insse.ro/cms/sites/default/files/com_presa/com_pdf/pib_tr4r2021.pdf

³ <https://www.bnr.ro/Raport-asupra-inflatiei-februarie-2022-23892.aspx>

Based on the last report published by the National Commission for Strategy and Prognosis¹ (Winter prognosis) inflation of 9.6% is estimated for 2022, without taking into consideration any supporting measures.

Regarding the **Romanian capital market** performance during 2021, last year was the best year in history and set a series of new records at the level of several development indicators.

During the 12 months period of 2021, the **Romanian capital market**² registered significant increases for the investors trading on the BVB. Greater investment activity on BVB allowed the Romanian capital market to reach new highs in terms of the level registered by the BET-TR index, which also includes the dividends, closing the year 2021 at 23,113 points, a 40% increase in one year. The BET index also had a record ending the year 2021 at a level of 13,061 points, up 33.2% compared to 2020.

Portfolio impact

Given the current economic context and due to COVID-19 pandemic, which caused significant economic disruptions around the world, the Fund has performed an assessment of the related impact on the valuation of unlisted holdings in the portfolio. Valuation updates in accordance with the International Valuation Standards were prepared for 19 unlisted holdings with the assistance of KPMG Advisory and Darian DRS. The valuation date was 31 October 2021, and the reports also considered the related subsequent events until 31 December 2021, such as dividends declared and, changes in legislation. The total impact following the valuation update process was an increase of RON 1,340.7 million of the 31 December 2021 NAV compared to the 30 September 2021 NAV, mainly related to an increased valuation for Hidroelectrica 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 will assess if an updated valuation is required.

Impact on operations and business continuity

The Sole Director has taken several precautionary measures to limit the impact of COVID-19 on the Fund's activity. The business continuity plan continues to be implemented in order to protect and minimise risks to employees, while also ensuring no disruption to business operations and management of Fondul Proprietatea. The Sole Director has a robust and regularly tested work-from-home capability, and 90% of Bucharest employees have worked remotely since 16 March 2020. The Fund's business operations continue to be fully functional. At its headquarters, additional hygiene and disinfection measures have been implemented.

The communication with the Fund's shareholders takes place smoothly: 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.

Political environment updates

On 5 October 2021, the coalition Government failed a no-confidence vote in the Parliament and was operating on interim basis, with limited powers. Subsequently, there were two failed attempts to put in place a new fully empowered Government.

On 25 November 2021 a new prime minister was appointed at the head of a newly formed alliance between social-democrats, liberals, and the Hungarian minority party.

Any political instability may have an impact on the regulatory actions and decisions relevant to Fondul (e.g. listings). The political environment and actions have a direct impact on the Fund's companies and their financial situation and may influence the overall performance of the Fund, potentially leading to increased price volatility.

¹ [Prognostic de iarna 2021 - 2025 \(cnp.ro\)](https://cnp.ro/prognostic-de-iarna-2021-2025)

² <https://bvb.ro/AboutUs/MediaCenter/PressItem/New-record-highs-on-Bucharest-Stock-Exchange.-The-total-trades-exceed-RON-20-billion-for-the-first-time.-The-capital-market-goes-up-by-40-percent-to-new-all-time-highs-and-the-companies-listed-on-BVB-post-the-highest-market-cap-ever/5546>

Considering the political environment above, there are also risks with respect to legal and regulatory implications driven by governmental actions to contain the COVID-19 pandemic and/ or limit the economic impact of the energy and gas prices for the wider population.

Maximising shareholder value in 2022

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, collaborate 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 and Societatea Națională a Sării S.A.

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 20 April 2022 at "ATHÉNÉE PALACE HILTON BUCHAREST" Hotel, 1-3 Episcopiei Street, 1st district, Bucharest, 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 the reporting period, the Fund was managed by FTIS as its Sole Director and AIFM under the AIFM Directive and local implementation regulations, based on the Management Agreement in force between 1 April 2020 – 31 March 2022. The portfolio management and the administrative activities are performed by FTIS via its Bucharest Branch.

Since 25 January 2011, the Fund's shares have been listed on BVB. Since 29 April 2015, the Fund's GDRs issued by The Bank of New York Mellon as GDR 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	PJR09FIAIR/400018/28.01.2022
LEI code	549300PVO1VWBFH3DO07
CIIF registration no	AC-4522-8/25.02.2022

Source: Fondul Proprietatea

Shareholder Information

Shareholder structure as at 31 December 2021¹

Shareholder categories	% of subscribed share capital	% of paid-in share capital	% of voting rights ²
Romanian institutional shareholders	37.05%	39.28%	40.58%
Romanian private individuals	19.94%	21.14%	21.84%
The Bank of New York Mellon (GDRs) ³	16.63%	17.63%	18.20%
Foreign institutional shareholders	14.39%	15.25%	15.76%
Foreign private individuals	3.21%	3.40%	3.51%
Romanian State represented by Ministry of Finance	5.78%	0.11%	0.11%
Treasury shares ⁴	3.01%	3.19%	-

Source: Depozitarul Central SA

As at 31 December 2021, the Fund had 11,252 shareholders and the total number of voting rights was 5,854,708,694.

Please see *Subsequent Events section* for updates on the share capital of the Fund.

¹ Information provided based on settlement date of transactions

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

³ Fondul Proprietatea held 11,783 GDRs as at 31 December 2021

⁴ 193,086,773 treasury shares acquired during 2021 buy-back program

Largest Shareholders

Shareholder	Latest ownership disclosure	% of voting rights
Silver Point Capital Funds	9 December 2021	10.85%
NN Group	6 March 2020	10.01%
Allianz-Tiriac private pension funds	1 July 2019	5.05%

Source: ownership disclosures submitted by shareholders

Disclosure of holdings during the year

According to the disclosure received by the Fund during the period:

- AIO V (Ireland) Finance Designated Activity Company and AIO VI (Ireland) Finance Designated Activity Company held together, as of 27 April 2021, a number of 241,913,750 voting rights, representing 4.050% of the total number of voting rights in Fondul Proprietatea;
- Silver Point Luxembourg Platform S.a.r.l., Silver Point Distressed Opportunities Fund, L.P., Silver Point Distressed Opportunities Offshore Master Fund, L.P., Silver Point Distressed Opportunity Institutional Partners, L.P. and Silver Point Distressed Opportunity Institutional Partners (Offshore), L.P. held together, as of 26 April 2021, a number of 302,600,000 voting rights, representing 5.07% of the total number of voting rights in Fondul Proprietatea;
- Silver Point Luxembourg Platform S.a.r.l., Silver Point Distressed Opportunities Fund, L.P., Silver Point Distressed Opportunities Offshore Master Fund, L.P., Silver Point Distressed Opportunity Institutional Partners, L.P. and Silver Point Distressed Opportunity Institutional Partners Master Fund (Offshore), L.P. held together, as of 2 December 2021, a number of 637,714,500 voting rights, representing 10.85% of the total number of voting rights in Fondul Proprietatea.

Share Capital Information

Share capital information	31 December 2021	31 December 2020	31 December 2019
Issued share capital (RON)	3,334,342,422.84	3,749,282,292.08	3,959,264,762.44
Paid in share capital (RON)	3,145,160,000.84	3,560,099,870.08	3,770,082,340.44
Number of shares in issue	6,412,196,967	7,210,158,254	7,613,970,697
Number of paid shares	6,048,384,617	6,846,345,904	7,250,158,347
Nominal value per share (RON)	0.52	0.52	0.52

Source: Fondul Proprietatea

Note: on 25 October 2021, the Trade Registry registered Resolution no. 3 / 28 April 2021 of the Fund's EGSM for approving the decrease of the subscribed registered share capital from RON 3,749,282,292.08 to RON 3,334,342,422.84 pursuant to the cancellation of 797,961,287 own shares acquired by Fondul Proprietatea during 2020, endorsed by FSA through Endorsement no. 344/11 October 2021.

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 2021:

RON million	31 December 2021	31 December 2020
Profit/ (Loss) for the year ended	5,012.6	(103.0)
Shareholders' equity	13,757.5	10,266.9

Source: IFRS financial statements of the Fund

The main contributor to the profit in 2021 was the net unrealised gain from equity investments at fair value through profit or loss amounting to RON 4,591.1million, generated by OMV Petrom SA as a result of the positive evolution of this company's share price during 2021 (increase of RON 537.1 million, share price increase of 37.3%) and by the increase in the value of unlisted holdings in the portfolio following the valuation update process (mainly due to Hidroelectrica SA, that registered an increase in valuation of RON 3,912.0 million).

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 2021:

NAV* and share price developments**	Notes	31 December 2021	31 December 2020	31 December 2019
Total shareholders' equity at the end of the period (RON million)		13,757.5	10,266.9	11,871.5
Total shareholders' equity change in period (%)		+34.0%	-13.5%	+20.8%
Total NAV at the end of the period (RON million)	a, k	13,244.6	10,266.9	11,871.5
Total NAV change in period (%)		+29.0%	-13.5%	+16.2%
NAV per share at the end of the period (RON)	a	2.2624	1.6974	1.7339
NAV per share at the end of the period (USD)	a	0.5176	0.4280	0.4070
NAV per share change in the period (%)		+33.3%	-2.1%	+23.0%
NAV per share total return in the period (%)	g	+47.8%	+2.2%	+31.2%
Share price as at the end of the period (RON)	b	1.9900	1.4500	1.2100
Share price low in the period (RON)	b	1.4400	0.9980	0.8000
Share price high in the period (RON)	b	1.9900	1.4500	1.2100
Share price change in the period (%)		+37.2%	+19.8%	+37.0%
Share price total return in the period (%)	h	+48.5%	+26.4%	+49.1%
Share price premium (discount) to NAV as at the end of the period (%)	d	-12.0%	-14.6%	-30.2%
Average share price discount in the period (%)	d	-5.7%	-21.1%	-29.4%
Average daily share turnover in the period (RON million)	c, j	3.6	7.4	5.6
GDR price as at the end of the period (USD)	e	22.6000	17.1000	13.7000
GDR price low in the period (USD)	e	17.4000	11.2000	9.6500
GDR price high in the period (USD)	e	22.6000	17.3000	13.9000
GDR price change in the period (%)		+32.2%	+24.8%	+30.5%
GDR price total return in the period (%)	i	+42.0%	+31.1%	+41.4%
GDR discount to NAV as at the end of the period (%)	d	-12.7%	-20.1%	-32.7%
Average GDR price discount in the period (%)	d	-7.6%	-21.7%	-30.7%
Average daily GDR turnover in the period (USD million)	f, j	1.0	0.8	0.7

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 2021/ year 2020/ year 2019, respectively

NAV* and share price developments**	Notes	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Total NAV at the end of the period (RON million)	a	10,850.8	11,428.7	12,264.3	13,244.6
Total NAV change in the period (%)		+5.7%	+5.3%	+7.3%	+8.0%
NAV per share at the end of the period (RON)	a	1.8166	1.9309	2.0812	2.2624
NAV per share at the end of the period (USD)	a	0.4329	0.4661	0.4879	0.5176
NAV per share total return in the period (%)	g	+7.0%	+10.7%	+11.9%	+11.6%
Share price as at the end of the period (RON)	b	1.7450	1.8500	1.8100	1.9900
Share price total return in the period (%)	h	+20.3%	+10.4%	+1.7%	+9.9%
Share price discount to NAV as at the end of the period (%)	d	-3.9%	-4.2%	-13.0%	-12.0%
GDR price as at the end of the period (USD)	e	20.4000	22.6000	20.8000	22.6000
GDR price total return in the period (%)	i	+19.3%	+15.0%	-4.7%	+8.7%
GDR price premium / (discount) to NAV as at the end of the period (%)	d	-5.8%	-3.0%	-14.7%	-12.7%

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

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

** Period should be read as Q1 2021/ Q2 2021/ Q3 2021/ Q4 2021, respectively

Notes:

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

- h. The Share Price Total Return is calculated in RON by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- i. The GDR Price Total Return is calculated in USD by geometrically linking daily total returns. Daily total return is calculated as the closing price at the end of the day, plus any cash distributions on that day, dividing the resulting sum by the closing price of the previous day. The resulting single period total returns are geometrically linked to result in the overall total return. The Fund uses this indicator as it is directly related to the performance objectives of the Fund included in the IPS
- j. Including the tender offers carried by the Fund in March 2020/ September 2020/ December 2020
- k. Subsequent to 31 December 2021 NAV publication, the Fund Manager obtained the preliminary results of Hidroelectrica for the full 2021 financial year. The updated valuation report is reflected in the financial statements as of 31 December 2021 and was included in the January 2022 NAV. The valuation date was 31 December 2021 with a new value of RON 9,040.9 million (total impact of the valuation update in the Fund's NAV as at 31 January 2022 resulted in a net increase of RON 512.9 million, an increase in value with 3.87%, compared with 31 December 2021).

Contact Details

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¹On 24 August the Fund received from the FSA an official notice by which they approve the modification of the Fund's registered office address from number 78-80 Buzesti Street, 7th floor, District 1, Bucharest to number 76-80 Buzesti Street, 7th floor, District 1, Bucharest.

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. During 2021, the Fund was 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. On 28 January 2022, FSA approved the authorisation of the Fund as an Alternative Investment Fund closed-end type in line with the law 243/2019 and according with the regulation 7/2020. Please see *Subsequent Events* section for further details.

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 2021, the Fund was managed by FTIS as Sole Director and AIFM under the AIFM Directive and local implementation regulations, based on the Management Agreement in force between 1 April 2020 – 31 March 2022 (according to 28 June 2019 GSM Resolution). The portfolio management and the administrative activities are performed by FTIS via its Bucharest Branch.

Starting with 23 August 2021 and following the correspondence with FSA regarding the provisions of art. 153¹³ of the Companies Law no. 31/1990, the legal representation of the sole director of the Fund will be made by a single permanent representative, Mr. Johan Meyer.

On 15 December 2021, the Fund shareholders approved the terms along with the execution of the Management Agreement between Fondul Proprietatea and Franklin Templeton International Services S.à r.l. for a duration of two (2) years starting with 1 April 2022.

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 2021 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. Please see *Subsequent events* section for additional updates.

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 IPS applicable during 2021 is the one approved by shareholders during the 28 April 2020 EGM and 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 2021 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 2021, 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.

Name	Ownership interest
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 2021, 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 during 2021.

Branches

During 2021 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, as subsequently amended.

Regulatory Updates

AIF Law implementation

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 must 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, 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 with the Authorization no. 25/28.01.2022, FSA approved by the Fund's AGSM Resolution no. 1 of 14 January 2021 and the simplified Prospectus of Fondul Proprietatea. The amendments to the Constitutive Act will be registered with
- Trade Registry for entering into force. Please see *Subsequent Events section* for additional updates;
- 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 approve it according with authorisation 25/28.01.2022. Please see *Subsequent Events section* for additional updates;
- 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. 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. The application includes, among others, the Fund Prospectus, Fund Rules document and PRIIPs document.

During 2021, FSA sent several comments for the documents filed in the Fund's application for registering as an AIF, related to the draft of prospectus and its annexes, the rules of the Fund, and the PRIIPs Key Information Document. The AIFM updated the documentation and sent the new set of documents to FSA gradually, last set of documents being submitted to FSA on 10 December 2021. The revised IPS amended in line with the FSA comments was approved by the shareholders during GSM from 15 December 2021. Please see *Subsequent Events section* for additional updates.

SFDR and Taxonomy Regulation implementation

The European Union has set in motion a legislative programme to make environmental, social and governance concerns a central plank of regulation in the financial services industry. As part of this package, the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector ('SFDR') was published in December 2019 and needed to be implemented until March 2021. The AIFM has implemented a policy for integrating sustainability risks and opportunities into their research, analysis and investment decision-making processes. Sustainability risk means an environmental, social, or governance event or condition, that, if it occurs, could potentially or actually cause a material negative impact on the value of the Fund's investments. Sustainability risks can either represent a risk on their own or have an impact on other risks such as market risks, operational risks, liquidity risks or counterparty risks. Sustainability risks are important elements to consider in order to enhance long-term risk adjusted returns for investors and determine specific Fund's strategy risks and opportunities. Integration of sustainability risk may vary depending on the Fund's strategy, assets and/ or portfolio composition. The AIFM makes use of specific methodologies and databases into which environmental, social, and governance data from external research companies, as well as own research results, are incorporated. Assessment of sustainability risks is complex and may be based on ESG data, which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed. To the extent that a sustainability risk occurs, or occurs in a manner that is not anticipated by the AIFM's models, there may be a sudden, material negative impact on the value of an investment, and hence on the NAV. Such negative impact may have an equivalent negative impact on the market price for shares traded on BVB or on GDRs traded on LSE.

The EU's Regulation on the establishment of a framework to facilitate sustainable investment (the 'Taxonomy Regulation') was published in the Official Journal of the EU on 22 June 2020 and entered into force starting with 1 January 2022 in respect of climate change mitigation and climate change adaptation and with 1 January 2023 for provisions in respect of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

Given the range of interpretations by different Member States as to what counts as a 'sustainable' investment, the European Commission considered that a common taxonomy was needed.

The Taxonomy Regulation establishes a classification system (or taxonomy) which provides businesses with a common language to identify whether a given economic activity should be considered "environmentally sustainable". This, then, allows it to be determined how far an investment is environmentally sustainable, or 'green'.

Standardizing the concept of environmentally sustainable investment across the EU is meant to both:

- facilitate investment in environmentally sustainable economic activities; and
- help economic operators attract investment from abroad more easily.

An economic activity will be considered to be "environmentally sustainable" where it:

- contributes substantially to any of a series of defined environmental objectives;
- doesn't significantly harm any of the environmental objectives;
- complies with a series of minimum social safeguards; and
- complies with specified performance thresholds known as "technical screening criteria".

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

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 have an impact on the Romanian market and further complicates the long-awaited listing of energy producer Hidroelectrica SA, Romania's most valuable state company, and other ongoing sales of companies where the state holds shares. On 5 October 2020, GEO no. 166/2020 entered into force, setting exceptions from Law 173/2020. On 3 February 2021, the Government proposed for Parliament's approval a new draft law that repeals the requirements of Law 173/2020, which was adopted by the Senate on 22 March 2021. The draft law is still in Parliament for other legislative procedure. There is no estimation as to when this law will enter into force and if this will be before 15 August 2022 when Law 173/2020 ends its effects.

Changes in Romanian Water Law

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

For the purpose of calculating the water volume used by its hydropower plants to produce electricity, Hidroelectrica SA has been using an indirect calculation method based on the electricity volume produced by each hydro-unit. Hidroelectrica's management considers 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, with a potential impact on the activity of Hidroelectrica SA. On 8 February 2021, the Senate, as first chamber discussing the amendments, approved a change that would allow Hidroelectrica SA to continue to use indirect methods for determining the water volumes, as before July 2020 (i.e. cancelling the effects of the changes in legislation adopted after July 2020). The law then moved to the Chamber of Deputies which was the decisional body. Here it suffered unexpected changes brought by the Agricultural Commission which included a flat-water contribution for hydropower producer of RON 33/ MWh. This would push Hidroelectrica SA production costs in an average hydrological year to around RON 528 million from around RON 350 million based on the system until 2020, leading to a more than 10% increase in Hidroelectrica's overall average production cost. The law is currently reassessed by the same Agricultural Committee in the Chamber of Deputies.

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

The changes in legislation are estimated to be effective after the date of publication of this report. The Fund is monitoring the legislative process in Parliament, as well as Hidroelectrica's ongoing discussions with ANAR, in order to be able to assess any potential impact on the company. Considering the current legislative status, we don't expect any changes to occur until this report is published.

European Single Electronic Format Reporting

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

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

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

FSA Regulation no. 6/2021

In March 2021, FSA published the Regulation no. 6/2021 amending and supplementing the Regulation no 7/2020 on the authorisation and functioning of alternative investment funds, which modifies the NAV monthly report. The changes would be applicable to the Fund. Please see *Subsequent Events* section for additional updates.

FSA Regulation 14/2021

In October 2021, FSA issued Regulation 14/2021 amending the Regulation 7/2020 (AIF Regulation). The amendments are related to the NAV disclosure rules and implement the current market practice rules.

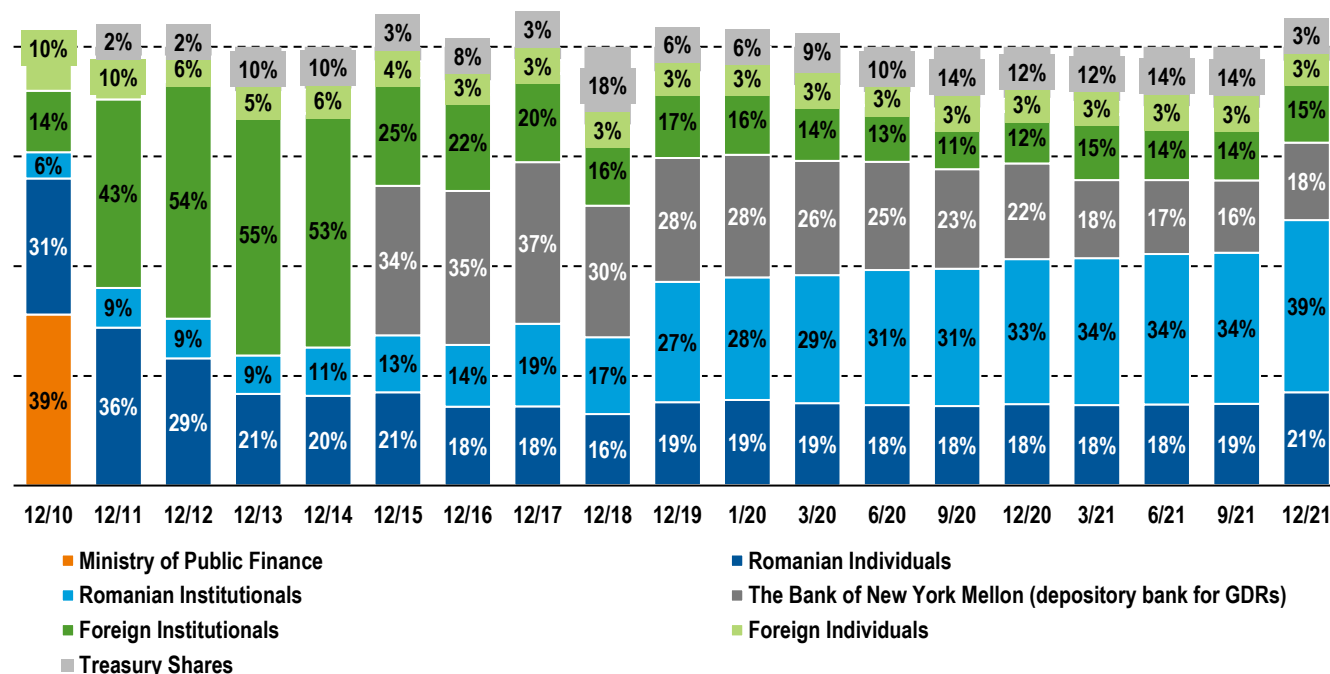
FSA Regulation 13/2021 amending the FSA Regulation 5/2018 (Issuers and Market Operations Regulation)

In September 2021, FSA issued the regulation 13/2021, amending the FSA Regulation 5/2018 which provides revised rules on public tender offers, shareholders identification, shareholders meeting organization. The only material impact for the Fund is that the first report on remuneration will be drafted based on the remuneration policy as approved by shareholders in April 2021 and will be submitted for shareholders' approval for the financial year 2021 together with the 2021 annual report.

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

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 2021, which have changed the amount of the issued share capital of the Fund:

Date	Eventn	Structure of the share capital after event			
		Issued share capital (RON)	Paid share capital (RON)	Issued shares (Shares)	Paid shares (Shares)
1 January 2011	Opening balance	13,778,392,208.00	13,778,392,208.00	13,778,392,208	13,778,392,208
24 February 2014	The cancelation of the shares acquired during the first buy-back programme	13,538,087,407.00	13,172,832,785.00	13,538,087,407	13,172,832,785
25 June 2014	The decrease for annual cash distributions to shareholders	12,861,183,036.65	12,515,396,724.25	13,538,087,407	13,174,101,815
26 September 2014	The cancelation 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 cancelation 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 cancelation 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 cancelation 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 cancelation of the shares acquired during the sixth buy-back programme	9,168,314,116.70	8,859,073,619.20	10,786,251,902	10,422,439,552
18 January 2017	The partial 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
25 October 2021	The cancelation of the shares acquired during the eleventh buy-back programme	3,334,342,422.84	3,145,160,000.84	6,412,196,967	6,048,384,617
31 December 2021	Closing balance	3,334,342,422.84	3,145,160,000.84	6,412,196,967	6,048,384,617

Source: Fondul Proprietatea

Share capital decrease process

On 25 October 2021, the Bucharest Trade Registry registered the Resolution no. 3 / 28 April 2021 of the Fund's EGSM for approving the decrease of the subscribed registered share capital from RON 3,749,282,292.08 to RON 3,334,342,422.84 pursuant to the cancellation of 797,961,287 own shares acquired by Fondul Proprietatea during 2020, endorsed by FSA through Endorsement no. 344/11 October 2021.

Consequently, starting with 25 October, the new value of the Fund's subscribed share capital is RON 3,334,342,422.84 (divided into 6,412,196,967 shares with a nominal value of RON 0.52/share), while the value of the paid-up share capital is RON 3,145,160,000.84 (divided into 6,048,384,617 shares with the same par value as above-mentioned). As a reminder, the difference between the subscribed and paid-up share capital derives from unpaid subscriptions owed by the Romanian State represented by the Ministry of Finance in amount of RON 189,182,422.00 (i.e. 363,812,350 shares with the same par value as above-mentioned).

Changes to the Constitutive Act

On 24 August 2021 the Fund received from FSA an official notice regarding the endorsement of the modification of the Fund's registered office address from number 78-80 Buzesti Street, 7th floor, District 1, Bucharest to number 76-80 Buzesti Street, 7th floor, District 1, Bucharest. The address change was completed on 7 September 2021.

The Fund's Constitutive Act in force is published on the website of the Fund in section [About the Fund – Fund overview – Corporate Governance](#).

Management Agreement in force during 2021

Starting with 1 April 2020, the Fund is managed under the Management Agreement approved during the 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 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

The New FTIS Mandate starting with 1 April 2022

During 2021 the shareholders approved the new two-year mandate for FTIS as AIFM and Sole Director of the Fund starting with 1 April 2022, and all actions are completed for the start of the new mandate.

The renewal process for FTIS' mandate involved two steps, similar to 2017. The key commercial terms were approved as proposed during the shareholders' meeting that took place on 29 September 2021. During the second shareholder meeting from 15 December 2021, the shareholders approved:

- The updated IPS and
- The new AIFM management agreement.

According with the new AIFM Management agreement coming into force starting with 1 April 2022, the key commercial terms approved by shareholders on 29 September 2021 are:

Base Fee per year	<ul style="list-style-type: none"> 0.45%
Consideration for the Base Fee	<ul style="list-style-type: none"> Weighted average market capitalisation of the Fund
Distribution Fee for all distributions	<ul style="list-style-type: none"> 2.50% applied to the value of the distributions during 1 April 2022 – 31 March 2023 and 1.75% applied to the value of the distributions during 1 April 2023 – 31 March 2024
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

The mandate continuation vote will take place in April 2022, and there will not be a mandate continuation vote in April 2023 as there will be a negotiation for a new mandate during the same year.

Important GSM Resolutions during 2021

The main resolutions approved by the Fund's shareholders during the GSMs in 2021 were the following:

- Several changes to Constitutive Act – the updated Constitutive Act is published on the Fund's website;
- The appointment of Mr Nicholas Paris for replacing Mr Julian Healy, and the appointment of Mr Ömer Tetik for replacing Mr Piotr Rymaszewski. Both newly appointed members of the Board of Nominees started their three (3) years mandates on 6 April 2021;

- The decrease of the subscribed share capital of the Fund from RON 3,749,282,292.08 to RON 3,334,342,422.84 following the cancellation of the 797,961,287 shares acquired during 2020 buyback programme;
- The continuation of the AIFM's mandate;
- The Annual Activity Report of the Sole Director for the period ended on 31 December 2020, and the financial statements;
- The coverage of the negative reserves incurred in 2020 from the cancellation of treasury shares;
- The coverage of the accounting loss of RON 102,978,968 incurred in the 2020 financial year;
- The distribution of a gross special dividend of RON 0.072 per share, following the approval of the coverage of the negative reserves, and coverage of the accounting loss mentioned above (payment date 22 June 2021);
- The allocation to other reserves of an amount of RON 671,941,938 to be used for covering the negative reserves estimated to arise from the cancellation of treasury shares acquired during 2020 through the 11th buy-back programme;
- The approval of the Remuneration Policy;
- The appointment of Ernst & Young Assurance Services SRL as financial auditor of the Fund for 2022 – 2024;
- The approval of the distribution of a gross special dividend of RON 0.07 per share (payment date 27 August 2021);
- The approval of the amendment of the authorization to buy back shares of Fondul Proprietatea for the twelve buy-back programme. The proposed amendment implied a change of the maximum buy-back price from RON 2 per share to RON 2.5 per share;
- The approval of the buy-back programme for 2022;
- The approval of the 2022 budget;
- The approval of the distribution of a gross special dividend of RON 0.06 per share (payment date 18 February 2022).

Credit facility agreement and issued debt in 2021

The Fund has in place a credit facility from BRD Groupe Societe Generale SA expiring on 29 June 2022, for a 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.

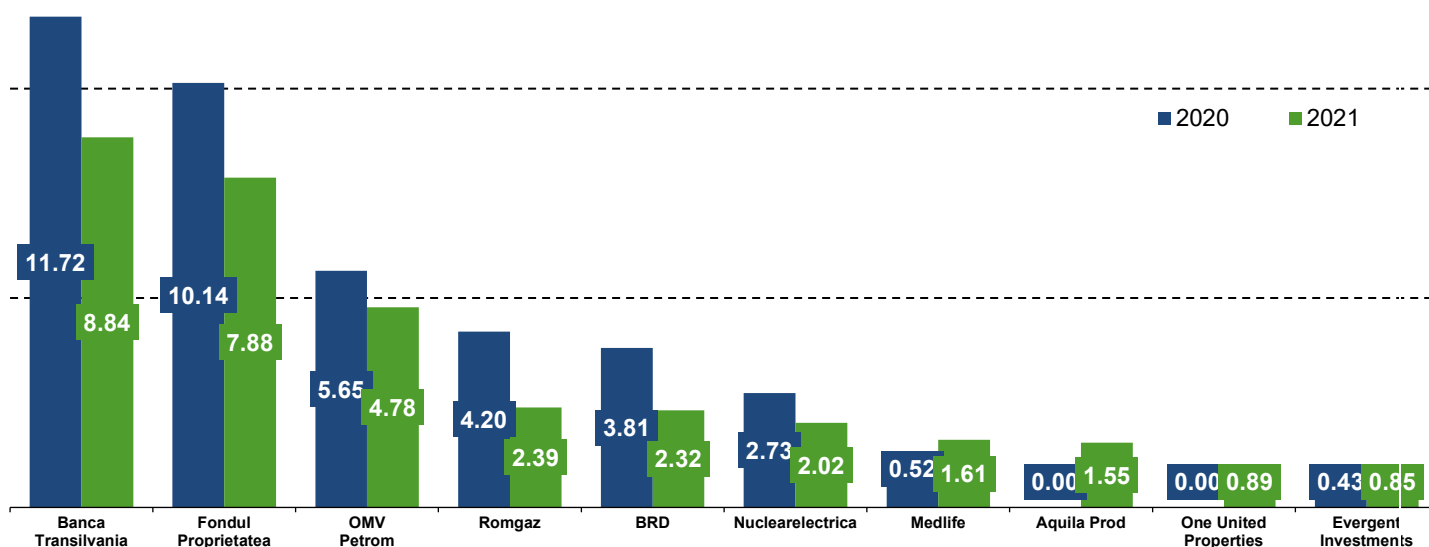
The Fund did not use the credit facility during 2021 and the outstanding balance is nil. The Fund had no bonds or other debt securities in issue during 2021.

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.

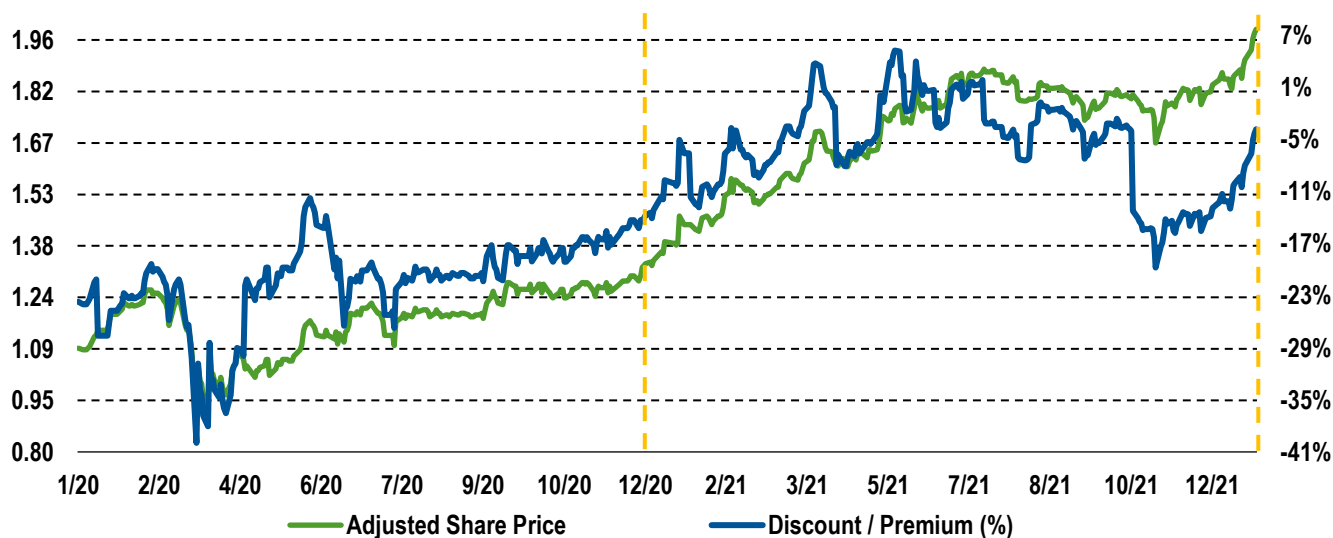
Average Daily Turnover in 2021 (RON million)



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. 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 Adjusted Share Price and Premium / (Discount) History (RON per share)



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

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

Buy-back Programmes

Overview of share buy-back programmes since listing

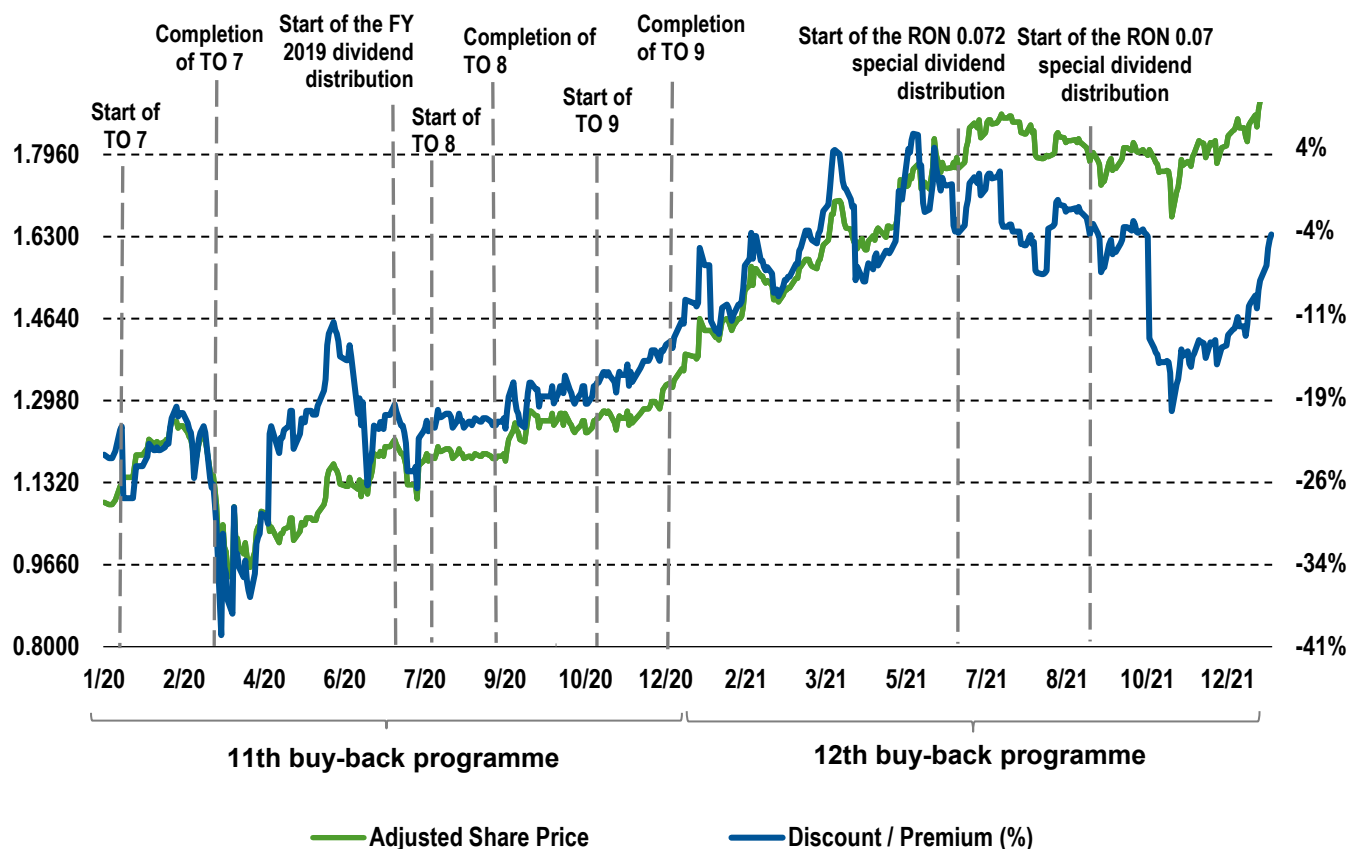
Programme	Period	No. of shares repurchased (million shares)	Tender offer	Cancellation of shares
First	May – Sep 2011	240.3	N/A	Completed
Second	Apr – Dec 2013	1,100.9	Oct – Nov 2013	Completed
Third	Mar – Jul 2014	252.9	N/A	Completed
Fourth	Oct 2014 – Feb 2015	990.8	Nov – Dec 2014	Completed
Fifth	Feb – 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

Eight	May – Nov 2017	141.9	N/A	Completed
Ninth	Nov 2017 – Dec 2018	1,488.0	Jan – Feb 2018	Completed
Tenth	Jan – Dec 2019	403.8	Jul – Aug 2019	Completed
Eleventh	Jan – Dec 2020	798.0	Jan – Mar 2020/ July – Sep 2020/ Oct – Dec 2020	Completed
Twelfth	Jan - Dec 2021	194.4	N/A	Last trade date on 31 December 2021. Cancellation of shares pending approval during April 2022 GSM
Thirteenth	Jan – Dec 2022	-		Approved during 15 December 2021 GSM
TOTAL		7,560.4		

Source: Fondul Proprietatea

Evolution of discount / premium and buy-back programmes

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



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

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

During 2021, the Fund bought back a total number of 194,371,754 own shares within the twelve buy-back programme (out of which 145,184,704 ordinary shares and 49,187,050 ordinary shares corresponding to GDRs), representing 3.03% of the total issued shares as at 31 December 2021, for a total acquisition value of RON 328,053,551.16, excluding transaction costs. The total number of own shares (including shares corresponding to GDRs) held by the Fund as at 31 December 2021 is 194,371,754, having a total nominal value of RON 101,073,312.08 (RON 0.52 per share). During 2021 the Fund converted 971,827 GDRs into 48,591,350 ordinary shares. As at 31 December 2021, the Fund held 11,914 GDRs (based on transaction date).

The table below shows a summary of the buy-back programmes during the year 2021:

Progr.	Description	No of shares*	Equivalent shares of GDRs*	Total no of shares	% of issued share capital***
11 th	Opening balance as at 1 January 2021	797,961,287	-	797,961,287	
	Acquisitions	-	-	-	
	Conversions	-	-	-	
	Cancellations	(797,961,287)	-	(797,961,287)	
	Closing balance as at 31 December 2021	-	-	-	-
	Weighted average price (RON per share; USD per GDR)**	1.3247	16.3185	1.3347	
12 th	Opening balance as at 1 January 2021	-	-	-	
	Acquisitions	145,184,704	49,187,050	194,371,754	
	Conversions	48,591,350	(48,591,350)	-	
	Closing balance as at 31 December 2021	193,776,054	595,700	194,371,754	3.03%
	Weighted average price (RON per share; USD per GDR)**	1.7017	20.1058	1.6878	
All	Total balance of treasury shares as at 31 December 2021	193,776,054	595,700	194,371,754	3.03%

Source: Fondul Proprietatea

* Based on the transaction date

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

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

The eleventh buy-back programme carried out during 2020

The eleventh buy-back programme has been finalized on 31 December 2020. During the 28 April 2021 Annual GSM, the Fund's Sole Director proposed, and the shareholders approved the cancellation of the 797,961,287 treasury shares repurchased in the eleventh buy-back programme. The Fund took all the required legal and regulatory steps for the cancellation of the shares.

During the 28 April 2021 Annual GSM the shareholders also approved the decrease of the subscribed share capital of the Fund from RON 3,749,282,292.08 to RON 3,334,342,422.84, following the cancellation of the 797,961,287 shares acquired within the eleventh buy-back programme.

The share capital decrease takes place based on Article 207 (1) (c) of Companies' Law no. 31/1990 and was effective starting with 25 October 2021 when the Bucharest Trade Registry registered the Resolution no. 3 / 28 April 2021 of the Fund's EGSM for approving the decrease of the subscribed registered share capital, as endorsed by FSA through Endorsement no. 344/11 October 2021.

The twelfth buy-back programme carried out during 2021

During the 13 November 2020 GSM the shareholders approved the twelfth buy-back programme for a maximum number of 800,000,000 shares and/ or equivalent GDRs corresponding to shares, starting with 1 January 2021 until 31 December 2021, at a price that cannot be lower than RON 0.2 per share or higher than RON 2 per share. The shares repurchased during the buy-back programme will be cancelled. The Fund selected Auerbach Grayson in consortium with Swiss Capital to provide brokerage services for the programme. The Fund is allowed to buy back daily up to 25% of the average daily volume of the Fund's shares (in the form of ordinary shares or GDRs) on the regulated market on which the purchase is carried out, calculated in accordance with the applicable law.

On 29 September 2021 the shareholders approved the increase of the maximum price for the twelfth buy-back programme from RON 2 per share to RON 2.5 per share. The increase was effective starting with 18 October 2021.

The AIFM is proposing shareholders to approve during April 2022 Annual GSM the decrease of the subscribed share capital of the Fund from RON 3,334,342,422.84 to RON 3,233,269,110.76 pursuant to the cancellation of 194,371,754 own shares acquired by Fondul Proprietatea during 2021.

The share capital decrease would take place based on Article 207 (1) (c) of Companies' Law no. 31/1990 and will be effective after all the following conditions are met:

(i) the GSM resolution is published in the Official Gazette of Romania, Part IV for at least two months;

(ii) FSA endorses the amendment of Article 7 (1) of the Constitutive Act of the Fund as approved by shareholders during the GSM;

(iii) the shareholders' resolution for approving the share capital decrease is registered with the Trade Registry.

The Thirteenth buy-back programme to be carried out during 2022

During the 15 December 2021 GSM the shareholders approved the thirteenth buy-back programme for a maximum number of 800,000,000 shares and/ or equivalent GDRs corresponding to shares, starting with 1 January 2022 until 31 December 2022, at a price that cannot be lower than RON 0.2 per share or higher than RON 2.5 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.

The thirteenth buy-back programme started on 31 January 2022.

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 2021, the Fund's equity elements that could be used to cover the negative reserve are sufficient and include retained earnings, reserves and share capital.

Buy-back program 12 impact on equity during 2021	<i>All amounts in RON</i>
Acquisition cost at trade price (excluding transaction costs)	328,053,515
Total costs directly related to transaction, out of which:	3,596,490
Distribution fees paid to the Sole Director in relation with the buy-backs performed*	3,266,509
FSA fees	148,232
Brokerage fees	65,694
Stock Exchange fees (BVB and LSE)	90,094
Central Depository fees	21,000
Legal advisory fees	-
Other professional fees	4,961
Total impact on equity of buy-back program 12 during 2021	331,650,005

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

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

During the 28 April 2021 Annual GSM, shareholders approved the cancellation of the 797,961,287 treasury shares repurchased within the eleventh buy-back programme, and also the allocation to other reserves of RON 671,941,938 from retained earnings and reserves resulted from distributions for which the statute of limitation occurred, and from the 2017-2019 FY retained earnings, in order to be available for covering the related negative reserve. The negative reserve was booked on completion of all cancellation required legal steps, while the actual coverage of this negative reserve using the amount of RON 671,941,938 transferred to other reserves will be submitted for shareholders' approval during the 2022 Annual shareholders' meeting.

The table below shows the movement of the negative reserves during the year 2021:

All amounts in RON

Opening balance of the negative reserve as at 1 January 2021 (audited)	(236,026,121)
Coverage of negative reserves according with OGSM Resolution no. 5/ 28 April 2021 (tenth buy-back programme)	236,026,121
Negative equity reserve arising on the cancellation of shares acquired during the 11th buy-back programme (recorded on 25 October 2021) according to share capital decrease Resolution no. 3 of 28 April 2021 Extraordinary General Shareholders' Meeting	(671,941,938)
Closing balance of the negative equity reserve at 31 December 2021 (audited)	(671,941,938)

The table below shows additional details on the estimated negative reserve that will arise upon the cancellation of the treasury shares in balance, as at 31 December 2021:

Negative reserve that would arise on cancellation of the treasury shares in balance as at 31 December 2021		Buy-back programme 12
Number of shares to be cancelled	(1)	194,371,754
Total costs (including transaction costs and other costs), representing the accounting value of the shares to be cancelled in the future (RON)	(2)	331,650,005
Correspondent nominal value (NV = RON 0.52 per share) (RON)	(3)=(1)*NV	101,073,312
Estimated negative reserve to be booked on cancellation (RON)	(4)=(3)-(2)	(230,576,693)

Source: Fondul Proprietatea

The estimated negative reserve in amount of RON 230,576,693 (please see table above) corresponding to the treasury shares subject to the cancellation proposal, will be recorded only after all legal and regulatory steps related to the cancellation are completed (e.g. Financial Supervisory Authority endorsement, the registration to the Trade Registry). The coverage of this negative reserve will be subject to shareholders approval during the annual shareholders' meeting subsequent to the completion of all cancellation steps.

During the 20 April 2022 Annual GSM, the Fund's Sole Director will propose the cancellation of the 194,371,754 treasury shares repurchased within the twelfth buy-back programme and would also recommend shareholders to allocate RON 230,576,693 from 2021 accounting profit 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 230,576,693 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:

Distribution	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)

Distribution	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
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		29 June 2021 (Status of limitation occurred)**
2018 Dividend	July 2019	642,318,808	0.0903	7,113,165,099	97.6%	1 July 2022
2019 Dividend	July 2020	417,965,383	0.0642	6,510,364,222	97.4%	1 July 2023
2021 First Special dividend	June 2021	427,147,747	0.072	5,932,607,596	96.5%	22 June 2024
2021 Second Special dividend	August 2021	413,480,183	0.07	5,906,859,764	92.8%	27 August 2024
2021 Third Special Dividend***	February 2022	351,240,772	0.06	5,854,012,863	-	18 February 2025

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

***Computed based on the number of shares entitled to receive dividends as at 31 December 2021. The final figures that will be distributed to shareholders starting with 18 February 2022 will be computed based on the shareholders structure at the registration date (28 January 2022)

2018 Dividend Distribution paid in 2019

On 4 April 2019 the shareholders approved the distribution of a gross dividend of RON 0.0903 per share, with Ex-date on 7 June 2019 and Registration date on 10 June 2019. The Fund started the payment of dividends on 1 July 2019. The payments of the distributions to shareholders are performed through the Romanian Central Depository, according to the legislation in force, as follows:

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

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

2019 Dividend Distribution paid in 2020

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).

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

2021 First Special Dividend Distribution

On **28 April 2021**, the shareholders approved the distribution of a gross special dividend of RON 0.072 per share, with Ex-date on 27 May 2021 and Registration date on 28 May 2021. The Fund started the payment of dividends on 22 June 2021. The payment 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).

As an important notice to shareholders, this dividend payment is subject to the general statute of limitation. As such, shareholders may request the payment only within a three-year term starting with the Payment Date, namely by 22 June 2024.

2021 Second Special Dividend Distribution

On **16 July 2021**, the shareholders approved the distribution of a gross special dividend of RON 0.07 per share, with Ex-date on 5 August 2021 and Registration date on 6 August 2021. The Fund started the payment of dividends on 27 August 2021. The payment 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).

As an important notice to shareholders, this dividend payment is subject to the general statute of limitation. As such, shareholders may request the payment only within a three-year term starting with the Payment Date, namely by 27 August 2024.

2021 Third Special Dividend Distribution

On **15 December 2021**, the shareholders approved the distribution of a gross special dividend of RON 0.06 per share, with Ex-date on 27 January 2022 and Registration date on 28 January 2022. The Fund will start the payment of dividends on 18 February 2022. The payment 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).

As an important notice to shareholders, this dividend payment is subject to the general statute of limitation. As such, shareholders may request the payment only within a three-year term starting with the Payment Date, namely by 18 February 2025.

NAV Reporting and Evolution

NAV Methodology Applicable to the Fund

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 and after the dates when share capital changes are recorded within Trade Register.

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

Listed securities are valued either at closing market prices if listed on regulated markets, or at reference prices if listed on an ATS. Illiquid and unlisted securities are valued using the 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. The holdings in the companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity are valued at zero.

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 for the NAV per share calculation, the equivalent number of shares corresponding to the GDRs bought back and held by the Fund as at the NAV reporting date is also deducted, together with the number of ordinary own shares bought back and held.

Changes to NAV reporting

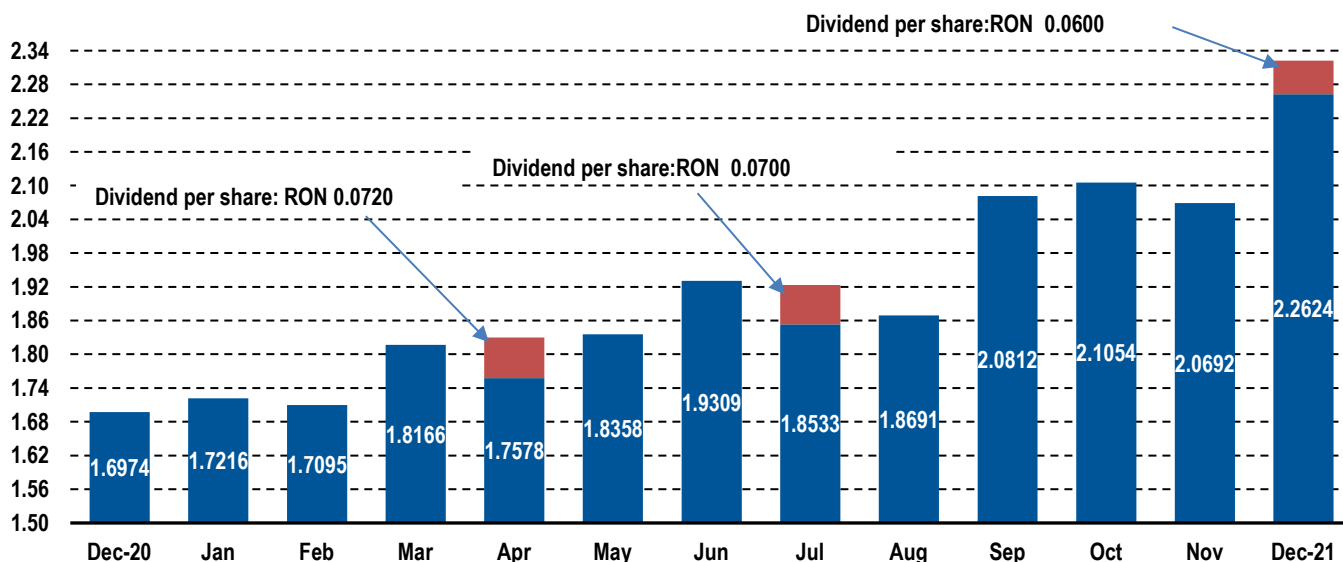
Romanian AIF Law and AIF Regulation became effective in 2020, requiring the Fund to apply for FSA authorisation as an AIF and bringing various changes to the internal procedures of the Fund, including the NAV reporting process. The current NAV calculation methodology did not require any significant change,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

- changes in the reporting templates provided by the regulator;
- new reporting requirements regarding leverage as part of the NAV reporting;

The changes are applicable to the Fund starting with 28 January 2022, the date when the Fund's registration process as an alternative investment fund with the FSA was finalised. Please see *Subsequent Events* section for further updates.

NAV per share (RON)

The following chart shows information on the monthly NAV per share for the period 31 December 2020 to 31 December 2021:



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

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

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

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

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

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

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

During the **third quarter of 2021** the NAV per share increased by 7.8% compared with the previous quarter mainly due to the valuation update of Hidroelectrica SA (impact on the Fund's NAV of RON 1,194.5 million) and by the share price evolution of the Fund's listed holdings, principally OMV Petrom SA (impact of the Funds NAV of RON 126.8 million).

During the **last quarter of 2021** the NAV per share increase by 8.7% mainly due to the valuation update of the portfolio companies and due to the share price evolution of the Fund's listed holdings, mainly OMV Petrom SA (impact of the Funds NAV of RON 166.5 million, compared with the previous quarter).

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 2021, and the reports are based on the financial data of the companies as at 30 September 2021, but the valuations also considered the subsequent developments until 31 December 2021, such as dividends declared and changes in legislation.

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 2021 NAV vs.	
		31 Dec 2021 NAV	30 Sept 2021 NAV	30 Sept 2021 NAV	
		RON million	RON million	RON million	%
1	Hidroelectrica SA	8,528.0	7,233.5	1,294.5	17.9%
2	CN Aeroporturi Bucuresti SA	674.2	591.9	82.3	13.9%
3	Engie Romania SA	522.7	603.9	(81.2)	-13.4%
4	E-Distributie Banat SA	245.1	251.3	(6.2)	-2.5%
5	CN Administratia Porturilor Maritime SA	294.4	264.1	30.3	11.5%
6	E-Distributie Muntenia SA	206.7	207.8	(1.1)	-0.5%
7	Societatea Nationala a Sariei SA	216.7	182.8	33.9	18.5%
8	E-Distributie Dobrogea SA	184.0	188.5	(4.5)	-2.4%
9	ENEL Energie SA	61.1	52.5	8.6	16.4%
10	ENEL Energie Muntenia SA	33.1	43.1	(10.0)	-23.2%
11	Zirom SA	26.2	30.3	(4.1)	-13.5%
12	CN Administratia Canalelor Navigabile SA	15.8	17.8	(2.0)	-11.2%
13	Posta Romana SA	13.9	13.1	0.8	6.1%
14	Aeroportul International Timisoara - Traian Vuia SA	5.6	6.4	(0.8)	-12.5%
15	CN Administratia Porturilor Dunarii Maritime SA	4.0	5.2	(1.2)	-23.1%
16	Aeroportul International Mihail Kogalniceanu - Constanta SA	1.7	2.6	(0.9)	-34.6%
17	CN Administratia Porturilor Dunarii Fluviale SA	3.7	2.3	1.4	60.9%
18	Plafar SA	2.2	1.9	0.3	15.8%
19	Complexul Energetic Oltenia SA	-	-	-	0.0%
20	Alcom	9.5	8.9	0.6	6.7%
TOTAL		11,048.6	9,707.9	1,340.7	13.8%

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

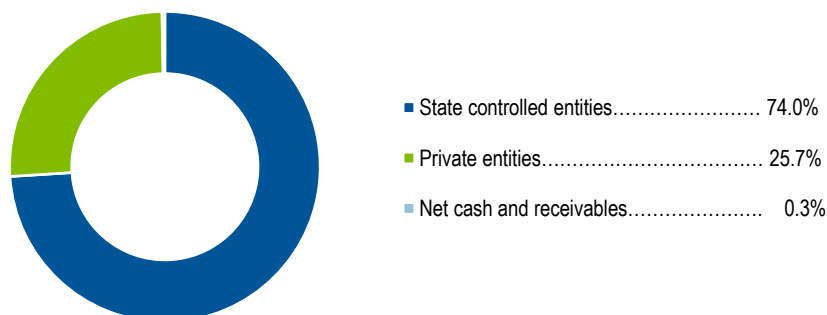
Subsequent to 31 December 2021 NAV publication, the Fund Manager obtained the preliminary results of Hidroelectrica for the full 2021 financial year. As the company's performance for the last quarter had a significant impact, Fondul performed a valuation update of Hidroelectrica with the assistance of KPMG Advisory. The updated valuation report is reflected in the financial statements as of 31 December 2021 and was included in the January 2022 NAV. The valuation date was 31 December 2021 with a new value of RON 9,040.9 million (total impact of the valuation update in the Fund's NAV as at 31 January 2022 resulted in a net increase of RON 512.9 million, an increase in value with 3.87%, compared with 31 December 2021).

Considering this update, the NAV as at 31 January 2022 is of RON 13,556.98 million, having an increase in the NAV per share of 2.4% compared with 31 December 2021 (as at 31 January 2022: RON 2.3161 per share).

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 99.7% of the Fund's NAV as at 31 December 2021. As at that date, the portfolio was composed of holdings in 32 companies (6 listed and 26 unlisted), a combination of privately held and state-controlled entities.

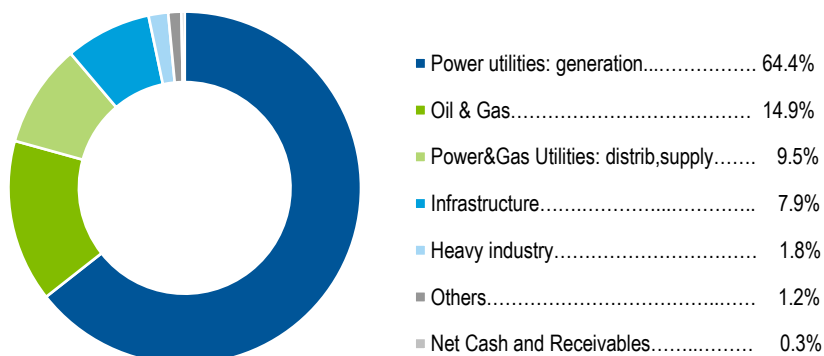
Portfolio Structure – by Controlling Ownership



Source: Fondul Proprietatea, data as at 31 December 2021, % in total NAV

- 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 distribution) and provisions.

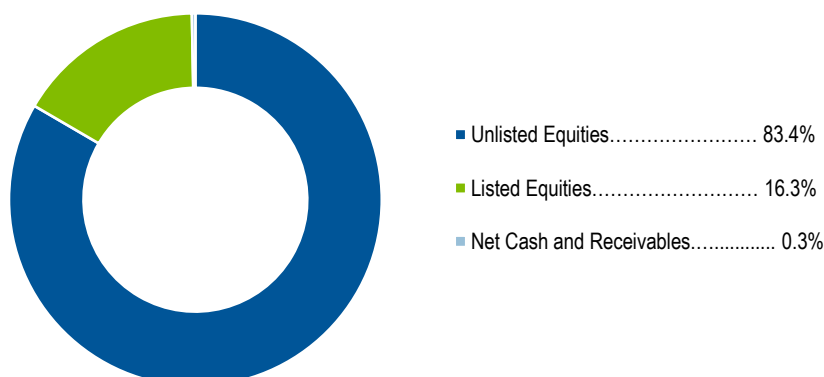
Portfolio Structure – by Sector



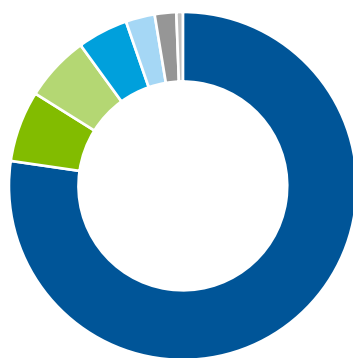
Source: Fondul Proprietatea, data as at 31 December 2021, % in total NAV

- The portfolio remains heavily weighted in power, oil and gas sectors (approx. 88.8% of the NAV), through several listed and unlisted Romanian companies

Portfolio Structure – by Asset Type



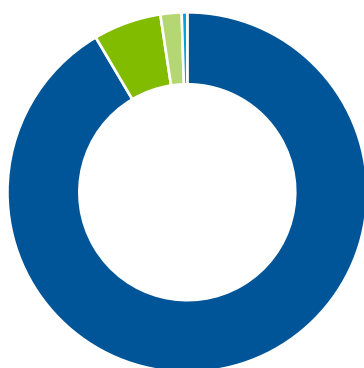
Source: Fondul Proprietatea, data as at 31 December 2021, % in total NAV

Portfolio Structure – Unlisted holdings

■ Hidroelectrica SA.....	77.3%
■ Enel Group companies.....	6.6%
■ CN Aeroporturi Bucuresti SA.....	6.1%
■ Engie Romania SA.....	4.7%
■ CN Administratia Porturilor Maritime SA	2.7%
■ Societatea Nationala a Sarii SA.....	2.0%
■ Others.....	0.6%

- The largest unlisted holding is Hidroelectrica SA (64.4% of the NAV)

Source: Fondul Proprietatea, data as at 31 December 2021; the chart reflects the company's NAV as a % in total NAV of unlisted holdings

Portfolio Structure – Listed holdings

■ OMV Petrom SA.....	91.5%
■ Alro SA.....	6.1%
■ Romaero SA.....	1.9%
■ Others.....	0.5%

- The largest listed holding is OMV Petrom SA (14.9% of the NAV)

Source: Fondul Proprietatea, data as at 31 December 2021; the chart reflects the company NAV as a % in total NAV of listed holdings

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

During 2021, 13 companies in the Fund's portfolio declared dividends for the 2020 financial year.

The total amount of gross dividend income recorded by the Fund in 2021 is RON 655.1 million, and the most significant amounts relate to Hidroelectrica SA, E-Distributie companies and OMV Petrom SA.

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

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

Source: Fondul Proprietatea

Participation in share capital increases / decreases

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

On 18 February 2021, the Fund subscribed to the share capital increase of Societatea Nationala a Sarii SA with a cash contribution of RON 55,720, which was effective on 24 August, the date of registration with the Romanian Trade Register.

In June 2021, the Fund subscribed to the share capital increase of Zirom SA with a cash contribution of RON 10 million which was effective on 30 June 2021, the date of registration with the Romanian Trade Register.

On 12 December 2021, the Fund subscribed to the share capital increase of Hidroelectrica SA with a cash contribution of RON 23,970, which will be effective at the registration date with the Romanian Trade Register.

Process for share capital increase of CN Aeroporturi Bucuresti

CN Aeroporturi Bucuresti called through the convening notice published in the Official Gazette of Romania Part IV no. 3873/20.09.2021 a General Shareholders Meeting that took place on 25 October 2021 for the approval of a share capital increase with the land inside the Baneasa airport, brought as Romanian state's contribution in kind to the company's capital. The proposed value for the share capital increase was initially RON 3,814,809,171. This is the third time the process to increase the share capital is initiated since 2001, when Baneasa Airport received the land ownership certificates.

On 26 October 2021 (the second call for the shareholders' meeting) the share capital increase was approved with only the Romanian State voting in favour, as follows:

- The share capital increase approved was for RON 4,768,511,460;
- RON 3,814,809,170 represents in kind contribution of Romanian State calculated as the value of the land parcels as evaluated by the valuer appointed by Trade Register;
- The amount of RON 953,702,290 represents the value of shares offered to be subscribed by Fondul Proprietatea for maintaining 20% participation from share capital. The preference rights may be used by the Fund within 60 days calculated starting with date when the shareholders resolution is published in Official Gazette;
- After the 60 days period expires, the share capital will be increased with the value of the paid-up shares (the Romanian State's contribution in kind being already considered to be completed);
- If the Fund will not subscribe, the unsubscribed shares will be cancelled.

Fondul Proprietatea expressed its opinion strongly disputing the fundamentally flawed land valuation report, as the land valuation report carried out in 2021 attributes a very high value to the land, despite a previously approved valuation report from 2017, which had set the value of the same land at RON 269 million.

Fondul Proprietatea started court cases for the annulment of the shareholders resolution, and for the suspension of the entire process until the claim for annulment case is irrevocably closed, to protect the interest of the Fund and its shareholders.

Following the hearing that took place on 13 January 2022, the Bucharest Court of Appeal admitted the request of suspension filed by the Fund and ordered the suspension of the effects of the increase until the claim for the annulment of the CNAB EGSM is irrevocably settled.

Restructuring Plan of Complexul Energetic Oltenia S.A (CE Oltenia) and related roadmap

On 22 October 2021 during the GSM of CE Oltenia, shareholders approved the partial coverage of the accumulated accounting losses registered by CE Oltenia as of 31 December 2020, proportionally by all shareholders of the company. The accounting losses in the amount of RON 1 billion will be covered by reducing the share capital from RON 1,270,318,090 to RON 270,318,090, respectively from 127,031,809 shares to 27,031,809 shares, with a nominal value of RON 10.00 each. The share capital decrease operation is effective starting with 19 January 2022, the registration with the Romanian Trade Register. Following the share capital decrease operation, the Fund maintains its 21.559% stake holding, but the number of shares decreased from 27,031,809 shares to 5,828,033 shares, with a total nominal value of RON 58,280,330.

On 25 November 2021 during the GSM of CE Oltenia, the majority shareholder voted for the approval to start the operation to increase the share capital of Complexul Energetic Oltenia S.A. with the value of the lands for which property rights certificates were obtained and to request the Trade Register Office for the appointment of one or more experts to evaluate these assets. The plots of land subject to the share capital increase will be used by the company to develop the new investments according to the commitments assumed through the Restructuring Plan.

During January 2022, The European Commission has approved Romania's plans to grant CE Oltenia a restructuring aid for up to EUR 2.66 billion (RON 13.15 billion). The measure will enable the company to finance its Restructuring Plan and restore its long-term viability.

The implementation of the Restructuring Plan will lead to the need to operate capital increases, both in cash as well as with the value of lands that will be used by CE Oltenia to develop the new investments.

Considering its current investment strategy, Fondul Proprietatea does not intend to participate in these capital increases.

Presumably, as a result of the capital increases, the participation of Fondul Proprietatea in CE Oltenia will be diluted at around 5% according to Fondul's current estimates.

In order to carry out the share capital increase with the value of the lands that will be contributed by CE Oltenia in the new investments, a change in the current legislation would be needed so that the evaluations of all the lands with which the capital increase would be carried out can be realized at fair value.

CN Administratia Porturilor Maritime

On 9 February 2022 during the GSM of CN Administratia Porturilor Maritime, the majority shareholder approved the increase of share capital from RON 132,906,430 to RON 323,311,340, respectively with the amount of RON 190,404,910, through incorporation of part of reserves. The Fund will maintain its stake holding, as new shares issued are distributed proportionally to existing shareholders.

Energy Sector Updates

Updates on the regulatory requirements in the energy sector

In January 2020, the Government issued GEO 1/2020 in order to repeal most of the fiscal package approved in 2018 through GEO 114/2018. As a result, starting with 2021, the electricity market has been fully liberalised, and the obligation previously imposed on certain producers to deliver electricity on regulated contracts to the suppliers of last resort to cover household electricity consumption, has been fully eliminated.

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

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

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

Parliament through Law no. 259/2021 modified EGO no. 118/2021 related to the compensation scheme for consumption of electricity and natural gas for the cold season 2021-2022 i.e. between 1 November 2021 and 31 March 2022. The Law was published into the Official Gazette of Romanian on 29 October 2021. As such Law no. 259 /2021 introduces for different categories of end-consumers (among which households, micro-enterprises, SMEs) several support schemes for the payment of the electricity and gas bills.

Subject to the fulfilment of certain conditions referring to the consumption volume and the level of prices from the electricity and gas supply contracts compared to the reference prices established by law, for household customers Law no. 259 / 2021 provides for a unit compensation amounting to a maximum of 0.291 lei / kWh, in the case of electricity and up to 33% of the value of the natural gas price component from the supply contract of the beneficiary customer, in the case of natural gas.

For small and medium enterprises, micro-enterprises, and other categories defined in the law, it provides for the exemption, in the case of electricity, from the payment of regulated tariffs (the tariff for introduction / extraction from the network, the distribution tariff, the system service tariff, the transport tariff) as well as from the payment of green certificates, the contribution for high efficiency cogeneration and the excise duties and in the case of natural gas the exemption from the payment of the transport cost, the distribution tariff and of excise duties.

Also, for households and other categories of end consumers defined in the law, Law no. 259 / 2021 capped final invoiced retail electricity and gas prices at RON 1.0 / kwh for electricity (out of which at RON 0.525 / kWh for the active electricity tariff) and at RON 0.370 / kwh for gas respectively (out of which the gas component will be a maximum of RON 0.250 / kWh) during the cold season 2021-2022.

Issued in January 2022, GEO no. 3 / 2022 further modified GEO no. 118 / 2021. The new regulation increased the maximum electricity and gas consumption volume that qualify household consumers for the unit compensation mechanism and increased the maximum value of the unit compensation to 40% of the natural gas price component from the supply contract of the beneficiary customer, in the case of natural gas, while on the electricity side it maintained the maximum of unit compensation level unchanged at RON 0.291/ kwh.

Also for the remaining two months of the cold season starting 1 February 2022 until end of March 2022 for households the new regulation further reduced the capped final invoiced retail electricity and gas prices at RON 0.8 / kwh for electricity (out of which at RON 0.336 / kWh for the active electricity tariff) and at RON 0.31 / kwh for gas respectively (out of which the gas component will be a maximum of RON 0.200 / kWh).

For the same period, the new regulation capped final invoiced prices for non-household consumers as well (with the exception of energy intensive consumers which benefited from compensation schemes through EGO no. 81/2019) setting the maximum price levels at RON 1.0 / kwh for electricity (out of which at RON 0.525 / kWh for the active electricity tariff) and at RON 0.370 / kwh for gas (out of which the gas component will be a maximum of RON 0.250 / kWh) and removed the exemption introduced by Law no. 259 /2021 for certain categories of non-household electricity and gas consumers from the payment of regulated tariffs and eco-taxes.

According to the law, the costs associated with the end-consumer support schemes and the price caps should be supported from the State Budget.

As of 31 December 2021, GEO no. 143/2021 amended the Romanian electricity and natural gas law (Law 123 / 2012) as per the obligation to transpose the European Directive 944/2019 on common rules for the internal market for electricity into the Romanian law. According to the new regulations, Romanian electricity producers will be allowed to conclude directly negotiated bilateral contracts, a significant change from the current situation where for existing production capacities, producers are obliged to sell the electricity on centralised markets. However, according to the new legislation, in order to maintain an adequate liquidity of the electricity market, the producers in the portfolio of the Romanian state, which are subject to the provisions of GEO no. 109/2011 on the corporate governance of public enterprises, have the obligation to trade at least 40% of the annual electricity production through contracts on electricity exchanges, on markets other than Day Ahead Market, Intra-day and Balancing Market. Production capacities put into operation after 1 June 2020 are exempted from this provision.

Also, between 1 November 2021 and 31 March 2022 Law no. 259 / 2021 introduces for electricity producers the taxation at an 80% rate of the additional revenues resulting from the difference between the average monthly selling price and RON 450 per MWh. Fossil fuel electricity producers including cogeneration plants were exempted from the additional taxation.

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 2022, compared to those applicable starting 1 January 2021, are the following:

Company	Voltage level	Tariffs applicable starting Jan 1st, 2021 (RON/MWh)	Tariffs applicable starting Jan 1st, 2022 (RON/MWh)	change (%)
		(1)	(2)	(2)/(1)-1
E-Distributie Banat	High Voltage	15.51	15.98	3.03%
	Medium Voltage	38.27	43.05	12.49%
	Low Voltage	107.81	117.71	9.18%
E-Distributie Dobrogea	High Voltage	20.17	21.00	4.12%
	Medium Voltage	42.80	48.01	12.17%
	Low Voltage	135.17	141.99	5.05%
E-Distributie Muntenia	High Voltage	10.41	11.37	9.22%
	Medium Voltage	34.55	39.43	14.12%
	Low Voltage	112.22	119.07	6.10%

Source: ANRE Orders no. 217/09.12.2020, 218/09.12.2020, 219/09.12.2020, 121/25.11.2021, 122/25.11.2021, and 123/25.11.2021

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

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

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

Other regulations

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

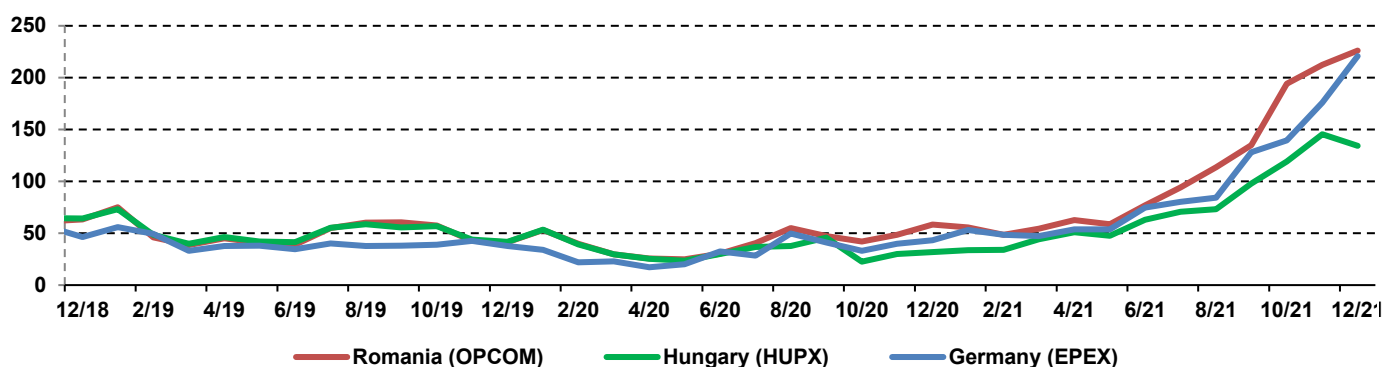
- to add 1% incentive above the current level of RRR for newly employed assets;
- to add an incentive of 2% to the current level of RRR for investments fully or partially financed through EU grants.

Latest market developments

As per currently available information from the grid operator, national electricity consumption was stable compared to the same quarter of 2020, while national electricity production increased slightly by 1%, Romania remaining a net power importer in Q4 2021, same as in Q4 2020.

As per OMV Petrom's estimates, national gas consumption increased marginally by approximately 1% compared to Q4 2020 on similar weather conditions. On the Romanian centralized markets, the weighted average price of natural gas for transactions with medium and long-term standardized products closed in Q4 2021 (10.1 TWh) was RON 398/MWh (Q4 2020: RON 66/MWh for standard products traded). Regarding short-term deliveries, on BRM day-ahead market, the average price in Q4 2021 was RON 446/MWh (Q4 2020: RON 64/MWh).

Electricity prices (EUR/ MWh)



Source: Bloomberg

Energy resources (thousand tonnes barrels of oil equivalent)

	January – December 2021			January – December 2020			% change		
	Total	Production	Import	Total	Production	Import	Total	Production	Import
Net coal	3,669.7	3,200.4	469.3	3,171.4	2,747.4	424.0	15.7%	16.5%	10.7%
Crude oil	9,927.1	3,103.7	6,823.4	10,219.2	3,236.2	6,983.0	-2.9%	-4.1%	-2.3%
Usable natural gas	10,031.6	7,211.4	2,820.2	8,969.2	7,290.1	1,679.1	11.8%	-1.1%	68.0%
Hidro. nuclear. and import energy	5,659.6	4,961.8	697.8	5,542.2	4,888.5	653.7	2.1%	1.5%	6.7%
Import oil products	3,926.0	-	3,926.0	3,298.8	-	3,298.8	19.0%	0.0%	19.0%
Others	541.8	-	541.8	418.4	-	418.4	29.5%	0.0%	29.5%
Total resources	33,755.8	18,477.3	15,278.5	31,619.2	18,162.2	13,457.0	6.8%	1.7%	13.5%

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 2021 ¹ (RON million)	% of NAV as at 31 December 2021 ¹
1	Hidroelectrica SA	19.94%	8,528.0	64.4%
2	OMV Petrom SA	7.00%	1,977.8	14.9%
3	CN Aeroporturi Bucuresti SA	20.00%	674.2	5.1%
4	Engie Romania SA	12.00%	522.7	3.9%
5	CN Administratia Porturilor Maritime SA	20.00%	294.4	2.2%
6	E-Distributie Banat SA	24.13%	245.1	1.9%
7	Societatea Nationala a Sarii SA	49.00%	216.7	1.6%
8	E-Distributie Muntenia SA	12.00%	206.7	1.6%
9	E-Distributie Dobrogea SA	24.09%	184.0	1.4%
10	Alro SA	10.21%	131.2	1.0%
Top 10 equity holdings			12,980.8	98.0%
Total equity holdings			13,200.0	99.7%
Net cash and receivables²			44.6	0.3%
Total NAV			13,244.6	100.0%

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

¹ Rounded to one decimal

² Includes also February 2022 dividend payable amount following the shareholders' approval at the 15 Dec 2021 GSM of the distribution of a gross special dividend of RON 0.0600 per share from the remaining unallocated 2019 profit.

Hidroelectrica SA

RON million	2019	2020	9M 2020	9M 2021
Revenues	4,177.2	3,850.4	2,759.7	4,688.3
Operating profit	1,975.3	1,673.4	1,474.6	3,116.7
Net profit	1,386.5	1,451.6	1,264.2	2,566.8
Dividends*	1,253.3	1,286.4	-	-

Source: Individual IFRS financial statements

*Do not include the special dividends declared by the company

May: According to audited individual IFRS financial statements for the financial year ended 31 December 2020, Hidroelectrica SA reported revenues of RON 3,850.4 million, down 7.8% y.o.y., an EBITDA of 2,711.0 million, down by 7.6 % y.o.y, an operating profit of RON 1,673.4 million, down 15.2% y.o.y., a profit before tax of RON 1,782.4 million, down 14.4% y.o.y and a net profit of RON 1,451.6 million, up 4.6% y.o.y. Electricity delivered by the company out of its own production reached 14.58 TWh, down 2.3% y.o.y, while total electricity sold reached 15.96 TWh, up 0.6% y.o.y. Over the period, the average realised selling price was down 6.6% y.o.y. to RON 214.3 per MWh. On the competitive segment of the electricity market, the average realised price was RON 240.1 per MWh, down 1.1% y.o.y. During 2020, the company delivered on the regulated market a total volume of electricity of 3.15 TWh compared to 1.64 TWh in 2019, at an average price of RON 109.5 per MWh, down 2.9% y.o.y. At the end of December 2020, the company's cash position stood at RON 2.08 billion.

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

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

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

October: Shareholders approved a RON 120.2 thousand share capital increase out of which RON 96.2 thousand represents the State's in-kind contribution with the value of some lands for which the company obtained ownership title. The new shares will be issued at the nominal value of RON 10 per share with no premium. The Fund exercised its pre-emption right within a 30 days period from the publication of the shareholders' decision in the Official Gazette.

November: According to the management, during the first nine months of 2021, the company reported a turnover of RON 4,688.3 million, up 69.9% y.o.y, an EBITDA of RON 3,612.8 million, up 87.4% y.o.y, an operating profit of RON 3,116.7 million, up 111.4% y.o.y, a profit before tax of RON 3,165.3 million, up 105.7% y.o.y and a net profit of RON 2,566.8 million, up 103.0% y.o.y. Over the period, total electricity sold reached 14.08 TWh, up 18.1% y.o.y, out of which the electricity sold out of own production reached 13.61 TWh, up 26.5% y.o.y. The average realized electricity selling price was RON 305.4 / MWh, up 48.0% y.o.y. As a result of the changes to the Romanian Water Law implemented during 2020, as well as higher electricity production volumes, over the first nine months of the year Hidroelectrica SA registered total costs with the water used to produce electricity of RON 442.9 million, up from RON 228.0 million during the similar period of the previous year. At the end of September 2021, the company's cash position stood at RON 2.50 billion.

February 2022: According to management, during the full year 2021 Hidroelectrica registered on an unconsolidated basis a preliminary turnover of RON 6,329.9 million, up 64.8% y.o.y. and an EBITDA of RON 4,644.5 million up 71.3% y.o.y. During the period, total electricity sold by Hidroelectrica reached 17.12 TWh, up 7.1% y.o.y. out of which the electricity sold out of own production reached 16.51 TWh, up 13.1% y.o.y. The average realized electricity selling price was RON 336.9 / MWh, up 57.5% y.o.y. At the end of December 2021, the company's cash and equivalents positions stood at RON 3.36 billion.

ESG

According to management, for year 2021 Hidroelectrica is aiming to publish by 30 June 2022 its first separate Sustainability Report prepared in accordance with Global Reporting Initiative (GRI) Standards. Also, in line with best practices, the company is also in the process of reviewing its sustainability strategy and objectives in its focus areas in the context of its over-all business and development strategy. Up until now, Hidroelectrica has been publishing its non-financial statement as part of its annual report in line with the requirements of EU Directive 2014/95/UE and Ministry of Finance Order no. 1938/ 2016 and 2844/ 2016.

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	2021**	Budget 2020	Budget 2021
Sales	25,485.5	19,717.0	26,011.1	18,088.0	15,875.0
Operating profit	4,245.1	1,467.1	3,708.9	3,453.0	2,133.0
Net profit	3,634.7	1,291.0	2,864.4	2,815.0	1,824.0
Dividends*	1,756.0	1,756.0	1,932.0	-	-

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

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

**Preliminary results subject to shareholders approval

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

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

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

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

October: On a quarterly basis, OMV Petrom's net profit continued to improve in Q3 2021 to RON 696 million, compared to a net loss during the same period of previous year. Consolidated sales revenues increased by 37% compared to Q3 2020, mainly supported by higher sales of petroleum products in terms of both prices and volumes, partially offset by lower sales volumes of natural gas and electricity. The Clean CCS Operating Result of RON 1,341 million in Q3 2021 was 2.4 times higher y.o.y., mainly due to the significant contribution of the increase in crude oil prices, and of the Downstream Oil segment, mainly as a result of much higher refining margins, partly offset by lower contribution from Downstream Gas. Special items comprised net charges of RON 465 million, largely driven by net temporary losses from power forward contracts in Downstream Gas.

February 2022: The company reported 2021 preliminary results. Consolidated sales doubled y.o.y. in Q4 2021 to RON 9 billion, mainly supported by higher prices and volumes sold of petroleum products. The Clean CCS Operating result was more than three times higher vs Q4 2020 at RON 1.5 billion, on the back of increased oil prices, much higher refining margins, and better performance of the power activity. Special items comprised net charges of RON 129 million, driven by net temporary losses from power forward contracts in Downstream Gas.

Full year 2021 net income attributable to stockholders of the parent was RON 2,864 million vs RON 1,291 million in 2020. The Executive Board proposed a 2021 dividend per share of RON 0.034, up by 10% compared to last year, and on the upper limit of the yearly increase in dividend payments guided in the latest long-term strategy.

ESG

OMV Petrom publishes yearly sustainability reports since 2011. It has also published its long-term strategy in December, with the goal of achieving net-zero carbon emissions in 2050 (see annual report regarding sustainability: <https://www.omvpetrom.com/ro/sustenabilitate/rapoarte-de-sustenabilitate>).

COVID-19 considerations

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

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

Management presented the impact of movements in oil price market environment on company's operation for 2022, thus:

- An increase of 1 USD/bbl in Brent price is impacting the company by EUR 17 million;
- An increase of 1 EUR/MWh in gas price is impacting the company by EUR 10-15 million;
- An increase of 1 USD/bbl in refining margin is impacting the company by EUR 25 million;
- A 5 cents appreciation of USD against EUR is impacting the company by EUR 35 million;

Management published a more detailed FY 2022 guidance for oil prices at USD 75/bbl (from USD 70.9/bbl last year). Refining margins are expected to be around USD 6/bbl, up from USD 5.5/bbl in 2021. Capex expectations for this year were increased a bit to RON 4.0 billion, from RON 3.8 billion previously. However, decline in production is seen at 7% y.o.y., up from 5% previously, which was included in the mid-term guidance (2022-2023).

Engie Romania SA

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

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

*Dividends are based on the separate financial statements

** Restated

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

The mandates for five of the current Board members, respectively, Eric Joseph Stab, Etienne Jaques Andre Jacolin, Christine Paule Kuhn ep Climeau, Marc Rene Charles Pannier and Lucian Jugrin, were extended by additional 4 years, respectively until 31 May 2025.

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

ESG

Engie Romania SA published its first sustainability report on July 2021, in accordance with Global Reporting Initiative, while Engie reports frequently on ESG issues and has a sustainability plan at parent company level (see annual report regarding sustainability: <https://www.engieimpact.com/our-sustainability-strategy>).

CN Aeroporturi Bucuresti SA

RON million	2019	2020	2021*	Budget 2020	Budget 2021	Budget 2022***
Operating revenue	1,066.6	405.6	579.7	466.1	538.6	750.1
Operating profit / (loss)	399.0	(175.3)	40.2	(137.4)	1.7	59.3
Net profit / (loss)	359.6	(146.4)	42.8	(129.5)	0.2	56.5
Dividends**	183.5	-	-	-	-	-

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

*Preliminary results reported in 2022 Budget proposal

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

***to be approved by shareholders

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

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

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

October: The majority shareholder replaced six interim Board members with Mr Florin Dimitrescu, Mr Mircea Raicu, Ms Georgeta Bumbac, Mr Cosmin Mihaltan, Mr Razvan Dobre, Mr George Dorobantu. On 26 October, the majority shareholder approved a share capital increase of RON 4.7 billion, detailed earlier in the report (please see subsection above *Key portfolio developments*).

November: Following a strong recovery in traffic during the summer season, Bucharest Airports was once again profitable at end-September. Traffic in the first nine months of 2021 stood at 4.9 million passengers, 56% below pre-covid levels, but up by 30% y.o.y..

February 2022: Company published preliminary 2021 results together with 2022 budget proposal. Net profit was RON 42.8 million, but we reckon that the figure does not include end-of-year adjustments, such as provisioning. Financial Year 2021 traffic was 6.9 million passengers, in line with the approved budget, and down by 53% vs pre-covid levels. Management expects traffic to go up by 40% y.o.y in 2022, to 9.7 million passengers, and thus envisages a net profit of RON 56.5 million.

ESG

CN Aeroporturi Bucuresti SA does not publish sustainability reports.

COVID-19 considerations

The company has been heavily impacted by another pandemic wave: the number of passengers and flights have seen a significant decline in H1 2021, and some recovery during the summer season. The latest traffic report from ACI Europe, the airport industry trade body, reveals that traffic in EU airports increased in 2021 by 244% year-on-year, but it was still 42% below 2019 pre-covid levels.

CN Administratia Porturilor Maritime SA

RON million	2019	2020	2021*	Budget 2020	Budget 2021	Budget 2022
Operating revenue	369.0	398.8	429.6	380.0	411.8	489.2
Operating profit	117.0	145.9	115.9	96.3	77.7	84.2
Net profit	108.2	130.3	109.4	95.7	78.3	88.2
Dividends	27.5	33.5	29.0	25.1	21.2	23.8

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

*based on preliminary figures from 2022 budget proposal

February: Traffic declined by 9.3% y.o.y. to 60.4 million tonnes in 2020, the reduction in traffic being driven mainly by crude oil and petroleum products, which registered a decline of 18.5% y.o.y to 11.7 million tonnes.

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

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

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

October: Majority shareholder voted to replace four interim Board members: Mr Mihai Mihail, Mr Adrian Crizbasianu, Mr Cristian Paris, and Mr Bogdan Enache. They were replaced by: Mr Florin Goidea, Mr Mihai Staicu, Mr Ghiorghe Batrinca and Mr Mircea Burlacu.

November: Turnover surged by 21% y.o.y. in the first nine months of 2021, driven mainly by services rendered to ships. Traffic was also up by 15% y.o.y. to 51.5 million tons, with strong double-digit growth in agricultural products, and iron and non-ferrous ores. Net profit reached RON 144 million, 16% higher y.o.y. and already above the FY 2020 net result.

February 2022: Preliminary 2021 results point to a net profit of RON 109 million, down by 16% y.o.y., as operating costs are estimated to have jumped by 24% y.o.y.. Traffic reached an all-time high of 67,5 million tons of merchandise. We reckon that significant changes might be recorded in final 2021 financial results due to end-of-year adjustments, such as provisioning.

ESG

CN Administratia Porturilor Maritime SA does not publish sustainability reports.

COVID-19 considerations

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

E-Distributie Banat SA

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

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

*Special dividends approved by shareholders and paid in 2020

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

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

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

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

July: Enel S.p.A. published H1 2021 financial results¹ for the global group on 29 July. For Romania it reported an EBITDA of EUR 53 million for the infrastructure and networks' segment (distribution), 3.6% lower compared to the same period of 2020. For the retail segment (supply), EBITDA increased from EUR 39 million in H1 2020 to EUR 43 million in the first half of 2021. During H1 2021, the quantity of electricity distributed by Enel's subsidiaries grew by 5.4% yoy at 7.8 TWh, reaching 3 million end users in Romania, slightly higher compared to H1 2020 (+3.4% y.o.y.)².

Shareholders approved the initiation of procedures for a share capital increase with the value of lands for which the property rights were issued for Electrica SA. There are 14 plots of lands, totalling 12,276 squared meters; the plots are located in small towns and rural areas in Caras-Severin and Hunedoara counties. Registry of Commerce will appoint the valuator.

November: Enel S.p.A. published nine months 2021 financial results³ for the global group on 4 November. For Romania it reported an EBITDA of EUR 98 million for the infrastructure and networks' segment (distribution), 2.0% lower compared to the same period of 2020. For the retail segment (supply), EBITDA decreased from EUR 62 million in nine months of 2020 to EUR 58 million in the nine months of 2021.

During the nine months of 2021, the quantity of electricity distributed by Enel's subsidiaries grew by 4.4% y.o.y. at 11.9 TWh, reaching 3 million end users in Romania, flat compared to 9 months of year 2020 level.

ANRE published the regulated tariffs applicable starting with 1 January 2022. On average, the tariffs were increased by 7.9% (for more details on tariffs please see section *Energy Sector Updates*).

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

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

³ <https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/trimestrali/9m-2021-risultati.pdf>

December: Monica Hodor, Guerrieri Stefania (both recommended by Enel Spa) and Monica Voda (recommended by SAPE) were appointed board members of the company by shareholders following the resignations of the previous board members.

In December, company informed shareholders that it could incur a potential negative impact of approx. EUR 16.2 million from covering network losses in 2021, as a result of rising prices on wholesale energy market.

ESG

Enel Romania SA publishes sustainability reports since 2019, while Enel Spa reports frequently on ESG issues and has a sustainability plan at parent company level. (see annual report regarding sustainability: <https://www.enel.com/investors/sustainability>).

E-Distributie Muntenia SA

RON million	2019	2020	Budget 2020	Budget 2021
Operating revenue	993.8	968.2	989.3	939.4
Operating profit before depreciation and amortization (EBITDA)	181.3 ¹	242.3 ⁴	305.7	328.7
Net profit	96.7	111.8	106.9	115.9
Dividends	1,566.3*	167.7**	-	-

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

*special dividends approved by shareholders and paid in 2020

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

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

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

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

July: Enel S.p.A. published H1 2021¹² financial results for the global group on 29 July. For Romania it reported an EBITDA of EUR 53 million for the infrastructure and networks' segment (distribution), 3.6% lower compared to the same period of 2020. For the retail segment (supply), EBITDA increased from EUR 39 million in H1 2020 to EUR 43 million in the first half of 2021. During H1 2021, the quantity of electricity distributed by Enel's subsidiaries grew by 5.4% y.o.y. at 7.8 TWh, reaching 3 million end users in Romania, slightly higher compared to H1 2020 (+3.4% y.o.y.)³.

November: Enel S.p.A. published nine months 2021 financial results⁴ for the global group on 4 November. For Romania it reported an EBITDA of EUR 98 million for the infrastructure and networks' segment (distribution), 2.0% lower compared to the same period of 2020. For the retail segment (supply), EBITDA decreased from EUR 62 million in nine months of 2020 to EUR 58 million in the nine months of 2021.

During the nine months of 2021, the quantity of electricity distributed by Enel's subsidiaries grew by 4.4% y.o.y. at 11.9 TWh, reaching 3 million end users in Romania, flat compared to 9 months of year 2020 level.

ANRE published the regulated tariffs applicable starting with 1 January 2022. On average, the tariffs were increased by 7.9% (for more details on tariffs please see section *Energy Sector Updates*).

December: Monica Hodor, Guerrieri Stefania (both recommended by Enel Spa) and Radu Ghenoiu (recommended by SAPE) were appointed board members of the company by shareholders following the resignations of the previous board members.

¹ the figures are modified versus the figures presented in the Fond Q1 2021 report, due to a presentation error

² <https://www.enel.com/investors/financials>

³ <https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/trimestrali/1h-2021-risultati.pdf>

⁴ <https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/trimestrali/9m-2021-risultati.pdf>

In December, company informed shareholders that it could incur a potential negative impact of approx. EUR 32.1 million from covering network losses in 2021, as a result of rising prices on wholesale energy market.

ESG

Enel Romania SA publishes sustainability reports since 2019, while Enel Spa reports frequently on ESG issues and has a sustainability plan at parent company level (see annual report regarding sustainability: <https://www.enel.com/investors/sustainability>).

Alro SA

RON million	2019	2020	9M 2020	9M 2021	Budget 2020*	Budget 2021**
Operating revenue	2,777.8	2,514.7	1,942.0	2,466.4	2,432.5	2,790.9
Operating profit	99.2	399.5	355.1	163.9	139.2	360.9
Net profit/ (loss)	(67.2)	334.8	273.4	(24.7)	60.2	289.6
Dividends	-	-	-	-	-	-

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

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

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

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

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

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

October: Alro received the compensation of RON 395.9 million for the energy costs incurred in 2020.

November: Alro reported 9M 2021 financial results on 12 November, as follows: operating revenues amounting to RON 2,466.4 million (+27.0% y.o.y.), especially due to 46% y.o.y. surge in LME aluminium average price at USD 2,384.0 per tonne. EBIT stood at RON 163.9 million (-53.8% y.o.y.), as Alro Group did not recognize revenues from subsidies related to the indirect emissions during the first nine months of 2021. The company reported a net loss of RON 24.7 million during the first nine months of 2021, mainly due to losses from derivative financial instruments of RON 46.4 million and FX losses of RON 43.8 million, on the back of RON depreciation against USD as of September 2021.

ESG

Alro adopted corporate governance rules as part of its ongoing efforts to fully comply with local recommendations since 2007 and abides to Bucharest Stock Exchange Corporate Governance Code since August 2016. Alro reports annually on ESG issues through its sustainability reports and has a 5-year sustainability strategy.

E-Distributie Dobrogea SA

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

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

*special dividends approved by shareholders and paid in 2020

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

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

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

July: Enel S.p.A. published H1 2021 financial results¹ for the global group on July 29. For Romania it reported an EBITDA of EUR 53 million for the infrastructure and networks' segment (distribution), 3.6% lower compared to the same period of 2020. For the retail segment (supply), EBITDA increased from EUR 39 million in H1 2020 to EUR 43 million in the first half of 2021. During H1 2021, the quantity of electricity distributed by Enel's subsidiaries grew by 5.4% yoy at 7.8 TWh, reaching 3 million end users in Romania, slightly higher compared to H1 2020 (+3.4% y.o.y.)².

Shareholders approved the initiation of procedures for a share capital increase with the value of lands for which the property rights were issued for the company Electrica SA. There are 9 plots of lands, totalling 22,256 square meters; the plots are located in Tulcea county. Registry of Commerce will appoint the valuator.

November: Enel S.p.A. published nine months 2021 financial results³ for the global group on 4 November. For Romania it reported an EBITDA of EUR 98 million for the infrastructure and networks' segment (distribution), 2.0% lower compared to the same period of 2020. For the retail segment (supply), EBITDA decreased from EUR 62 million in nine months of 2020 to EUR 58 million in the nine months of 2021.

During the nine months of 2021, the quantity of electricity distributed by Enel's subsidiaries grew by 4.4% y.o.y. at 11.9 TWh, reaching 3 million end users in Romania, flat compared to 9 months of year 2020 level.

ANRE published the regulated tariffs applicable starting with 1 January 2022. On average, the tariffs were increased by 7.9% (for more details on tariffs please see section *Energy Sector Updates*).

December: Monica Hodor and Guerrieri Stefania (both recommended by Enel Spa) were appointed board members of the company by shareholders following the resignations of the previous board members.

In December, the company informed shareholders that it could incur a potential negative impact on the financial result of approx. EUR 16.3 million from covering network losses in 2021, as a result of rising prices on wholesale energy market.

ESG

Enel Romania SA publishes sustainability reports since 2019, while Enel Spa reports frequently on ESG issues and has a sustainability plan at parent company level (see annual report regarding sustainability <https://www.alro.ro/en/sustainability-reports>).

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

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

³ <https://www.enel.com/content/dam/enel-com/documenti/investitori/informazioni-finanziarie/2021/trimestrali/9m-2021-risultati.pdf>

Societatea Nationala a Sarii SA (Salrom)

RON million	2019	2020	H1 2020	H1 2021	Revised Budget 2020	Budget 2021
Operating revenue	469.2	300.2	127.7	161.2	322.8	345.1
Operating profit	84.6	15.8	3.1	26.0	25.9	27.4
Net profit	77.0	11.5	4.1	22.3	23.7	24.8
Dividends	40.4	11.5	-	-	23.7	

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

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

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

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

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

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

August: The company published H1 2021 financial results. During the first six months of 2021, the company reported total operating revenues of RON 161.2 million, up 26% y.o.y and a net profit of RON 22.3 million, up 444% y.o.y.. On 18 February 2021, the Fund subscribed to the share capital increase of Societatea Nationala a Sarii SA with a cash contribution of RON 55,720, which became effective and was registered with the Romanian Trade Register in August.

September: Fondul Proprietatea proposed and appointed through cumulative voting Ms Simona Ochian and Mr Valeriu Ionita as interim board members. The majority shareholder proposed and voted for Mr Nicolae Tulici, Mr Catalin Paraschiv and Mr Petrica Lucian Rusu as temporary board members. The mandates entered in force on 1 October 2021, for a period of 4 months. Shareholders approved the 2021 Budget which foresees total operating revenues of RON 345.1 million and a budgeted net profit of RON 24.8 million.

December: Mr Emil Militaru replaced Mrs Alina Prahoveanu as interim General Manager being appointed for a period of 4 months.

January 2022: The majority shareholder replaced 3 Board members appointing Mr Constantin Dan Dobrea, Mr Cristi Sandu and Mr Nicolae Cimpeanu as temporary board members. Fondul Proprietatea proposed and appointed Ms Simona Ochian and Mr Valeriu Ionita. The mandates enter in force on 2 February 2022 for a period of 4 months.

ESG

Societatea Nationala a Sarii reports on environmental and social responsibility issues in its non-financial annual report, in accordance with GRI Standards. Source: <https://www.salrom.ro/doc/public/Raport%20non-financiar%20SNS%202020-gdpr.pdf>.

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.

Key Financial Highlights

Evolution of liquid assets

RON million	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020
Current accounts*	68.2	77.0	65.6	32.7	34.4
Bank deposits	347.4	445.1	415.3	652.5	660.0
Treasury bills and government bonds	77.1	77.9	77.6	254.4	380.3
Dividend receivables	-	-	525.3	-	-
Total liabilities**	(448.4)	(106.5)	(106.0)	(53.7)	(54.6)
Liquid assets less liabilities	44.3	493.5	977.8	885.9	1,020.1
Net Assets Value	13,244.6	12,264.3	11,428.7	10,850.8	10,266.9
% Liquid assets less liabilities in NAV	0.3%	4.0%	8.6%	8.2%	9.9%

*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.

As at 31 December 2021, the decrease of the bank deposits, treasury bills and government bonds captions are due to the cash outflows related to the two dividend distributions paid to shareholders in June and August 2021. The decrease was partially offset by the cash inflow from the collections of dividends from portfolio companies.

The total liabilities position as at 31 December 2021 is higher due to the recording of the February 2022 dividend payable amount following the shareholders' approval in the 15 December 2021 GSM of a RON 0.0600 gross dividend distribution per share from the remaining unallocated 2019 profit.

For more details regarding the liquid assets' evolution during 2021 please see section *Financial Statements Analysis*.

Cost Ratios of the Fund

The Fund elected to use Ongoing Charge Ratio and Total Expense Ratio as alternative performance measures because applying industry standards to the calculation of expense charges creates consistent and comparable data across the sector.

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 2021 was 0.87% and including transaction related expenses this was the same 0.87% (2020: 0.88% and including transaction related expenses this was 0.94%). The *Total Expense Ratio* of the Fund recorded the same value as OCR for both 31 December 2021 and 31 December 2020.

Even though the on-going costs increased in 2021 (RON 99,5 million) compared to 2020 (RON 90,1 million), mainly due to the higher level of management and administration fees in 2021 compared to 2020 (RON 84.0 million in 2021 vs. RON 55.2 million in 2020), the ratio decreased due to the fact that the average one year NAV also increased in 2021 compared to 2020 by 11.5%.

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);
- 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 as a result of the Fund's share price discount to NAV, which varied between lower than 15% and between 15% - 20% in certain trading days, are detailed in the table below:

<i>All amounts in million RON</i>	YE 2021	YE 2020
Total Performance fee during the period	10.1	2.0
Total NAV at the end of the period	13,244.6	10,266.9
% Total Performance fee in NAV	0.08 %	0.02%

Source: Fondul Proprietatea

The performance fee is applicable until 31 March 2022. There is no performance fee applicable under the new FTIS mandate that will start on 1st April 2022. Please see sub-section *Management Agreement in force during 2021*.

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 2021 the Fund's exposure to Romanian equities accounted for 99.7% of the NAV, the difference of 0.3% being represented by the net cash and receivables.

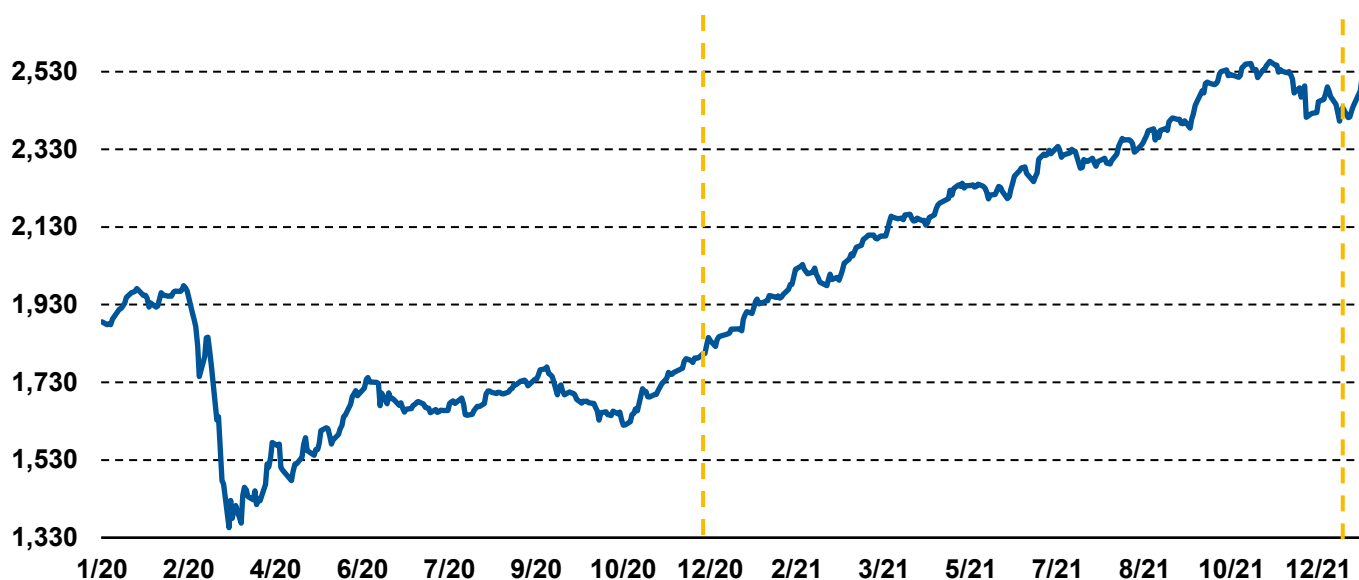
The BET-XT index, which reflects the performance of the top 25 most traded companies listed on BVB's Regulated Market, including the financial investment companies (SIFs), increased by 31.1% during 2021 compared to the end of 2020.

BET-BK index is a free float market capitalisation weighted index of the Romanian and foreign stocks listed on BVB's regulated market with the highest free-float market capitalisation adjusted with liquidity factors. BET-BK was designed to be used as a benchmark by asset managers and other institutional investors. The calculation methodology reflects on legal requirements and investment limits applying to investment funds. BET-BK increased by 34.7% during 2021 compared to the end of 2020.

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.

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.

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

According to article 22 of Law 74/2015 the AIFM shall make available to investors the information on all fees, charges and expenses and of the maximum amounts thereof which are directly or indirectly borne by investors. Please find below the classification of such categories, as recommended in the latest communications received from FSA, as well as the analysis on the actual vs. budget as at the end of 31 December 2021.

Fees and costs directly borne by investors

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.

Fees and costs indirectly borne by investors

Pursuant to the Management Agreement and to the shareholders' approval, the Fund bears, pays or will reimburse the AIFM the following expenses incurred by the AIFM:

- (i) expenses related to the payment of fees owed to the depositary;
- (ii) expenses related to intermediaries and advisors including related to the financial advisory services in connection with the trading, issue, purchase, sale or transfer of listed and unlisted securities or financial instruments from the Fund's portfolio, including fees and commissions due to relevant market operators;
- (iii) expenses related to taxes and fees owed to the FSA or other public authorities, according to applicable legislation, as well as expenses or charges imposed to the Fund by any tax authority related to the expenses in this clause or otherwise applicable to the running of the business of the Fund, including the notary fees, stamp duty tax and other similar tax;
- (iv) expenses related to the financial audit performed on the Fund and any other audits or valuations required by the legislation in force applicable to the Fund (for clarity, these expenses relate to the fair value measurement of the Fund's portfolio for the purpose of IFRS accounting and financial statements preparation and NAV calculation);
- (v) expenses related to the admission to trading of the financial instruments issued by the Fund, and any subsequent issues or offerings; expenses with intermediaries and professional advisors in relation to arranging and maintaining the listing;
- (vi) expenses related to investor relations and public relations in the interest of the Fund;
- (vii) expenses related to ongoing reporting and disclosure obligations according to legislation in force;
- (viii) expenses related to the organising of any GSM and communications with the shareholders and to the payment of fees for registrar services and services related to distributions to shareholders;
- (ix) expenses related to the payment of taxes and fees owed to the Bucharest Stock Exchange ("BSE"), London Stock Exchange ("LSE") and any other exchange on which the financial instruments of the Fund or global depositary receipts or depositary interests corresponding to Shares of the Fund shall be admitted to trading, as well as membership fees;
- (x) expenses related to the registration with the Trade Registry or documents issued by the Trade Registry;
- (xi) expenses related to the payment of fees owed to the banks for banking services performed for the Fund, including credit facility costs;
- (xii) expenses related to appointing legal advisers and other advisors to act in the interest of the Fund;
- (xiii) expenses related to contracts with external service providers existing as of execution of the Management Agreement until the expiry or termination of the agreement, including expenses with lease for the headquarter of the Fund;
- (xiv) expenses related to remuneration, transport and accommodation of the members of the Board of Nominees (in relation to their services and attendance at meetings, in accordance with the Constitutive Act, the mandate agreements and any applicable internal regulations) and for independent persons (not employees of the AIFM) acting as representatives of the Fund on the corporate bodies of companies in the Portfolio, where appropriate; and
- (xv) expenses relating to printing costs for the Fund's documentation;

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

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

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

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

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

Please see section *Key Financial Highlights* for more details regarding the ongoing charge ratio of the Fund and section *Financial Statements Analysis* and *Annex 5 The remuneration report of Fondul Proprietatea SA for 2021 financial year* for more information regarding the Sole Director remuneration.

Analysis of Budget vs Actual Expenses

The 2021 Budget of Income, Expenses and Capital Expenditure of the Fund was prepared in August 2020, based on IFRS as endorsed by the European Union and was approved by shareholders on 13 November 2020. It contains principal categories of income and expenses of the Fund which can be budgeted. According to the main assumptions of the 2021 Budget, there are certain categories of income and expenses which cannot be budgeted such as: foreign exchange gains or losses, changes in fair value of financial instruments, gains or losses from changes in portfolio.

During the year end 31 December 2021, the actual expenses from current activity were RON 106.3 million and exceed the budgeted expenses of RON 82.7 million. The negative variance is mainly due to the investment management and administration fees, for which, together with the approval of 2021 Budget in November 2020, the shareholders granted the Fund Manager the power to exceed the expenses budgeted.

For more details, please see *Annex 6 Actual vs Budget Analysis for year end 31 December 2021*.

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. The management consider that all risks are aligned with the Fund's risk appetite and that controls and reporting functions are in place and aligned with the severity of the risks.

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 continue to have an impact on global economic and local Romanian activity.</p> <p>The further evolution of the pandemic and the accompanying governmental actions will continue to have an 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>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 valuation model, parameter uncertainty and timeliness of parameter estimates.</p>	<p>Diversification across securities and industries is the primary technique for mitigating equity price risk. All potential investments undergo a thorough due diligence process. Portfolio management reviews the risk/ return profiles of portfolio assets on a regular basis. A detailed pricing policy ensures adequate valuation of the unlisted holdings. Independent valuations are reviewed by Franklin Templeton's Fair Valuation Committee.</p>

Description of risk	Mitigating action
<p><i>Dilution Risk</i></p> <p>Share capital changes in state owned companies where the Fund holds a minority position can result in a reduced valuation, legal action and loss for the Fund.</p>	<p>Dilution Risk based on unjustified economic inputs can be detrimental to a company's value. Where it is quantifiable, Dilution Risk is therefore considered in the companies' valuations.</p> <p>The portfolio management team, investor relations and legal teams are actively involved in all corporate actions involving the Fund's holdings. Fundamental analysis, investor communication and legal action are used to solidify the Fund's position. External legal and third-party counsel is used where beneficial.</p>
<p><i>Sector concentration risk</i></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><i>Corporate governance risk</i></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><i>People Risk</i></p> <p>The ability of the Fund to achieve its objectives is dependent upon the expertise of the Investment Manager and its ability to attract and retain suitable staff.</p>	<p>Fund Management and the Board of Nominees ensure that the principal members of the management team are suitably incentivised, participate in strategic leader programmes and monitor key succession planning metrics. The Board discusses this risk regularly with the Investment Manager.</p>
<p><i>Share price discount to NAV risk</i></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><i>Credit and Counterparty risk</i></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>

Description of risk	Mitigating action
<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.</p> <p>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 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.</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 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>
<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 2021.

Liquidity Risk

As at 31 December 2021, the Fund held 83.4% 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 processes for potential listings of Hidroelectrica SA and SN a Sarii Salrom SA as proposed by Fondul Proprietatea need to be supported by Romanian State as controlling shareholder. There may be a risk for the two listings to be blocked by Romanian State and the percentage of unlisted securities in Fund's portfolio to increase more.

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. The borrowing facility can be used only for certain expenses and there is a legal restriction for using such financing for investments, cash distributions or buy-backs.

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 2021. 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 2021.

Therefore, the actual level of leverage recorded under the requirements of AIFM Directive for 31 December 2021 is 1.00 (or 100.00%) using the "commitment" method and 0.9966 (or 99.66%) 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 4 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 current Management Agreement, signed between the Fund and FTIS in 2019 (applicable till 31 March 2022);
- 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;
- General dividend payment procedure;

- Procedure regarding the handling of petitions 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 the permanent representative 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 2021, there were 9 GSMs, and 6 EGM resolutions and 15 OGM resolutions were issued. All 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 2021, 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. Please see *Subsequent Events* section for updates on the share capital of the Fund.

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 person or online 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.

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. Please see *Subsequent Events* section for updates on 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 2021

The structure of the Board of Nominees as at 31 December 2021 was the following:

Name	Position	First appointment date	Current mandate expiring on	Length of service	Board of Nominees meetings attendance	Audit and Valuation Committee meetings attendance	Nomination and Remuneration Committee meetings attendance
Mrs Ilinca von Derenthall	Chair of the Board, Member of Nominations and Remuneration Committee and of Audit and Valuation Committee	26 Nov 2020	26 Nov 2023	1 year and 1 month	10/10	5/5	7/7
Mr Ciprian Lăduncă	Chair of Audit and Valuation Committee, Member of Nominations and Remuneration Committee and Member of the Board	16 Nov 2020	16 Nov 2023	1 year and 1 month	10/10	5/5	7/7
Mr Nicholas Paris	Chair of Nomination and Remuneration Committee, Member of Audit and Valuation Committee and Member of the Board	6 April 2021	6 April 2024	8 months	8/8	3/3	5/5
Mr Ömer Tetik	Member of Nominations and Remuneration Committee and of Audit and Valuation Committee and Member of the Board	6 April 2021	6 April 2024	8 months	8/8	3/3	5/5

Source: Fondul Proprietatea

Starting with 18 December 2021, Mr Mark Gitenstein has resigned from his positions held within the Fund's Board of Nominees and all consultative committees of the Fund. The Board of Nominees is working to the ongoing succession planning and the appointment of a new member of the Board will be on the agenda of the next general meeting of the shareholders.

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

For full details regarding the activity of the Board of Nominees during 2021 please read the Board annual report.

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 she is currently based in 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 several other companies.

As at 31 December 2021, Mrs Derenthall held 16,900 shares issued by the Fund. Mrs Derenthall is an independent member.

Mr Ciprian Ladunca has a long and extensive experience in financial institutions and various other 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 2021, Mr Ladunca held 250,000 shares issued by the Fund. Mr Ladunca is an independent member.

Mr Nicholas Paris is very experienced in investment management, especially in closed-end fund area around the globe. He is a member of the Chartered Institute for Securities & Investment of the UK and a member of the Chartered Alternative Investment Analysts Association. Mr Paris also acts as a non-executive director in Myanmar Investments International Ltd.

As at 31 December 2021, Mr Paris held no shares issued by the Fund. Mr Paris is an independent member.

Mr Ömer Tetik has a long and extensive experience in banking and in capital markets, being active in Turkey, Russia, and Romania. Mr Tetik also acts as CEO of Banca Transilvania, Member of the Board for BT Capital Partners and Board member of AmCham Romania.

As at 31 December 2021, Mr Tetik held no shares issued by the Fund. Mr Tetik 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 2021, 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 2021 the members of the Audit and Valuation Committee were Mr Ciprian Ladunca (as Chairman), Mr Nicholas Paris, Mr Ömer Tetik, 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 2021 the Nomination and Remuneration Committee members were Mr Nicholas Paris (as Chairman), Mr Ömer Tetik, 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 2021, 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.

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 2021 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 2021, the Sole Director issued 53 resolutions on all matters requiring its approval in accordance with the Constitutive Act.

Permanent representative of the Sole Director

As at 31 December 2021, Johan Meyer is the permanent representative of the Sole Director, being also the portfolio manager of 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 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 a Bachelor of Commerce and a Bachelor of Commerce (Honours) degree both with specialisation in economics from the University of Pretoria. He speaks English and Afrikaans.

As at 31 December 2021, Mr Meyer 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 the National Bank of Romania in the last banking day of the period invoiced.

More details on the remuneration of the Sole Director are presented in *Annex 5 Remuneration Report*.

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.

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 2021 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.

On 28 April 2021 the shareholders of the Fund approved the appointment of the Ernst & Young Assurance Services SRL as the financial auditor of Fondul Proprietatea, setting the duration of the financial audit agreement for the period starting with 1 July 2022 to 31 August 2025.

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 2021.

ESG

In addition to SFDR and Taxonomy Regulation, the FCA and UK Government introduced the Task Force on Climate-related Financial Disclosures ('TCFD'). To help companies comply with these disclosure requirements, the Financial Reporting Council's Financial Reporting Lab has recently published a '*TCFD: ahead of mandatory reporting*' report (the 'Lab Report'), which provides examples of good disclosure practices by companies that have already voluntarily adopted the TCFD framework. According to the Lab Report there are four core elements of recommended climate-related financial disclosures that apply to organisations across sectors and jurisdictions:

- *Governance*: how management consider and assess climate-related issues;
- *Strategy*: how the business model of the Fund may be affected by climate-related issues, whether it targets to be sustainable, and how the company may respond to the challenge posed by climate change, including what changes the company might need to make to strategy;
- *Risk Management*: the risks and opportunities presented by climate change including the prioritization, likelihood and impact, what scenarios might affect the Fund's sustainability and viability, and how the Fund is responding to such risks;
- *Metrics and Targets*: the metrics and targets used to assess and manage relevant climate-related risks and opportunities at the level of portfolio companies of the Fund.

The TCFD is not directly applicable to Fondul Proprietatea, as the Fund is not domiciled in UK. However, due to the fact that the Fund's financial instruments are listed on London Stock Exchange there may be an expectation to have proper climate change disclosures in future reports.

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 2021, 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 2021. The analysis presents the main developments during 2021, 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 2021	31 December 2020	31 December 2019	31 Dec 2021 vs. 31 Dec 2020 (%)
	Audited	Audited	Audited	
Cash and current accounts	68.2	34.4	31.9	
Deposits with banks	347.4	660.0	338.4	
Government bonds	77.1	380.3	137.3	
Equity investments	12,577.7	9,246.7	11,413.1	
Non-current assets held for sale	1,135.20	-	-	
Other assets	0.3	0.6	0.3	
Total assets	14,205.9	10,322.0	11,921.0	37.6%
Payables	38.8	19.8	16.7	
Other liabilities	409.6	35.3	32.8	
Total liabilities	448.4	55.1	49.5	713.8%
Total equity	13,757.5	10,266.9	11,871.5	34.0%
Total liabilities and equity	14,205.9	10,322.0	11,921.0	37.6%

Source: IFRS financial statements

Overview

The cash and cash equivalents (**liquid assets**) of the Fund in 2021, included **term deposits with banks** and **government bonds** issued by the Romanian Ministry of Finance. All instruments are denominated in RON and have maturities of up to one year.

The decrease in **liquid assets** by 54.2% during 2021 are due to the cash outflows related to the two dividend distributions paid to shareholders in June and August 2021, net of by the cash inflow from the collections of dividends from portfolio companies.

Payables have increased by 95.5% compared to 31 December 2020 mainly due to the increase of the management fee accrual to be paid for a three-month period (RON 22.8 million at December 2021 compared to RON 16.5 million at December 2020). This increase is mainly due to higher market price of the Fund's shares in the October – December 2021 period, compared to October-December 2020, due to the distribution fee accrual for the special dividend distribution approved by shareholders on 15 December 2021, and as a result of the additional fee recorded for the share price discount to NAV that varied between less than 15% and between 15% to 20%, for both shares and GDRs in all trading days. The increase is also due to the fact that at 31 December 2021, the payable related to the tax on dividends due to State Budget for the 15 December approved dividend distribution was not yet paid (RON 11.1 million).

Other liabilities have significantly increased compared to 31 December 2020 as can be seen in the table above, due to the increase of the amounts payable to shareholders generated by the third special dividend distributions approved on 15 December 2021 (Payment date: 18 February 2022).

As at 31 December 2021, the Fund reclassified, in accordance with IFRS 5 requirements, part of the holding in OMV Petrom SA subject to a bookbuild offering (2,275 million shares), as **non-current assets held-for-sale**. Please see *Subsequent Events* section for additional events.

There were no assets in the Fund's portfolio classified as non-current assets held for sale in 2020 and 2019.

The net increase in **equity investments** of RON 3,331.0 million during the 2021 was principally generated by:

- the increase in the value of unlisted holdings by RON 3,975.7 million following the valuation update process at the end of the year, mainly generated by the increase in value for Hidroelectrica SA (total impact RON 3,912.0 million);
- the positive evolution of OMV Petrom SA share price (only for the holding classified as equity investments), the largest listed holding (total impact RON 228.8 million, share price increase of 37.3%).

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 2021 all the equity investments of the Fund were carried at fair value.

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

The fair value of *unlisted shares* is 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 2021 and 2020 the Fund did not incur any capital expenditure costs.

Statement of Comprehensive Income

RON million	2021 Audited	2020 Audited	2019 Audited
Gross dividend income	655.1	1,218.7	942.9
Unrealised gain from equity investments at fair value through profit or loss	4,591.1	329.6	2,359.1
Unrealised loss from equity investments at fair value through profit or loss	(135.4)	(1,432.8)	(98.8)
Realised loss from equity investments at fair value through profit or loss	-	(198.9)	-
Realised gain from equity investments at fair value through profit or loss	-	56.3	9.9
Interest income	13.7	14.0	9.9
Other income, net*	0.9	3.0	(6.9)
Net operating (loss)/ income	5,125.4	(10.1)	3,216.1
Administration fees recognised in profit or loss	(84.0)	(55.2)	(50.3)
Other operating expenses	(22.6)	(27.1)	(25.6)
Operating expenses	(106.6)	(82.3)	(75.9)
Finance costs	(0.1)	(0.1)	(0.4)
(Loss)/ Profit before income tax	5,018.7	(92.5)	3,139.8
Income tax expense	(6.1)	(10.5)	(9.9)

RON million	2021 Audited	2020 Audited	2019 Audited
(Loss)/ Profit for the year	5,012.6	(103.0)	3,129.9
Other comprehensive income	-	-	-
Total comprehensive income for the year	5,012.6	(103.0)	3,129.9

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 year end 2021 included the dividend income earned from the Fund's portfolio companies, mainly from Hidroelectrica SA (RON 456.0 million) and OMV Petrom SA (RON 122.8 million).

Unrealised gain from equity investments at fair value through profit or loss for 2021 of RON 4,591.1 million was generated by the positive change in fair value of part of the Fund's holdings as a result of the year end valuation, mainly due the increase in value for Hidroelectrica SA (unrealised gain of RON 3,911.6) and by the positive evolution of OMV Petrom SA share price, the largest listed holding (unrealised gain of RON 537.1 million).

The **unrealised loss from equity investments at fair value through profit or loss** for 2021 was generated by the negative change in fair value of some of the Fund's holdings as a result of the year end valuation, mainly Alro with RON 32.1 million, E-Distributie Banat SA with RON 27.6 million, and E-Distributie Muntenia SA with RON 21.1 million.

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

Additional details on the **administration fees** for 2021 and comparatives are presented below:

RON million	2021 Audited	2020 Audited	2019 Audited
Recognised in profit or loss	84.0	55.2	50.3
Base fee	62.0	49.0	43.9
Distribution fee for dividends	11.9	4.2	6.4
Performance fee	10.1	2.0	-
Recognised in other comprehensive income	3.3	10.7	4.4
Distribution fee for buy-back programmes	3.3	10.7	4.4
Total administration fees	87.3	65.9	54.7

Source: IFRS financial statements

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

- increase in base fee mainly as a result of the increase in the Fund's share price on BVB;
- the performance fees recorded during 2021 were determined by the evolution of the Fund's share price discount to NAV, which varied between less than 15% and between 15% to 20%, for both shares and GDRs in all trading days;
- The increase in distribution fees following the three special dividend distributions approved during 2021, whereas there was only one distribution approved during 2020.

Other operating expenses

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

RON million	2021 Audited	2020 Audited	2019 Audited
FSA monthly fees	10.6	9.4	9.8
Transaction costs	0.1	5.5	1.5
Depositary fees	0.6	0.6	0.7
Other expenses	11.3	11.6	13.6
Other operating expenses	22.6	27.1	25.6

Source: IFRS financial statements

In 2021, **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	2021 Audited	2020 Audited	2019 Audited
Cash flows from operating activities			
Dividends received (net of withholding tax)	649.3	1,207.9	1,059.7
Proceeds from disposal of equity investments	-	920.6	200.9
Proceeds from transactions with treasury bills and bonds	495.5	253.0	188.6
Interest received	15.9	12.3	9.5
Amounts collected from the depository Bank of the Fund's GDRs	3.0	4.2	3.9
Acquisitions of treasury bills and bonds	(199.1)	(530.3)	(174.5)
Suppliers and other taxes and fees paid	(127.8)	(114.1)	(103.2)
Subscriptions to share capital increase of portfolio companies	(10.1)	(0.5)	(6.3)
Other payments, net	(0.3)	(1.2)	(1.4)
Net cash flows from operating activities	826.4	1,751.9	1,177.2
Cash flows from financing activities			
Acquisition cost of treasury shares	(327.1)	(1,065.2)	(440.4)
Dividends paid (net of withholding tax)	(777.9)	(395.3)	(599.8)
Payments to shareholders related to the return of capital	-	(2.7)	(3.1)
Payment of interest and fees related to the short-term bank loans	(0.1)	(0.1)	(0.5)
Net cash flows used in financing activities	(1,105.1)	(1,463.3)	(1,043.8)
Net increase/ (decrease) in cash and cash equivalents	(278.8)	288.6	133.4
Cash and cash equivalents at the beginning of the year	694.3	405.7	272.3
Cash and cash equivalents at the end of the year	415.5	694.3	405.7
	31 December 2021 Audited	31 December 2020 Audited	31 December 2019 Audited
Cash and current accounts	68.2	34.4	31.9
Bank deposits with original maturities of less than three months	347.3	659.9	338.3
Treasury bills and government bonds with original maturities of less than three months	-	-	35.6
	415.5	694.3	405.8

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. No disposals were made in 2021.

Dividends paid for 2021 mainly included the net payments to shareholders regarding the three special dividend distributions.

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

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

On 28 January 2022, FSA authorized Fondul Proprietatea as an Alternative Investment Fund closed-end type (authorization no. 25/28.01.2022), addressed to retail investors ("closed-end type A.I.F.R.I."), with BRD Groupe Société Générale as depositary.

FSA also authorized the amendments to the Fund's Constitutive Act, as approved by the Fund's Extraordinary General Shareholders' Meeting Resolution no. 1 of 14 January 2021 and the simplified Prospectus of Fondul Proprietatea.

The amendments to the Constitutive Act will be registered with Trade Registry for entering into force. Documentation regarding the operation of the Fund as a closed-end type A.I.F.R.I., established as an investment company, managed by FTIS can be consulted on the FP website: www.fondulproprietatea.ro, section About Fondul Proprietatea.

Update on the Fund's share capital

On 1 February 2022, the Romanian State, represented by the Ministry of Finance paid RON 189,182,422 to the Fund, as payment for all unpaid shares owned by the Romanian State in the Fund (as at 31 December 2021, the Romanian State held 363,812,350 unpaid shares, each share having a nominal value of RON 0.52). The payment mentioned above was performed in exercise of the Romanian State's rights under Law 247/2005 on the reform in the fields of property and justice, as well as some adjacent measures. Consequently, as of 1 February 2022, the new value of the Fund's subscribed and paid-up share capital is RON 3,334,342,422.84 (divided into 6,412,196,967 shares with a nominal value of RON 0.52/share). On 16 February 2022 the Trade Registry confirmed the registration of the payment, and on 25 February 2022, FSA issue a new certificate with no AC-4522-8/25.02.2022..

The suspension of the share capital increase process of CN Aeroporturi Bucuresti SA

On 14 January 2022, the Fund announced that following the hearing that took place on 13 January 2022, the Bucharest Court of Appeal admitted the request of suspension filed by the Fund and ordered the suspension of the effects of the shareholders' resolution for approving the share capital increase until the claim for the annulment of is irrevocably settled.

Accelerated bookbuild of ordinary shares held in OMV Petrom S.A.

On 20 January 2022 the Fund announced the agreement to sell 2,275,000,000 ordinary shares including a 50 per cent exercise of the upsize option held by the Fund in OMV Petrom S.A., following completion of an accelerated bookbuild offering. The shares' selling price has been agreed at RON 0.43 /share. The gross proceeds of the transaction amount to RON 978,250,000 and will be used to implement the Fund's Discount Control Mechanism, by funding the buyback programme, as approved by the Fund's shareholders, and the payment of potential dividends to the Fund's shareholders, in the absence of exceptional market conditions or circumstances, and subject to any restrictions under Romanian legal or tax regulations and to shareholders' approval.

Erste Group Bank AG and SSIF Swiss Capital SA acted as Joint Global Coordinators and Joint Bookrunners, and Banca Comercială Română SA Auerbach Grayson and Company LLC acted as Joint Bookrunners for the transaction.

After settlement, the Fund's remaining participation in Petrom is of 1,688,548,078 shares, representing 2.98 per cent of Petrom's share capital.

Signatures:

25 February 2022

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 2021

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 of
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 Buzzești street, District 1, Bucharest, Romania, identified by unique tax registration code 18253260, which comprise the statement of financial position as at December 31, 2021, 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, 2021 are identified as follows:
 - Total Equity RON 13,757,547,907
 - Net profit for the financial year RON 5,012,644,707
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2021, 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, with subsequent amendments (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>Valuation of equity investments</p> <p>Refer to note 14 to the financial statements. The Fund's investment in equity investments represents 89% 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 92% 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, 2021, or December 31, 2021.</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, in case the date of valuation reports was before 31 December 2021 (i.e. from 31 October 2021 to 31 December 2021), 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. For the same sample, we also assessed the Funds beneficial ownership rights and obligations and related recognition and measurement assumptions applied by the Fund.</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, which includes the Remuneration Report for the financial year 2021, 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, 2021, 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 Remuneration Report, we read it and report if this has been prepared, in all material aspects, in accordance with the provisions of Law 24/2017, articles no. 106 - 107.

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, articles no. 8-13.

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

- a) 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;

- b) 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.
- c) the Remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles. no. 106 – 107.

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, 2021, 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 April 28, 2020 to audit the financial statements of Fondul Proprietatea S.A. for the financial year ended December 31, 2021. The uninterrupted total duration of our commitment is 15 years, covering the financial years ended December 31, 2007 until December 31, 2021.

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 applicable to the financial statements included in the annual financial report of Fondul Proprietatea S.A. ("the Fund") as presented in the digital files which contain the unique LEI code 549300PVO1VWBFH3DO07 ("Digital Files").

(i) *Responsibilities of Management and Those Charged with Governance for the Digital Files prepared in compliance with 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;
- ensuring consistency between the Digital File and the financial statements to be submitted in accordance with FSA Norm no. 39 / 2015;

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.

(ii) Auditor's Responsibilities for the Audit of the Digital Files

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.

In our opinion, the financial statements for the year ended 31 December 2021 included in the annual financial report presented in the Digital Files comply in all materials respects with the requirements of ESEF.

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 the Company for the year ended 31 December 2021 is set out in the "Report on the audit of the financial statements" section 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 AF 3344*

On behalf of:

DELOITTE AUDIT SRL

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

The Mark Building, 84-98 and 100-102 Calea Griviței, 9th Floor, District 1
Bucharest, Romania
February 25, 2022

STATEMENT OF COMPREHENSIVE INCOME FOR THE 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

		Year ended	Year ended
	<i>Note</i>	31 December 2021	31 December 2020
Net gain/(loss) from equity investments at fair value through profit or loss	6	4,455,723,508	(1,245,837,059)
Gross dividend income	7	655,137,209	1,218,657,007
Interest income		13,706,414	14,038,979
Other income, net		5,560,078	4,750,753
Net loss from other financial instruments at fair value through profit or loss		(4,489,102)	(619,861)
Net foreign exchange loss		(170,427)	(1,117,671)
Net operating income/(loss)		5,125,467,680	(10,127,852)
Operating expenses	8	(106,588,223)	(82,251,945)
Finance costs	9	(91,250)	(76,500)
Profit/(Loss) before income tax		5,018,788,207	(92,456,297)
Withholding tax on the dividend income	10	(6,143,500)	(10,522,671)
Profit/(Loss) for the period		5,012,644,707	(102,978,968)
Other comprehensive income		-	-
Total comprehensive income for the period		5,012,644,707	(102,978,968)
Basic and diluted earnings/(loss) per share	11	0.8452	(0.0159)

The annual financial statements were authorised for issue on 25 February 2022 by:

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

Johan Meyer

Permanent Representative

Prepared by:

Catalin Cadaru

Financial Reporting Manager

The notes on pages 6 to 47 are an integral part of these annual financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

	<i>Note</i>	31 December 2021	31 December 2020
Assets			
Cash and current accounts	12	76,632	174,667
Distributions bank accounts	12	68,148,338	34,255,963
Deposits with banks	12	347,387,604	659,982,573
Government bonds	4(b) iii)	77,106,529	380,268,285
Equity investments	14	12,577,678,606	9,246,709,268
Non-current assets held for sale	15	1,135,225,000	-
Other assets		298,725	613,444
Total assets		14,205,921,434	10,322,004,200
Liabilities			
Payable to shareholders	16 (a)	408,245,702	34,380,437
Other liabilities and provisions	16 (b)	40,127,825	20,704,337
Total liabilities		448,373,527	55,084,774
Equity			
Paid share capital	17 (a)	3,145,160,001	3,560,099,870
Reserves related to the unpaid share capital	17 (b)	189,182,422	189,182,422
Other reserves	17 (c)	666,991,766	539,400,224
Treasury shares	17 (d)	(331,650,005)	(1,086,443,209)
Retained earnings		10,087,863,723	7,064,680,119
Total equity		13,757,547,907	10,266,919,426
Total liabilities and equity		14,205,921,434	10,322,004,200

The notes on pages 6 to 47 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

	Share capital	Reserves related to the unpaid share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
Balance as at 1 January 2021	3,560,099,870	189,182,422	539,400,224	(1,086,443,209)	7,064,680,119	10,266,919,426
Profit for the period	-	-	-	-	5,012,644,707	5,012,644,707
Profit appropriation to other reserves	-	-	666,368,661	-	(666,368,661)	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	666,368,661	-	4,346,276,046	5,012,644,707
Transactions with owners, recorded directly in equity						
Dividends declared	-	-	-	-	(1,191,868,702)	(1,191,868,702)
Transfer to legal reserves			133,041,538		(133,041,538)	-
Acquisition of treasury shares	-	-	-	(332,088,603)	-	(332,088,603)
Cancellation of treasury shares	(414,939,869)	-	(671,941,938)	1,086,881,807	-	-
Distributions for which the statute of limitation occurred	-	-	123,281	-	1,817,798	1,941,079
Total transactions with owners recorded directly in equity	(414,939,869)	-	(538,777,119)	754,793,204	(1,323,092,442)	(1,522,016,226)
Balance as at 31 December 2021	3,145,160,001	189,182,422	666,991,766	(331,650,005)	10,087,863,723	13,757,547,907

The notes on pages 6 to 47 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

	Share capital	Reserves related to the unpaid share capital	Other reserves	Treasury shares	Retained earnings	Total attributable to the equity holders of the Fund
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 6 to 47 are an integral part of these annual financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities		
Dividends received (net of withholding tax)	649,270,587	1,207,910,543
Proceeds from transactions with treasury bills and bonds	495,487,025	252,957,872
Interest received	15,934,852	12,328,285
Amounts collected from the depository Bank of the Fund's GDRs	2,970,229	4,215,191
Acquisition of treasury bills and bonds	(199,120,876)	(530,280,208)
Suppliers and other taxes and fees paid	(127,848,751)	(114,065,852)
Subscriptions to share capital increase of portfolio companies	(10,079,690)	(512,460)
Other payments performed, net	(369,543)	(1,310,131)
Proceeds from disposal of equity investments	-	920,634,404
Net cash flows from operating activities	826,243,833	1,751,877,644
Cash flows from financing activities		
Dividends paid (net of withholding tax)	(777,941,709)	(395,298,925)
Acquisition cost of treasury shares	(327,027,418)	(1,065,217,543)
Payment of fees related to the short term bank loans	(91,250)	(74,950)
Payments to shareholders related to the return of capital	-	(2,717,792)
Net cash flows used in financing activities	(1,105,060,377)	(1,463,309,210)
Net (decrease)/ increase in cash and cash equivalents	(278,816,544)	288,568,434
Cash and cash equivalents at the beginning of the period	694,344,555	405,776,121
Cash and cash equivalents at the end of the period as per the Statement of Cash Flows	415,528,011	694,344,555
<i>Reconciliation of Statement of Cash Flows with the equivalent items reported in the Statement of Financial Position</i>		
	31 December 2021	31 December 2020
Cash and current accounts (see Note 12)	76,632	174,667
Distributions bank accounts (see Note 12)	68,148,338	34,255,963
Bank deposits with original maturities of less than three months (see Note 12)	347,303,041	659,913,925
	415,528,011	694,344,555
Interest accrued on bank deposits (see Note 12)	84,563	68,648
Government bonds with original maturities of more than three months and less than one year	77,106,529	380,268,285
Total cash and current accounts, deposits with banks, treasury bills and government bonds as per Statement of Financial Position	492,719,103	1,074,681,488

The notes on pages 6 to 47 are an integral part of these annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

1. General information

Fondul Proprietatea SA (referred to as “Fondul Proprietatea” or “the Fund”) was incorporated as a joint stock company and is operating as an undertaking for collective investment, in the form of a closed end investment company, established in accordance with Law no. 247/2005 on the reform in the field of property and justice and other adjacent measures, as subsequently amended (“Law 247/2005”) and registered in Bucharest on 28 December 2005. The address of the Fund’s registered office is 78 - 80, Buzzești 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 was approved by the Fund’s shareholders during 29 September 2021 shareholders’ meeting, while the related contractual terms along with the execution of the Management Agreement were approved by the Fund’s shareholders during 15 December 2021 shareholders’ meeting.

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 2021

(all amounts are in RON unless otherwise stated)

2. Basis of preparation**(a) Statement of compliance**

These separate financial statements are the annual statutory financial statements of Fondul Proprietatea for the year ended 31 December 2021 prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and applying the FSA Norm 39/2015. These financial statements are available starting with 28 February 2022, 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 2021 and continues to meet them.

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

(b) Going concern

The Fund's Sole Director has, at the authorisation date of these financial statements, a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Thus, it continues to adopt the going concern basis of accounting in preparing the financial statements.

According with the Fund's constitutive act, the duration of Fondul Proprietatea is until 31 December 2031 and it may be extended by the extraordinary general meeting of shareholders, with additional periods of 5 years.

(c) 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.

(d) 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.

(e) Foreign currency

Transactions in foreign currency are translated into the functional currency of the Fund at the exchange rate valid 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 valid 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 valid 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 2021 were as follows: 4.9481 RON/EUR, 4.3707 RON/USD and 5.8994 RON/GBP (31 December 2020: 4.8694 RON/EUR, 3.9660 RON/USD and 5.4201 RON/GBP).

(f) Use of estimates

The preparation of these 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

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

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

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

- Note 4 – Risk management;
- Note 13 – Deferred tax;
- Note 14 – Equity investments;
- Note 17 – Contingencies.

(g) 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 Fund's financial position and performance was mainly affected in 2020 and may 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 2021, the Fund's Sole Director performed a periodic analysis of multiples values of publicly traded peers companies and of the portfolio companies financial information 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. The total net gain from equity investments at fair value through profit or loss recorded during 2021 amounted RON 4,455,723,508 (during 2020: total net loss of RON 1,245,837,059). Further details on the fair value adjustments are presented in Note 6.

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

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

3. Significant accounting policies

The significant accounting policies applied in these annual financial statements are the same as those applied in the Fund's financial statements for the year ended 31 December 2020 and have been applied consistently to all periods presented in these 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(a) Subsidiaries and associates (continued)**

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

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

As at 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020 are disclosed in Note 19 (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). Also, the receivable related to the unpaid share capital (see Note 17 (b)) was classified at fair value through profit or loss due to the failure of Solely Payments of Principal and Interest (SPPI) test requested by IFRS 9. The fair value of this receivable as at 31 December 2021 and 31 December 2020 was nil.

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.

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

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

iv) Offsetting

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

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

v) Fair value measurement

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

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

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

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

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.

3. Significant accounting policies (continued)**(b) Financial assets and liabilities (continued)***(vi) Identification and measurement of impairment (continued)*

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

(c) Non-current assets held for sale

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

As at 31 December 2021, based on the assessment made by the Fund, all the criteria for classifying as held-for-sale part of its holding in OMV Petrom SA were met, in accordance with IFRS 5 requirements (see further details in Note 15). There were no assets in the Fund's portfolio classified as non-current assets held for sale as at 31 December 2020.

(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. In cases when 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 and detailed in the notes to the financial statements.

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 2021 and 2020, 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 2021

(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 2021 and 31 December 2020, 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 IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 16 "Leases" - Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021);

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

3. Significant accounting policies (continued)**(r) Standards and interpretations issued by the IASB and adopted by the EU but not yet effective**

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

- Amendments to IAS 16 “Property, Plant and Equipment” - Proceeds before Intended Use, adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Onerous Contracts - Cost of Fulfilling a Contract, adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 3 “Business Combinations” - Reference to the Conceptual Framework with amendments to IFRS 3, adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- IFRS 17 “Insurance Contracts” including amendments to IFRS 17, adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- 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 - adopted by the EU on 28 June 2021. 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 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:

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- 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 1 “Presentation of Financial Statements” - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 “Income Taxes” - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

4. Risk management

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

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

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

(a) Market risk

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

(i) Equity price risk

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

Equity price risk arises from changes in the value of equity investments and it is the primary risk impacting the Fund. Diversification across securities and industries, to the extent possible, is the primary technique for mitigating equity price risk. The companies in which the Fund holds equity instruments (including the holdings classified as non-current assets held for sale) operate in different industries, the largest exposures being in 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 2021	31 December 2020
Power utilities: generation	9,040,900,000	5,128,900,000
Oil and gas	1,977,810,491	1,440,749,726
Power and gas utilities: distribution, supply	1,252,700,000	1,312,100,000
Infrastructure	1,040,856,754	950,292,324
Heavy industry	242,856,500	226,084,700
Aluminium	131,192,485	163,261,759
Postal services	13,900,000	13,100,000
Others	12,687,376	12,220,759
	13,712,903,606	9,246,709,268

As at 31 December 2021, the listed and liquid investments represented 15% (31 December 2020: 17%) of the total Fund's equity investments. As at 31 December 2021, the Fund's listed liquid holdings are in amount of RON 2,109,002,976 (31 December 2020: RON 1,604,011,486) 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 2021 would impact profit or loss and would determine an increase in equity of RON 238,998,545 (31 December 2020: RON 181,869,994). An equal change in the opposite direction as at 31 December 2021 would impact profit or loss and would determine a decrease in equity by RON 238,998,545 (31 December 2020: RON 181,869,994). 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 85% of total equity investments as at 31 December 2021 (83% of total equity investments as at 31 December 2020). 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

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

Changing one or more of the inputs used to reasonably determine alternative assumptions would have the following effects on the profit or loss:

Valuation techniques used	Change in the significant unobservable inputs used in the valuation	Impact on the profit or loss as at 31 December	
		2021	2020
Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple increase by 10%	953,535,208	598,377,340
	EBITDA multiple decrease by 10%	(953,535,208)	(598,377,340)
	Discount for lack of marketability increase by 10%	(197,166,224)	(109,397,261)
	Discount for lack of marketability decrease by 10%	197,166,224	109,397,261
Income approach - discounted cash flow method	EBITDA margin increase by 10%	118,550,000	106,140,000
	EBITDA margin decrease by 10%	(118,550,000)	(106,140,000)
	Weighted average cost of capital increase with 0.50%	(36,990,000)	(56,570,000)
	Weighted average cost of capital decrease with 0.50%	44,570,000	63,580,000
	Long-term revenue growth rate increase with 0.50%	58,000,000	48,440,000
	Long-term revenue growth rate decrease with 0.50%	(41,760,000)	(43,210,000)

The above sensitivity analysis was performed for the equity investments representing 98% (31 December 2020: 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 2021	31 December 2020
Bank deposits with original maturities of less than three months	347,303,041	659,913,925
Government bonds	75,017,625	369,955,045
	422,320,666	1,029,868,970

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

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

During 2021, the local currency depreciated compared to the EUR (from 4.8694 RON/EUR at 31 December 2020 to 4.9481 RON/EUR at 31 December 2021), to the USD (from 3.9660 RON/USD at 31 December 2020 to 4.3707 RON/USD at 31 December 2021) and to the GBP (from 5.4201 RON/GBP at 31 December 2020 to 5.8994 RON/GBP at 31 December 2021).

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

RON	31 December 2021	31 December 2020
Monetary assets		
Petty cash	536	114
Cash and current accounts	68,287	69,819
Distributions bank accounts	68,148,338	34,255,963
Deposits with banks	347,387,604	659,982,573
Government bonds	77,106,529	380,268,285
Other financial assets	54,000	445,140
	492,765,294	1,075,021,894
Monetary liabilities		
Other financial liabilities	(410,876,763)	(35,684,999)
	81,888,531	1,039,336,895

EUR (in RON equivalent)	31 December 2021	31 December 2020
Monetary assets		
Current accounts with banks	3,607	2,971
Monetary liabilities		
Other financial liabilities	(22,780,953)	(16,447,827)
	(22,777,346)	(16,444,856)

USD (in RON equivalent)	31 December 2021	31 December 2020
Monetary assets		
Current accounts with banks	2,144	99,253
Monetary liabilities		
Other financial liabilities	(262,242)	(475,920)
	(260,098)	(376,667)

GBP (in RON equivalent)	31 December 2021	31 December 2020
Monetary assets		
Current accounts with banks	2,058	2,510
Monetary liabilities		
Other financial liabilities	(48,106)	(39,695)
	(46,048)	(37,185)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(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 2021 and 31 December 2020 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 2021	31 December 2020
EUR	2,277,735	1,644,486
USD	26,010	37,667
GBP	4,605	3,719

As at 31 December 2021 and 31 December 2020, 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 2021, the Fund's maximum exposure to credit risk from cash and deposits with banks was RON 415,612,038 (31 December 2020: RON 694,413,089).

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

Cash and deposits held with banks	31 December 2021	31 December 2020
ING Bank	159,725,891	141,017,436
Unicredit Bank	96,120,852	135,816,579
BRD - Groupe Societe Generale	78,359,570	44,374,853
Banca Comerciala Romana	50,082,961	135,870,871
Citi Bank	31,321,657	237,332,282
Raiffeisen Bank	1,107	1,068
	415,612,038	694,413,089

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 2021 the Fund did not invest in treasury bills. During 2020, the Fund invested in treasury bills that had maturity date during the same year. Therefore, the balances as at 31 December 2021 and 31 December 2020 are nil. These items were 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 2021

(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 2021, the Fund's maximum exposure to credit risk from government bonds was RON 77,106,529 (31 December 2020: RON 380,268,285). These items are assessed to have low credit risk being issued by the Ministry of Public Finance of Romania.

As at 31 December 2021, 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 2021	No. of units	Coupon rate	Maturity date
RO1821DBN052	77,106,529	15,000	3.40%	08-Mar-2022
Total	77,106,529			

As at 31 December 2020, 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 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			

(iv) Other assets

As at 31 December 2021 and 31 December 2020, the Fund did not have significant credit risk from other assets.

(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 85% of total equity investments as at 31 December 2021 and 83% of total equity investments as at 31 December 2020). 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 2021

(all amounts are in RON unless otherwise stated)

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

31 December 2021	Less than 1 month	1 to 3 months	3 to 12 months	No fixed maturity	Total
Financial assets					
Cash and current accounts	76,632	-	-	-	76,632
Distributions bank accounts	68,148,338	-	-	-	68,148,338
Deposits with banks	347,387,604	-	-	-	347,387,604
Government bonds	-	77,106,529	-	-	77,106,529
Equity investments	-	-	-	12,577,678,606	12,577,678,606
Non-current assets held for sale	1,135,225,000	-	-	-	1,135,225,000
Other financial assets	54,000	-	-	-	54,000
	1,550,891,574	77,106,529	-	12,577,678,606	14,205,676,709
Financial liabilities					
Other financial liabilities	93,896,277	340,071,787	-	-	433,968,064
	93,896,277	340,071,787	-	-	433,968,064

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

(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 was unprecedented. Governments across the world, Romania included, took numerous actions to support their economies, from extended unemployment benefits to packages targeting small businesses, hospitals and healthcare centres, which 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 13,757,547,907 at 31 December 2021 (31 December 2020: RON 10,266,919,426).

The Fund is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(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 2021					
Cash and current accounts	76,632	-	-	76,632	76,632
Distributions bank accounts	68,148,338	-	-	68,148,338	68,148,338
Deposits with banks	347,387,604	-	-	347,387,604	347,387,604
Government bonds	-	77,106,529	-	77,106,529	77,106,529
Equity investments	-	12,577,678,606	-	12,577,678,606	12,577,678,606
Non-current assets held for sale	-	1,135,225,000	-	1,135,225,000	1,135,225,000
Other financial assets	54,000	-	-	54,000	54,000
Other financial liabilities	-	-	(433,968,064)	(433,968,064)	(433,968,064)
	415,666,574	13,790,010,135	(433,968,064)	13,771,708,645	13,771,708,645

	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

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

5. Financial assets and financial liabilities (continued)**Fair value hierarchy (continued)**

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 2021	Level 1	Level 2	Level 3	Total
Cash and current accounts	76,632	-	-	76,632
Distributions bank accounts	68,148,338	-	-	68,148,338
Deposits with banks	347,387,604	-	-	347,387,604
Government bonds	77,106,529	-	-	77,106,529
Equity investments:	973,777,976	-	11,603,900,630	12,577,678,606
<i>Power utilities: generation</i>	-	-	9,040,900,000	9,040,900,000
<i>Oil and gas</i>	842,585,491	-	-	842,585,491
<i>Power and gas utilities:</i>				
<i>distribution, supply</i>	-	-	1,252,700,000	1,252,700,000
<i>Infrastructure</i>	-	-	1,040,856,754	1,040,856,754
<i>Heavy industry</i>	-	-	242,856,500	242,856,500
<i>Aluminium</i>	131,192,485	-	-	131,192,485
<i>Postal services</i>	-	-	13,900,000	13,900,000
<i>Others</i>	-	-	12,687,377	12,687,377
Non-current assets held for sale (see Note 15)	1,135,225,000	-	-	1,135,225,000
Other financial assets	-	-	54,000	54,000
Other financial liabilities	(433,968,064)	-	-	(433,968,064)
Total	2,167,754,015	-	11,603,954,630	13,771,708,645

31 December 2020	Level 1	Level 2	Level 3	Total
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	380,268,285	-	-	380,268,285
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:</i>				
<i>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>Aluminium</i>	163,261,759	-	-	163,261,759
<i>Postal services</i>	-	-	13,100,000	13,100,000
<i>Others</i>	-	-	12,220,759	12,220,759
Other financial assets	-	-	445,140	445,140
Other financial liabilities	(52,648,441)	-	-	(52,648,441)
Total	2,626,044,533	-	7,643,142,922	10,269,187,455

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

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

	Year ended 31 December 2021	Year ended 31 December 2020
Unrealised gain from equity investments at fair value through profit or loss	4,591,149,777	329,597,853
Unrealised loss from equity investments at fair value through profit or loss	(135,426,269)	(1,432,785,224)
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
Total	4,455,723,508	(1,245,837,059)

The unrealised gain from equity investments at fair value through profit or loss for the year ended 31 December 2021 was significantly generated by the change in fair value for the holding in Hidroelectrica SA (unrealised gain of RON 3,911,584,890) and OMV Petrom SA (unrealised gain of RON 537,060,765), as a result of the strong performance of these companies. The unrealised gain from equity investments at fair value through profit or loss for the 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 loss from equity investments at fair value through profit or loss for the year ended 31 December 2021 was generated by the negative change in fair value for the holding in Alro SA (unrealised loss of RON 32,069,274), E-Distributie Banat SA (unrealised loss of RON 27,600,000) and E-Distributie Muntenia SA (unrealised loss of RON 21,100,000).

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 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.

The realised loss from disposal of equity investments at fair value through profit or loss for the year ended 31 December 2020 was generated by the partial disposal of the holding in OMV Petrom SA (realised loss of RON 198,900,000).

The realised gain from disposal of equity investments at fair value through profit or loss for the year ended 31 December 2020 was generated by the partial disposal of the holding in Nuclearelectrica SA (realised gain of RON 56,250,312).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

7. Gross dividend income

	Year ended 31 December 2021	Year ended 31 December 2020
Hidroelectrica SA	455,991,603	399,532,431
OMV Petrom SA	122,869,990	175,569,990
E-Distributie Muntenia SA	20,119,733	187,961,077
E-Distributie Banat SA	18,653,091	213,812,923
Engie Romania SA	17,941,285	12,084,098
CN Administratia Porturilor Maritime SA	6,691,539	5,492,149
Societatea Nationala a Sarii SA	5,626,066	19,803,298
ENEL Energie Muntenia SA	4,800,019	10,586,397
ENEL Energie SA	1,800,000	-
Alcom SA	233,725	275,360
CN Aeroporturi Bucuresti SA	-	36,700,452
E-Distributie Dobrogea SA	-	121,130,893
Nuclearelectrica SA	-	34,883,435
Others	410,157	824,504
	655,137,209	1,218,657,007

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

According to the Annual Cash Distribution Policy of the Fund, the special cash distributions received from portfolio companies are not subject to Fund's dividend distribution to shareholders. The Fund Manager may propose the distribution to shareholders of such amounts after considering the on-going measures imposed by the Discount Control Mechanism and the available cash. For the purpose of the Annual Cash Distribution Policy of the Fund, the special cash distributions are the amounts distributed by the portfolio companies from other sources than the annual net profit included in the latest annual financial statements. From the total gross dividend income for the year ended 31 December 2021 an amount of RON 252,330,382 represented special cash distributions (year ended 31 December 2020: RON 683,070,542).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

8. Operating expenses

	Year ended 31 December 2021	Year ended 31 December 2020
FTIS administration fees (i)	83,973,405	55,232,614
FSA monthly fees (ii)	10,560,041	9,384,781
Third party services (iii)	8,972,233	9,001,599
BON remunerations and related taxes (iv)	1,434,117	1,376,217
Depository bank fee	557,599	569,074
Intermediaries and other fees related to disposal of portfolio holdings	76,162	5,515,939
Other operating expenses	1,014,666	1,171,721
	106,588,223	82,251,945

(i) FTIS administration fees

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

The administration fees recorded during the year ended 31 December 2021 and the year ended 31 December 2020 are presented in the table below:

	Year ended 31 December 2021	Year ended 31 December 2020
Base fee	61,994,838	49,089,707
Distribution fee related to dividend distributions to shareholders	11,914,206	4,183,001
Performance fee	10,064,361	1,959,906
Administration fees recognised in profit or loss	83,973,405	55,232,614
Distribution fees related to buy-backs recognised in equity	3,266,509	10,674,300
Total administration fees	87,239,914	65,906,914

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

(ii) FSA monthly fees

During 2021 and 2020, the FSA fee was 0.0078% per month applied on the total net asset value. For the period 1 April – 14 May 2020, FSA granted a 25% discount on the monthly fees to all market issuers as result of the emergency state declared due the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

8. Operating expenses (continued)*(iii) Third party services*

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

	Year ended 31 December 2021	Year ended 31 December 2020
Legal consultancy and litigation assistance	3,334,033	3,928,831
Portfolio valuation services	1,641,202	1,630,453
Financial auditor's fees	833,465	651,912
Board of Nominees related costs	574,197	571,821
Investors' relations expenses	430,474	396,314
Tax compliance and advisory services	378,871	351,514
Public relations services	323,079	368,324
Regulatory and compliance expenses	274,880	323,510
Other services	1,182,032	778,920
	8,972,233	9,001,599

The financial audit fees are recorded in the year they relate to. The financial auditor of Fondul Proprietatea for the years 2021 and 2020 was Deloitte Audit SRL.

The total audit fees for the audit of the 2021 annual statutory financial statements, prepared in accordance with IFRS, amount approximately to RON 649,478, including VAT. In addition, during 2021 Deloitte Audit SRL provided other assurance and non-audit services specifically requested by the Financial Supervisory Authority, for a total fee of RON 183,987, including VAT.

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.

(iv) BON remunerations and related taxes

Remunerations and related taxes included the remunerations paid to the members of the Board of Nominees as well as the related taxes and contributions payable to the Romanian State budget (see Note 19 (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 until the date of these annual financial statements. The finance costs for the year ended 31 December 2021 of RON 91,250 (year ended 31 December 2020: RON 76,500) comprise the commitment fee on undrawn amounts from the credit facility.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

10. Income tax

No current tax and no deferred tax were recorded during the year ended 31 December 2021 and the year ended 31 December 2020.

	Year ended 31 December 2021	Year ended 31 December 2020
Reconciliation of effective tax rate		
Net gain/ (loss) profit for the period	5,012,644,707	(102,978,968)
Withholding tax on the dividend income	(6,143,500)	(10,522,671)
Profit/(Loss) excluding income tax	5,018,788,207	(92,456,297)
 Income tax (expense)/ benefit using the standard tax rate (16%)	 (803,006,113)	 14,793,008
<i>Impact on the income tax of:</i>		
Non-taxable income (other than dividend income)	728,073,121	266,851,876
Taxation applied on dividend income	98,678,453	184,462,450
Non-deductible expenses	(112,098,412)	(396,084,675)
Elements similar to revenues (taxable equity items)	(310,573)	(456,800)
Fiscal result impact in the current period	67,287,215	(80,088,530)
Profit appropriation to legal reserves (see Note 17 (c))	15,232,809	-
Tax on income (i.e. withholding tax on the dividend income)	(6,143,500)	(10,522,671)

The fiscal result impact as at 31 December 2021 of RON 67,287,215 included in the table above represents the current tax on profit for the year ended 31 December 2021 which was offset by the Fund's tax losses carried forward. 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.

As at 31 December 2021 and 31 December 2020 there is no income tax due or to be recovered from the State Budget by the Fund.

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

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

Basic earnings/(loss) per share is calculated by dividing the profit or loss for the period by the weighted average number of ordinary paid shares in issue during the period, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares (based on their settlement date). As at 31 December 2021 and 31 December 2020, none of the Fund's issued shares or other instruments had dilutive effect, therefore basic and diluted earnings/(loss) per share are the same.

	Year ended 31 December 2021	Year ended 31 December 2020
Profit/(Loss) for the period	5,012,644,707	(102,978,968)
Weighted average number of ordinary shares	5,931,017,632	6,496,260,041
Basic and diluted earnings/(loss) per share	0.8452	(0.0159)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

12. Cash and current accounts and deposits with banks

	31 December 2021	31 December 2020
Petty cash	536	114
Current accounts with banks	76,096	174,553
Distributions bank accounts	68,148,338	34,255,963
Cash and current accounts	68,224,970	34,430,630
	31 December 2021	31 December 2020
Bank deposits with original maturities of less than three months	347,303,041	659,913,925
Interest accrued on bank deposits	84,563	68,648
Deposits with banks	347,387,604	659,982,573

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 2021 and 31 December 2020 there is no difference between the carrying amount and tax base of assets and liabilities that could result in amounts that are deductible/ taxable when determining taxable profit or tax loss of future periods. In consequence, as at 31 December 2021 and 31 December 2020, the net deferred tax position is nil as the Fund did not recognise any deferred tax asset or deferred tax liability.

As at 31 December 2021 the unused fiscal loss carried forward amounts to RON 3,000,035,281 (31 December 2020: RON 3,420,608,901) out of which RON 2,499,510,496 will expire on 31 December 2022 and RON 500,524,785 will expire on 31 December 2027.

As at 31 December 2021 and 31 December 2020 the Fund did not recognise any deferred tax asset for the unused tax losses carried forward as there is a high probability that there will be insufficient future taxable profit against which the loss carried forward can be utilised.

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

There was no movement in the deferred tax position during the year ended 31 December 2021 and year ended 31 December 2020. The deferred tax balances during both these periods were zero.

14. Equity investments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

The movement in the carrying amounts of equity investments at fair value through profit or loss during the year ended 31 December 2021 and the year ended 31 December 2020 is presented below:

	Year ended 31 December 2021	Year ended 31 December 2020
Opening balance	9,246,709,268	11,413,083,382
Net gain/(loss) from equity investments at fair value through profit or loss (see <i>Note 6</i>)	4,455,723,508	(1,245,837,059)
Subscriptions to share capital increase of portfolio companies (see <i>Note 19 (b)</i>)	10,470,830	97,350
Reclassification to non-current assets held for sale (see <i>Note 15</i>)	(1,135,225,000)	-
Disposals	-	(920,634,405)
Closing balance	12,577,678,606	9,246,709,268

Portfolio

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

	31 December 2021	31 December 2020
Hidroelectrica SA	9,040,900,000	5,128,900,000
OMV Petrom SA	842,585,491	1,440,749,726
CN Aeroporturi Bucuresti SA	674,200,000	624,100,000
Engie Romania SA	522,700,000	538,800,000
Administratia Porturilor Maritime SA	294,400,000	235,800,000
E-Distributie Banat SA	245,100,000	272,700,000
Societatea Nationala a Sarii SA	216,700,000	201,200,000
E-Distributie Muntenia SA	206,700,000	227,800,000
E-Distributie Dobrogea SA	184,000,000	177,200,000
Alro SA	131,192,485	163,261,759
Enel Energie SA	61,100,000	52,500,000
Romaero SA	41,449,436	56,140,375
Enel Energie Muntenia SA	33,100,000	43,100,000
Zirom SA	26,156,500	24,884,700
CN Administratia Canalelor Navigabile SA	15,831,240	17,751,740
Other	41,563,454	41,820,968
Total equity investments	12,577,678,606	9,246,709,268

None of the equity investments are pledged as collateral for liabilities.

As at 31 December 2021, the classification of the fair value of equity investments of RON 12,577,678,606 by fair value hierarchy level (see *Note 5* for more details) is as follows: RON 973,777,976 under Level 1 (31 December 2020: RON 1,604,011,486) and RON 11,603,900,630 under Level 3 (31 December 2020: RON 7,642,697,782).

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(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

The table below presents the movement in Level 3 equity investments during the year ended 31 December 2021 and the year ended 31 December 2020:

	Year ended 31 December 2021	Year ended 31 December 2020
Opening balance	7,642,697,782	8,407,640,418
Net unrealised gain/(loss) recognised in profit or loss	3,950,732,018	(764,942,636)
Subscriptions to share capital increase of portfolio companies	10,470,830	-
Transfers in/(out) of Level 3	-	-
Closing balance	11,603,900,630	7,642,697,782

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 2021, the fair value for 89% of the Level 3 equity investments (31 December 2020: for 85% of the Level 3 equity investments) was determined by applying the market comparison technique using comparable trading multiples for EBITDA, while the fair value for almost 11% of the Level 3 equity investments (31 December 2020: for almost 15% of the Level 3 equity investments) was determined by applying the income approach using the discounted cash flow method. There was no significant change in the valuation technique used for the valuation of the holdings as at 31 December 2021 compared with that used as at 31 December 2020.

The valuation reports were prepared as at 31 October 2021, except the valuation report for the holding in Hidroelectrica SA which was prepared as at 31 December 2021 (for 31 December 2020: as at 31 October 2020), based on financial information available for the companies under valuation at the respective dates.

Based on the analysis of market multiples evolution used in the valuation reports and those as at the year-end, it resulted that there is no significant adjustment needed to be recorded on the portfolio values.

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

14. Equity investments (continued)

Given the current economic context, 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.

The achievement of the forecasts included in the valuation reports critically depends on the assumptions used, on the specific developments of the portfolio companies' business, on government legislation and, in case of electricity sector, on the decisions regarding the regulated tariffs for electricity distribution as well as on the continuing restructuring process of the power sector.

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.

Considering the economic uncertainties, the risks and the strong volatility existing in the capital markets, 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 of the available portfolio companies' financial information 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

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

Financial assets	Fair value as at 31 December 2021	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Total	11,603,900,630			
Unlisted equity instruments	10,317,127,618	Market approach - comparable companies (based on EBITDA multiple)	EBITDA multiple ranging from 4.02 - 11.50 (10.88) Discount for lack of marketability: 16.20% (16.20%)	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	1,230,362,631	Income approach - discounted cash flow method	Weighted average cost of capital ranging from 10.30% - 14.70% (11.53%) Discount for lack of marketability ranging from 11.4% - 16.3% (15.87%) Discount for lack of control: 0% - 26.7% (17.89%) Long-term revenue growth rate: 2.50% (2.50%)	The lower the weighted average cost of capital, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value. The lower the discount for the lack of control, the higher the fair value. The higher the long-term revenue growth rate, the higher the fair value.
Unlisted equity instruments	13,900,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 6.14 (6.14) Discount for lack of marketability: 22.8% (22.8%)	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: 0.43 (0.43)	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	42,510,381	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 2021

(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

Financial assets	Fair value as at 31 December 2020	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
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	13,100,000	Market approach - comparable companies (based on Price /Earnings multiple)	Price/Earnings value: 8.09 (8.09) Discount for lack of marketability: 24.0% (24.0%)	The higher the Price /Earnings multiple, the higher the fair value. The lower the discount for the lack of marketability, the higher the fair value.
Unlisted equity instruments	0	Market approach - comparable companies (based on Revenue multiple)	Revenue multiple: 0.35 (0.35)	Irrespective of the evolution of the unobservable inputs, the value of this investment is zero due to the negative equity value of this company generated by a high level of net debts.
Listed illiquid equity instruments	57,570,204	Bucharest Stock Exchange reference price	These shares are traded infrequently and have little price transparency. Fair values for these equity instruments were considered to be those used in the calculation of the net asset value of the Fund, in accordance with the regulations issued by the Financial Supervisory Authority.	

As at 31 December 2021 and 31 December 2020, the Fund's investments in companies in liquidation, dissolution, bankruptcy, insolvency, judicial reorganisation or which ceased their activity are valued at nil.

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(all amounts are in RON unless otherwise stated)

14. Equity investments (continued)

Significant unobservable inputs are the following:

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

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

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

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

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

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

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

15. Non-current assets held for sale

As at 31 December 2021, the Fund reclassified, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" requirements, the part of the holding in OMV Petrom SA subject to a bookbuild offering, as non-current assets held for sale. OMV Petrom SA is a listed company, highly traded on Bucharest Stock Exchange.

In January 2022, the Fund publicly announced that it had taken the decision to proceed with the partial sale of the investment in OMV Petrom SA through an accelerated bookbuild offering. Consequently, the Fund reclassified, in accordance with IFRS 5 requirements, the part of the holding in OMV Petrom SA subject to the bookbuild offering, as non-current assets held for sale. The sale offering was completed on 19 January 2022 for 2,275,000,000 shares representing approximately 57% of Fund's holding in OMV Petrom SA and the gross proceeds received from the disposal amounted to RON 978,250,000.

There were no assets classified as non-current assets held for sale as at 31 December 2020.

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(all amounts are in RON unless otherwise stated)

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

	31 December 2021	31 December 2020
Net dividends payable to shareholders	408,217,038	34,228,491
Returns of capital due to shareholders	28,664	151,946
	408,245,702	34,380,437

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

	Year ended 31 December 2021	Year ended 31 December 2020
Opening balance	34,380,437	31,988,947
Gross distributions approved during the period	1,191,868,702	417,965,383
Dividend withholding tax payable to State Budget	(38,120,648)	(14,702,177)
Payments of net distributions performed from the dedicated bank accounts	(777,941,710)	(398,016,717)
Distributions for which the statute of limitation occurred	(1,941,079)	(2,854,999)
Closing balance	408,245,702	34,380,437

The gross distributions amount also includes the estimated amount of the dividend distribution approved by the Fund's shareholders during 15 December 2021 meeting for which the payment will start on 18 February 2022. The dividend withholding tax payable to State Budget includes the accrual for the estimated withholding tax payable to State Budget during 2022 in relation with the distribution mentioned above.

(b) Other liabilities and provisions

	31 December 2021	31 December 2020
FTIS Administration fees	22,780,953	16,447,827
Tax on dividends due to State Budget	13,433,093	772,075
Payables related to treasury shares under settlement	1,372,217	-
Financial Supervisory Authority fees	946,208	778,355
Other liabilities	1,595,354	1,849,833
Provision for litigations	-	856,247
	40,127,825	20,704,337

The tax on dividends due to State Budget includes the accrual of RON 11,168,985 for the estimated withholding tax payable to State Budget during 2022 in relation with the dividend distribution approved by the Fund's shareholders during 15 December 2021 meeting.

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

The movement in the paid share capital is presented below:

	Year ended 31 December 2021	Year ended 31 December 2020
Opening balance	3,560,099,870	3,770,082,341
Cancellation of treasury shares	(414,939,869)	(209,982,471)
Closing balance	3,145,160,001	3,560,099,870

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

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

During the year ended 31 December 2021, the paid in share capital of the Fund decreased by RON 414,939,869 following the cancellation on 25 October 2021 of 797,961,287 treasury shares acquired by the Fund within the eleventh buyback programme.

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.

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

	31 December 2021	31 December 2020
Number of shares in issue	6,412,196,967	7,210,158,254
Number of paid shares	6,048,384,617	6,846,345,904
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 2021 was as follows:

Shareholder categories	% of subscribed share capital	% of paid share capital
Romanian institutional investors	37.05%	39.28%
Romanian private individuals	19.94%	21.14%
The Bank of New York Mellon (depository bank for the Fund's GDRs)	16.63%	17.63%
Foreign institutional investors	14.39%	15.25%
Foreign private individuals	3.21%	3.40%
Romanian State	0.10%	0.11%
Treasury shares	3.00%	3.19%
Unpaid shares (see Note 17(b))	5.68%	-
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 follows the legal requirements and will be booked only after the successful completion of the necessary legal steps.

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(all amounts are in RON unless otherwise stated)

17. Shareholders' equity (continued)**(b) Reserves related to the unpaid share capital (continued)**

As at 31 December 2021 and 31 December 2020 the fair value of the receivable related to the unpaid amounts from the Romanian State was nil. On 1 February 2022, the Romanian State, represented by the Ministry of Public Finance, transferred RON 189,182,422 to the Fund, as payment for all unpaid shares mentioned above. The registration of the new share capital structure (subscribed and paid-up) and of the total voting rights of the Ministry of Public Finance with the Trade Registry was completed in February 2022, while the registration with the Financial Supervisory Authority and the Central Depository is still ongoing at the date of the authorisation of these financial statements. The collection of the nominal value of the unpaid shares was assessed as a subsequent non-adjusting event.

(c) Other reserves

	31 December 2021	31 December 2020
Legal reserve	666,868,485	533,826,946
Other reserves	671,941,938	236,026,121
Distributions for which the statute of limitation occurred	123,281	5,573,278
Losses from cancellation of treasury shares (negative equity reserves)	(671,941,938)	(236,026,121)
	666,991,766	539,400,224

As required by the Romanian Companies' Law, a minimum 5% of the profit for the year must be transferred to the legal reserve until the reserve equals 20% of the issued share capital. The legal reserve cannot be used for distributions to shareholders. As at 31 December 2021, only an amount of RON 133,041,538 representing 3% of the 2021 profit before income tax was necessary to be transferred to the legal reserve so that the legal reserve to reach the threshold of 20% of the issued share capital. 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.

The amounts allocated to other reserves are to be used to cover the losses (negative reserves) recorded from cancellation of shares acquired through the buy-back programmes.

The Fund's shareholders' approved during the 28 April 2021 General Shareholders' Meeting ("GSM"), the allocation to other reserves of an amount of RON 671,941,938 from retained earnings and reserves resulted from the distributions for which the statute of limitation occurred, in order to be available for covering the negative reserves from cancellation of shares acquired during 2020 through the eleventh buy-back programme. The coverage of these negative reserves will be subject to shareholders' approval during 20 April 2022 GSM.

The other reserves balance as at 31 December 2020 of RON 236,026,121 was used to cover the negative equity reserves recorded from cancellation of shares acquired during the tenth buy-back programme, according to the resolution of the Fund's GSM held on 28 April 2021.

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

Since 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.

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(all amounts are in RON unless otherwise stated)

17. 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 2021:

1 January 2021	236,026,121
Coverage of the negative balance existing as at 31 December 2020 from other reserves, according to Resolution no.5 of 28 April 2021 Ordinary General Shareholders' Meeting	(236,026,121)
Negative equity reserve arising on the cancellation of shares acquired during the 11 th buy-back programme (recorded on 25 October 2021) according to share capital decrease Resolution no. 3 of 28 April 2021 Extraordinary General Shareholders' Meeting	671,941,938
31 December 2021	671,941,938

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

(d) Treasury shares

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

	GSM date approving the buy-back programme	Starting date	Completion date	Acquisition price range as approved by GSM
Twelfth buy-back programme	13-Nov-2020	1-Jan-2021	31-Dec-2021	RON 0.2 – 2.5 per share

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

The movement in the number of treasury shares (including the equivalent shares of GDRs bought-back) during the year ended 31 December 2021 and the year ended 31 December 2020 is presented in the tables below:

	Opening balance 1 January 2021	Acquisitions during the period	Cancellations during the period	Closing balance 31 December 2021
11th buy-back	797,961,287	-	(797,961,287)	-
12th buy-back	-	194,371,754	-	194,371,754
	797,961,287	194,371,754	(797,961,287)	194,371,754

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(all amounts are in RON unless otherwise stated)

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

	Opening balance 1 January 2020	Acquisitions during the period	Cancellations during the period	Closing balance 31 December 2020
10th buy-back	403,812,443	-	(403,812,443)	-
11th buy-back	-	797,961,287	-	797,961,287
	403,812,443	797,961,287	(403,812,443)	797,961,287

The movement of treasury shares carrying amounts during the year ended 31 December 2021 and the year ended 31 December 2020 is presented in the tables below:

	Opening balance 1 January 2021	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 31 December 2021
11th buy-back	1,086,443,209	438,598	(1,086,881,807)	-
12th buy-back	-	331,650,005	-	331,650,005
	1,086,443,209	332,088,603	(1,086,881,807)	331,650,005

The difference between the total 11th buy-back cost cancelled on 25 October 2021 (i.e. RON 1,086,881,807) included in the table above and the buy-back carrying amount presented in the audited financial statements for the year ended 31 December 2020 (i.e. RON 1,086,443,209) is due to the difference between the actual invoiced amounts as per invoices received by the Fund in 2021 and the related accrued costs booked in the Fund's accounting as at 31 December 2020.

	Opening balance 1 January 2020	Cost of treasury shares acquired	Cancellation of treasury shares	Closing balance 31 December 2020
10th buy-back	446,008,591	-	(446,008,591)	-
11th buy-back	-	1,086,443,209	-	1,086,443,209
	446,008,591	1,086,443,209	(446,008,591)	1,086,443,209

(e) Dividend distribution

During the 28 April 2021 General Shareholders Meeting, the Fund's shareholders approved the distribution of a gross dividend of RON 0.072 per share from 2016 and 2017 unallocated profits. The shareholders registered in the shareholders' registry with the Central Depository on 28 May 2021 have the right to receive a gross dividend of RON 0.072 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment started on 22 June 2021 and until the date of these annual financial statements, shareholders had collected almost 97% of the total distribution.

During the 16 July 2021 General Shareholders Meeting, the Fund's shareholders approved the distribution of a gross dividend of RON 0.070 per share from the remaining balance of 2017 and 2019 unallocated profits. The shareholders registered in the shareholders' registry with the Central Depository on 6 August 2021 have the right to receive a gross dividend of RON 0.070 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment started on 27 August 2021 and until the date of these annual financial statements, shareholders had collected almost 93% of the total distribution.

During the 15 December 2021 General Shareholders Meeting, the Fund's shareholders approved the distribution of a gross dividend of RON 0.060 per share from the remaining balance of 2019 unallocated profits. The shareholders registered in the shareholders' registry with the Central Depository on 28 January 2022 have the right to receive a gross dividend of RON 0.060 per share, proportionally with their participation in the paid-in share capital of the Fund. The payment will start on 18 February 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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17. Shareholders' equity (continued)**(f) Profit appropriation**

As per these annual financial statements, prepared in accordance with the IFRS, the Fund recorded a net profit for the financial year ended 31 December 2021 of RON 5,012,644,707. The Fund's Sole Director proposal, subject for shareholders' approval in accordance with the legislation in force, for the appropriation of the net accounting profit for the 2021 financial year in an amount of RON 5,012,644,707 is as follows:

- RON 133,041,538 to legal reserves;
- RON 777,032,797 to dividends;
- RON 230,576,693 to other reserves;
- RON 3,871,993,679 unallocated profit that remains available to the Fund's shareholders.

18. Contingencies**(a) Litigations**

At 31 December 2021, the Fund was involved in certain litigations, either as defendant or claimant. After analysing the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Fund considers that there are no litigations which may have significant effects on the Fund's financial position or profitability.

(b) Other contingencies

Other contingencies of the Fund included the receivables from World Trade Center Bucuresti SA and the debts regarding CN Aeroporturi Bucuresti SA share capital increase, as detailed below.

(i) Receivables from World Trade Center Bucuresti SA

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.

The amounts recovered from the enforcement procedure were 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.

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.

On 18 February 2020, the Court ruled in favour of the Fund in the case started against the Romanian State, represented by Ministry of Public Finance, for recovering the contributions of the Romanian State to the share capital of the Fund. The decision was issued in the first stage and Ministry of Public Finance appealed it. On 18 September 2020, Bucharest Court of Appeal admitted the appeal of Ministry of Public Finance. The Fund filled the second appeal which was rejected by the High Court of Cassation and Justice on 1 April 2021. The Fund is waiting to receive the full decision of the Court following to investigate the next actions that will be taken based on the argumentation of the High Court of Cassation and Justice.

Consequently, the amounts mentioned above are to be recovered by the Fund either from World Trade Center Bucuresti SA or from the Romanian State as payment for the shares which will be considered unpaid.

18. Contingencies (continued)**(b) Other contingencies (continued)***(b) CN Aeroporturi Bucuresti SA share capital increase*

CN Aeroporturi Bucuresti called through the convening notice published in the Official Gazette of Romania Part IV no. 3873/20.09.2021, a General Shareholders Meeting for 25 October 2021, in order to approve a share capital increase with the land located inside the Baneasa airport, brought as Romanian state's contribution in kind to the company's share capital. The proposed value for the share capital increase was initially RON 3,814,809,171. This is the third time when the process to increase the share capital is initiated since 2001 when Baneasa Airport received the land ownership certificates.

During 26 October 2021 (i.e. second call of the shareholders meeting) the share capital increase was approved only with Romanian State votes in favour as follows:

- The share capital increase approved was for RON 4,768,511,460, out of which:
 - RON 3,814,809,170 represents in kind contribution of Romanian State calculated as the value of the land parcels valued by the valuer appointed by Trade Register;
 - The amount of RON 953,702,290 represents the value of shares offered to be subscribed by Fondul Proprietatea for maintaining 20% participation in the share capital. The preference rights may be used by the Fund within 60 days calculated starting with the date when the shareholders resolution is published in the Official Gazette;
- After 60 days period expires, the share capital will increase with the value of paid-up shares (Romanian State contribution in kind being already considered to be completed);
- If the Fund will not subscribe, the unsubscribed shares will be cancelled and Fondul Proprietatea's holding will be diluted to 0.73%.

Fondul Proprietatea already expressed its opinion strongly disputing the fundamentally flawed land valuation report, as the land valuation report carried out in 2021 attributes a very high value to the land, despite a previously approved valuation report from 2017, which had set the value of the same land at RON 269 million.

Fondul Proprietatea commenced court proceedings for the annulment of the shareholders resolutions asking the court to suspend the entire process till the claim for annulment case is irrevocably closed, to protect the interest of the Fund and its shareholders.

Following the hearing that took place on 13 January 2022, the Bucharest Court of Appeal admitted the request of suspension filed by the Fund and ordered the suspension of the effects of the increase until the claim for the annulment of the CN Aeroporturi Bucuresti GSM is irrevocably settled.

Considering the above, the dilution risk was assessed as not significant as at 31 December 2021 and thus no additional adjustments were applied to the valuation of the company.

The Fund will continue to update its shareholders regarding the share capital increase process. The duration of court cases in Romania is not predictable. However, the Fund will use all legal available means to have a solution for this issue as soon as possible.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

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

	Year ended 31 December 2021	Year ended 31 December 2020
Total Fund's cost with BON remuneration, <i>out of which</i> :	1,434,117	1,376,217
- Net remuneration paid to BON members	1,132,228	987,464
- Related taxes and contributions payable to State Budget	301,889	388,753

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

Other costs incurred by the Fund in relation with the members of the Board of Nominees comprised:

	Year ended 31 December 2021	Year ended 31 December 2020
Professional insurance costs	482,707	324,046
Legal consulting and notary services	62,123	154,963
Other costs (accommodation, transport, meals etc)	29,367	92,812
	574,197	571,821

There were no loans between the Fund and the members of the Board of Nominees neither in 2021 nor in 2020.

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

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

(ii) Sole Director and Investment Manager

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

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

Transactions	Year ended 31 December 2021	Year ended 31 December 2020
Administration fees	87,239,913	65,906,915

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

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

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

Transactions	Year ended 31 December 2021	Year ended 31 December 2020
Rent expense charged to the Fund	79,798	7,463
Operating cost charged to the Fund	27,173	2,083
	106,972	9,546

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

Transactions	Year ended 31 December 2021	Year ended 31 December 2020
Rent expense charged to the Fund	-	70,922
Operating cost charged to the Fund	-	24,498
	-	95,421

During the year ended 31 December 2021, the Fund recorded RON 401,546 representing expenses incurred by FTIS Bucharest Branch on its behalf.

During the year ended 31 December 2020, the Fund recorded RON 443,812 representing expenses incurred by FTIML Bucharest Branch on its behalf.

These expenses were primarily related to expenses in the interest of protecting and promoting the image of the Fund and its securities (investor relations). The recharge of these expenses to the Fund followed the provisions of the management agreement in place at the respective moment and was subject to Board of Nominees' approval.

The outstanding liabilities owed by the Fund were as follows:

Amounts due to:	31 December 2021	31 December 2020
FTIS Luxembourg	22,780,953	16,447,827
FTIS Bucharest Branch	251,935	9,546
	23,032,888	16,457,372

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 2021	31 December 2020
Ownership interest		
Zirom SA	100%	100%
Alcom SA	72%	72%
Comsig SA	70%	70%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in RON unless otherwise stated)

19. Related parties (continued)**(b) Subsidiaries (continued)**

During the year ended 31 December 2021, the Fund recorded and collected the dividend distributed by Alcom SA in amount of RON 233,725 and participated in the cash share capital increase of Zirom SA, subscribing 1,000,000 new shares, at the nominal value of RON 10 per share (in total of RON 10,000,000).

During the year ended 31 December 2020, the Fund recorded and collected from Alcom SA dividends in total amount of RON 275,360. Also, on 8 January 2020, the registration with Romanian Trade Register of the share capital increase of Zirom SA performed in December 2019 was completed.

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

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

	31 December 2021	31 December 2020
Zirom SA	26,156,500	24,884,700
Alcom SA	9,453,631	8,863,429
Comsig SA	-	-
	35,610,131	33,748,129

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

(c) Associates

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

	31 December 2021	31 December 2020
Ownership interest		
Societatea Nationala a Sarii SA	49%	49%
Plafar SA	49%	49%

During the year ended 31 December 2021, the Fund recorded and collected a dividend of RON 5,626,066 (year ended 31 December 2020: RON 19,803,298) distributed by Societatea Nationala a Sarii SA and a dividend of RON 116,856 (year ended 31 December 2020: RON 100,097) distributed by Plafar SA.

Also, as at 31 December 2021 there was a balance due by Societatea Nationala a Sarii SA to the Fund amounted RON 7,519 (31 December 2020: RON 7,178) which comprised the outstanding dividend receivable distributed in 2018 of RON 6,378 (31 December 2020: RON 6,378) and the penalties for delay payment of dividends of RON 1,142 (31 December 2020: RON 800). This outstanding balance due by Societatea Nationala a Sarii SA to the Fund is fully impaired.

20. Subsequent events

Authorization of Fondul Proprietatea as an Alternative Investment Fund designed for retail investors

On 28 January 2022, the Financial Supervisory Authority authorized Fondul Proprietatea as a closed-end Alternative Investment Fund designed for retail investors, with BRD Groupe Société Générale as depositary.

Furthermore, the Financial Supervisory Authority also authorized the amendments to the Fund's constitutive act, as approved by the Fund's Extraordinary General Shareholders' Meeting Resolution on 14 January 2021 and the simplified Prospectus of Fondul Proprietatea.

Update on the Fund's share capital

On 1 February 2022, the Romanian State, represented by the Ministry of Finance paid RON 189,182,422 to the Fund, as payment for the unpaid shares owned by the Romanian State in the Fund (as at 31 December 2021, the Romanian State held 363,812,350 unpaid shares, each share having a nominal value of RON 0.52). This payment was performed in exercise of the Romanian State's rights under Law 247/2005 on the reform in the fields of property and justice, as well as some adjacent measures. Consequently, as of 1 February 2022, the new value of the Fund's subscribed and paid-up share capital is RON 3,334,342,422.84 (divided into 6,412,196,967 shares with a nominal value of RON 0.52/share). This collection of the nominal value of the unpaid shares was assessed as a subsequent non-adjusting event.

Russia – Ukraine military conflict

On 24 February 2022, Russia engaged in military actions on Ukraine territory. Fondul does not have any direct exposure to Russia and Ukraine. The Fund Manager is closely monitoring developments that may impact financial markets including sanctions, actions by governments and developments in Ukraine itself. The Fund Manager will further assess the impact on the portfolio companies operations and valuation and take any potential actions needed, as facts and circumstances are subject to change and may be specific to investment strategies and jurisdictions. At the authorization date of these annual financial statements, the Fund Manager is not able to reliably estimate the impact as events are unfolding day-by-day.

Annex 2

Statement of Assets and Obligations of Fondul Proprietatea SA as at 31 December 2021, prepared in accordance with FSA Regulation nr. 7/2020 (Annex no. 11)

	Item	31 December 2020				31 December 2021				Differences RON
		% of the net asset	% of the total asset	Currency	Total RON	% of the net asset	% of the total asset	Currency	Total RON	
I.	Total assets	100.5399%	100.0000%		10,322,346,256.28	103.3853%	100.0000%		13,693,013,395.43	3,370,667,139.15
1	Securities and money market instruments, out of which:	19.9739%	19.8669%		2,050,713,400.44	16.8980%	16.3445%		2,238,073,515.26	187,360,114.82
1.1	Securities and money market instruments admitted or traded on a regulated market from Romania, out of which:	19.9739%	19.8669%		2,050,713,400.44	16.8980%	16.3445%		2,238,073,515.26	187,360,114.82
	1.1.1 listed shares traded in the last 30 trading days	16.1838%	16.0970%	-	1,661,581,690.23	16.2384%	15.7066%	-	2,150,714,639.02	489,132,948.79
	1.1.2 listed shares not traded in the last 30 trading days	0.0863%	0.0859%	-	8,863,425.29	0.0774%	0.0748%	-	10,252,347.13	1,388,921.84
	1.1.3 other similar securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.1.4 bonds	3.7038%	3.6840%	-	380,268,284.92	0.5822%	0.5631%	-	77,106,529.11	(303,161,755.81)
	1.1.5 other title debts	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.1.6 other securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.1.7 money market instruments	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.1.8 allotment rights admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
1.2	Securities and money market instruments admitted or traded on a regulated market from a member state, out of which:	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
	1.2.1 listed shares traded in the last 30 trading days	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.2 listed shares not traded in the last 30 trading days	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.3 other similar securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.4 bonds	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.5 other title debts	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.6 other securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.7 money market instruments	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.2.8 allotment rights admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
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), out of which:	0.0000%	0.0000%		-	0.0000%	0.0000%		-	-
	1.3.1 listed shares traded in the last 30 trading days	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.2 listed shares not traded in the last 30 trading days	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.3 other similar securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.4 bonds	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.5 other title debts	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.6 other securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.7 money market instruments	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	1.3.8 allotment rights admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
2	New issued securities	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
3	Other securities and money market instruments mentioned in art. 83 paragraph (1) letter a) of the O.U.G. no. 32 / 2012 of which:	73.7930%	73.3967%		7,576,256,630.47	83.3471%	80.6180%		11,039,028,581.11	3,462,771,950.64
	- shares not admitted at trading	73.7930%	73.3967%	-	7,576,256,630.47	83.3471%	80.6180%	-	11,039,028,581.11	3,462,771,950.64
	- redeemed debentures	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- unlisted bonds	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- allotment rights not admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- rights not admitted at trading	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- other financial instruments	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-

	Item	31 December 2020				31 December 2021				Differences	
		% of the net asset	% of the total asset	Currency	Total RON	% of the net asset	% of the total asset	Currency	Total RON	RON	
4	Bank deposits, out of which:	6.4282%	6.3937%		659,982,573.15	2.6228%	2.5370%		347,387,604.24	(312,594,968.91)	
4.1	bank deposits made with credit institutions from Romania	6.4282%	6.3937%		659,982,573.15	2.6228%	2.5370%		347,387,604.24	(312,594,968.91)	
	- in RON	6.4282%	6.3937%		659,982,573.15	2.6228%	2.5370%		347,387,604.24	(312,594,968.91)	
4.2	bank deposits made with credit institutions from an EU state	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
4.3	Bank deposits made with credit institutions from a non-EU state	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
5	Derivatives financial instruments traded on a regulated market, out of which:	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
5.1	derivatives financial instruments traded on a regulated market from Romania (forward, futures and options, swaps, etc)	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
5.2	derivatives financial instruments traded on a regulated market from a EU state (forward, futures and options, swaps, etc)	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
5.3	derivatives financial instruments traded on a regulated market from a non-EU state (forward, futures and options, swaps, etc)	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
5.4	derivatives financial instruments traded on a regulated market (forward, futures and options, swaps, etc)	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
6	Current accounts and petty cash, out of which:	0.3353%	0.3335%		34,430,629.84	0.5150%	0.4982%		68,224,969.70	33,794,339.86	
	- in RON	0.3343%	0.3325%		34,325,895.24	0.5150%	0.4982%	-	68,217,161.58	33,891,266.34	
	- in EUR	0.0000%	0.0000%	EUR 610.18	2,971.21	0.0000%	0.0000%	EUR 728.90	3,606.67	635.46	
	- in GBP	0.0000%	0.0000%	GBP 463.12	2,510.16	0.0000%	0.0000%	GBP 348.80	2,057.71	(452.45)	
	- in USD	0.0010%	0.0010%	USD 25,026.03	99,253.23	0.0000%	0.0000%	USD 490.48	2,143.74	(97,109.49)	
7	Money market instruments, other than those traded on a regulated market, according to art. 82 letter g) of the O.U.G. no. 32/2012, din care:	0.0000%	0.0000%		0.00	0.0000%	0.0000%		0.00	-	
	-treasury bills with original maturities of less than 1 year	0.0000%	0.0000%	-	-	0.0000%	0.0000%		0.00	-	
8	Participation titles of F.I.A./O.P.C.V.M.									-	
9	Dividends or other receivable rights	0.0000%	0.0000%		0.00	0.0000%	0.0000%		0.00	0.00	
	- in RON	0.0000%	0.0000%	-	0.00	0.0000%	0.0000%		0.00	0.00	
	- in EUR	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
	- in USD	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
10	Other assets out of which:	0.0095%	0.0092%		963,022.38	0.0024%	0.0023%		298,725.12	(664,297.26)	
	- guarantee deposited to the broker for the buyback tender offer	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
	- receivables related to the cash contributions to the share capital increases performed by portfolio companies	0.0043%	0.0042%	-	445,140.00	0.0004%	0.0004%	-	54,000.00	(391,140.00)	
	- receivables related to transactions under settlement	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
	- tax on dividends to be recovered from the State Budget	0.0034%	0.0033%	-	348,524.00	0.0000%	0.0000%	-	-	(348,524.00)	
	- intangible assets	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
	- advance payments for intangible assets	0.0003%	0.0003%	-	28,384.79	0.0005%	0.0005%	-	53,682.69	25,297.90	
	- other receivables	0.0002%	0.0001%	-	5,180.00	0.0000%	0.0000%	-	1,146.25	(4,033.75)	
	- in RON	0.0001%	0.0001%	-	5,180.00	0.0000%	0.0000%	-	1,146.25	(4,033.75)	
	- in EUR	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
	- in USD	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-	
	- prepaid expenses	0.0013%	0.0013%	-	135,793.59	0.0014%	0.0014%	-	189,896.18	54,102.59	

	Item	31 December 2020				31 December 2021				Differences
		% of the net asset	% of the total asset	Currency	Total RON	% of the net asset	% of the total asset	Currency	Total RON	RON
II	Total liabilities	0.5399%	0.5369%		55,434,352.18	3.3852%	3.2745%		448,373,527.12	392,939,174.94
1	Liabilities in relation with the payments of fees due to the A.F.I.A.	0.1602%	0.1593%	-	16,447,826.86	0.1739%	0.1682%	-	23,032,887.84	6,585,060.98
	- in RON	0.0000%	0.0000%		0.00	0.0019%	0.0018%		251,934.52	251,934.52
	- in EUR	0.1602%	0.1593%	EUR 3,377,793.33	16,447,826.86	0.1720%	0.1664%	EUR 4,603,979.98	22,780,953.32	6,333,126.46
2	Liabilities related to the fees payable to the depositary bank	0.0004%	0.0004%	-	42,297.22	0.0004%	0.0004%	-	48,030.20	5,732.98
3	Liabilities related to the fees payable to intermediaries	0.0046%	0.0046%	-	475,920.00	0.0020%	0.0019%	-	262,242.00	(213,678.00)
	- in RON	0.0000%	0.0000%		0.00	0.0000%	0.0000%		0.00	-
	- in USD	0.0046%	0.0046%	USD 120,000.00	475,920.00	0.0020%	0.0019%	USD 60,000.00	262,242.00	(213,678.00)
4	Liabilities related to commissions and other bank services	-	-	-	-	0.0000%	0.0000%	-	-	-
5	Interest payable	0.0000%	0.0000%	-	0.00	0.0000%	0.0000%	-	-	-
6	Issuance expense	-	-	-	-	0.0000%	0.0000%	-	-	-
7	Liabilities in relation with the fees/commissions to FSA	0.0076%	0.0075%	-	778,355.05	0.0071%	0.0069%	-	946,208.06	167,853.01
8	Audit fees	0.0018%	0.0018%	-	189,408.19	0.0006%	0.0006%	-	78,704.69	(110,703.50)
9	Other Liabilities, out of which:	0.3653%	0.3633%		37,500,544.86	3.1909%	3.0865%		422,633,236.90	385,132,692.04
	- short term credit facility	-	-	-	-	0.0000%	0.0000%	-	0.00	-
	- liabilities to the Fund's shareholders related to the dividend distribution	0.3334%	0.3316%	-	34,228,490.76	3.1665%	3.0628%	-	419,386,022.90	385,157,532.14
	- liabilities related to the return of capital	0.0015%	0.0015%	-	151,945.60	0.0002%	0.0002%	-	28,664.00	(123,281.60)
	- liabilities related to Government securities under settlement	-	-	-	-	0.0000%	0.0000%	-	-	-
	- provisions	0.0083%	0.0083%	-	856,247.22	0.0000%	0.0000%	-	-	(856,247.22)
	- remunerations and related contributions	0.0003%	0.0003%	-	34,857.00	0.0002%	0.0002%	-	26,162.00	(8,695.00)
	- VAT payable to State Budget	0.0000%	0.0000%	-	904.81	0.0000%	0.0000%	-	-	(904.81)
	- tax on dividends payable to State Budget	0.0110%	0.0109%	-	1,120,599.00	0.0170%	0.0165%	-	2,264,108.00	1,143,509.00
	- other liabilities out of which:	0.0108%	0.0107%	-	1,107,500.47	0.0070%	0.0068%	-	928,280.00	(179,220.47)
	- in RON	0.0108%	0.0107%	-	1,107,500.47	0.0070%	0.0068%	-	928,280.00	(179,220.47)
	- in EUR	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- in USD	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
	- in GBP	0.0000%	0.0000%	-	-	0.0000%	0.0000%	-	-	-
10	Payables related to buybacks under settlement	0.0000%	0.0000%	-	0.00	0.0104%	0.0100%	-	1,372,217.43	1,372,217.43
III	Net Asset Value (I - II)	100.0000%	99.4631%		10,266,911,904.10	100.0000%	96.7255%		13,244,639,868.31	2,977,727,964.21

Unitary Net Asset Value

Item	31 December 2021	31 December 2020	Differences
Net Asset Value	13,244,639,868.31	10,266,911,904.10	2,977,727,964.21
Number of outstanding shares	5,854,012,863	6,048,384,617	-194,371,754
Unitary net asset value	2.2624	1.6974	0.5650

DETAILED STATEMENT OF INVESTMENTS AS AT 31 DECEMBER 2021

1. Securities admitted or traded on a regulated market in Romania, out of which:

1.1 Listed shares traded in the last 30 trading days (working 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 assets	Stake in Fondul Proprietatea net asset	Valuation method
Alro Slatina SA	ALR	30/Dec/2021	72,884,714	0.5	1.8000	131,192,485.20	10.21%	0.9581%	0.9905%	Closing price
IOR SA	IORB	30/Dec/2021	2,622,273	0.1	0.1000	262,227.30	0.82%	0.0019%	0.0020%	Closing price
OMV Petrom SA	SNP	30/Dec/2021	3,963,548,078	0.1	0.4990	1,977,810,490.92	6.99%	14.4439%	14.9329%	Closing price
Romaero SA	RORX	30/Dec/2021	1,311,691	2.5	31.6000	41,449,435.60	18.87%	0.3027%	0.3130%	Closing price
Total						2,150,714,639.02		15.7066%	16.2384%	

1.2. Shares not traded in the last 30 trading days (working 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 assets	Stake in Fondul Proprietatea net asset	Valuation method
Alcom SA	ALCQ	10/Feb/2017	89,249	2.5	105.9242	9,453,628.93	71.89%	0.0690%	0.0714%	Value based on the valuation report as at 31 October 2021 (applying the income approach using the discounted cash flow method)
Mecon SA	MECP	30/Jun/2021	60,054	11.6	13.3000	798,718.20	12.51%	0.0058%	0.0060%	Fair value (Last trading price)
Total						10,252,347.13		0.0748%	0.0774%	

1.3. Shares not traded in the last 30 trading days (working days) for which the financial statements are not obtained within 90 days from the legal filing dates

Not the case

1.4. Allocation rights admitted to trading

Not the case

1.5. Preferred rights admitted to trading

Not the case

1.6. Bonds admitted to trading issued or guaranteed by local government authorities / corporate bonds

Not the case

1.7. Bonds admitted to trading issued or guaranteed by central government authorities

ISIN code	Date of the last trading session	No. of instruments	Date of acquisition	Coupon date	Due Date	Initial Value	Daily interest	Cumulated interest	Cumulated discount/p premium	Market price / Reference composite price	Current value	Stake in total bonds issue	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset	Valuation method
RO1722DBN045	n/a	15,000	23/Nov/2021	8/Mar/2021	8/Mar/2022	75,000,000.00	6,986.30	2,088,904.11	0.00	100.0235%	77,106,529.11	0.7131%	0.5631%	0.5822%	Fair value (reference composite price published by Markit, including the cumulated interest)
Total								2,088,904.11			77,106,529.11		0.5631%	0.5822%	

1.8. Other securities admitted to trading on a regulated market

Not the case

1.9. Amounts under settlement related to the securities admitted or traded on a regulated market in Romania

Not the case

2. Securities admitted or traded on a regulated market from a member state of EU, out of which:

2.1. Shares traded in the last 30 trading days (working days)

Not the case

2.2. Bonds admitted to trading issued or guaranteed by local public administration authorities, corporate bonds

Not the case

2.3. Bonds admitted to trading issued or guaranteed by central government authorities

Not the case

2.4. Other securities admitted to trading on a regulated market in other EU member state

Not the case

2.5. Amounts being settled for securities admitted to or traded on a regulated market in other EU member state

Not the case

3. Securities admitted or traded on a regulated market from a non-member state of EU

3.1. Shares traded in the last 30 trading days (working days)

Not the case

3.2. Issued bonds admitted to trading or guaranteed by local government authorities, corporate bonds traded in the last 30 days (working days)

Not the case

3.3. Other securities admitted to trading on a regulated market in a non-member state of EU

Not the case

3.4. Amounts being settled for securities admitted to or traded on a regulated market in a non-member state of EU

Not the case

4. Money market instruments traded or listed on regulated markets in Romania

Not the case

Amounts being settled for money market instruments admitted or traded on a regulated market in Romania

Not the case

5. Money market instruments traded or listed on regulated markets from other EU member state

Not the case

Amounts under settlement related to money market instruments admitted or traded on a regulated market in another EU Member State

Not the case

6. Money market instruments traded or listed on regulated markets from a non-member state of EU

Not the case

Amounts under settlement related to money market instruments admitted or traded on a regulated market in a non-EU Member State

Not the case

7. Newly issued securities

7.1. Newly issued shares

Not the case

7.2. Newly issued bonds

Not the case

7.3. Preferential rights (after registration with the Central Depository, prior to admission to trading)

Not the case

8. Other securities and money market instruments mentioned in art. 83 paragraph (1) letter a) of the O.U.G. no. 32/2012

8.1 Other securities mentioned in art. 83 paragraph (1) letter a) of the O.U.G. no. 32/2012

8.1.1. Shares not admitted to trading

Issuer	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital %	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset	Company status	Valuation method
Aeroportul International Mihail Kogalniceanu - Constanta SA	23,159	10	72.5290	1,679,699.11	20.00%	0.0123%	0.0127%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the income approach using the discounted cash flow method)
Aeroportul International Timisoara - Traian Vuia SA	32,016	10	174.9125	5,599,998.60	20.00%	0.0409%	0.0423%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the income approach using the discounted cash flow method)
CN Administratia Canalelor Navigabile SA	203,160	10	77.9249	15,831,222.68	20.00%	0.1156%	0.1195%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the market comparison technique using comparable trading multiples for EBITDA)
CN Administratia Porturilor Dunarii Fluviale SA	27,554	10	132.7966	3,659,077.52	20.00%	0.0267%	0.0276%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the market comparison technique using comparable trading multiples for EBITDA)
CN Administratia Porturilor Dunarii Maritime SA	21,237	10	190.1067	4,037,295.99	20.00%	0.0295%	0.0305%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the market comparison technique using comparable trading multiples for EBITDA)
CN Administratia Porturilor Maritime SA	2,658,128	10	110.7546	294,399,903.39	19.99%	2.1500%	2.2228%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the income approach using the discounted cash flow method)
CN Aeroporturi Bucuresti SA	2,875,443	10	234.4682	674,199,944.41	20.00%	4.9237%	5.0904%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the income approach using the discounted cash flow method)
Complexul Energetic Oltenia SA	27,387,940	10	0.0000	0.00	21.55%	0.0000%	0.0000%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (valued at zero due to negative EBIT and high net debt)
Comsig SA	75,655	2.5	0.0000	0.00	69.94%	0.0000%	0.0000%	Administrative liquidation	Priced at zero
E-Distributie Banat SA	9,220,644	10	26.5816	245,099,470.55	24.12%	1.7900%	1.8506%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the market comparison technique using comparable trading multiples for EBITDA)
E-Distributie Dobrogea SA	6,753,127	10	27.2466	183,999,750.12	24.09%	1.3437%	1.3892%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the market comparison technique using comparable trading multiples for EBITDA)
E-Distributie Muntenia SA	3,256,396	10	63.4750	206,699,736.10	12.00%	1.5095%	1.5606%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the market comparison technique using comparable trading multiples for EBITDA)
Enel Energie Muntenia SA	444,054	10	74.5404	33,099,962.78	12.00%	0.2417%	0.2499%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the market comparison technique using comparable trading multiples for EBITDA)
Enel Energie SA	1,680,000	10	36.3690	61,099,920.00	12.00%	0.4462%	0.4613%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the market comparison technique using comparable trading multiples for EBITDA)
Engie Romania SA	2,390,698	10	218.6390	522,699,820.02	11.99%	3.8173%	3.9465%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the market comparison technique using comparable trading multiples for EBITDA)
Gerovital Cosmetics SA	1,350,988	0.1	0.0000	0.00	9.76%	0.0000%	0.0000%	Bankruptcy	Priced at zero

Fondul Proprietatea SA

Issuer	No. of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital %	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset	Company status	Valuation method
Hydroelectrica SA	89,437,916	10	95.3510	8,527,994,728.52	19.94%	62.2799%	64.3883%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the market comparison technique using comparable trading multiples for EBITDA)
Plafar SA	132,784	10	16.3634	2,172,797.71	48.99%	0.0159%	0.0164%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the income approach using the discounted cash flow method)
Posta Romana SA	14,871,947	1	0.9346	13,899,321.67	6.48%	0.1015%	0.1049%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the market comparison technique using comparable trading multiples for Price/Earnings)
Romplumb SA	1,595,520	2.5	0.0000	0.00	33.26%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Salubriserv SA	43,263	2.5	0.0000	0.00	17.48%	0.0000%	0.0000%	Bankruptcy	Priced at zero
Simtex SA	132,859	2.5	0.0000	0.00	30.00%	0.0000%	0.0000%	Juridical reorganisation	Priced at zero
Societatea Nationala a Sarii SA	2,011,456	10	107.7329	216,699,988.10	48.99%	1.5826%	1.6361%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the income approach using the discounted cash flow method)
World Trade Center Bucuresti SA	198,860	78.8	0.0000	0.00	19.90%	0.0000%	0.0000%	Insolvency	Priced at zero
Zirom SA	7,542,083	10	3.4680	26,155,943.84	100.00%	0.1910%	0.1975%	Unlisted companies, in function	Value based on the valuation report as at 31 October 2021 (applying the income approach using the discounted cash flow method)
Total				11,039,028,581.11		80.6180%	83.3471%		

8.1.2. Shares traded under systems other than regulated markets

Not the case

8.1.3. Unlisted shares valued at zero value (no updated financial statements submitted to the Trade Register)

Issuer	No of shares held	Nominal value	Share value	Total value	Stake in the issuer's capital	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset
World Trade Hotel SA	17,912	1	0.0000	0.00	19.90%	0.0000%	0.0000%
Total				0.00		0.0000%	0.0000%

8.1.4. Bonds not admitted to trading

Not the case

8.1.5. Amounts being settled for shares traded on systems other than regulated markets

Not the case

8.2. Other money market instruments mentioned in art. 83 paragraph (1) letter a) of the O.U.G. no. 32/2012

Commercial papers

Not the case

9. Available cash in the current accounts and petty cash

9.1. Available cash in the current accounts and petty cash in RON

Bank	Current value	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset
BRD Groupe Societe Generale*	68,148,338.02	0.4977%	0.5145%
Banca Comerciala Romana	52,405.04	0.0004%	0.0004%
CITI Bank	1,094.24	0.0000%	0.0000%
ING BANK	12,582.82	0.0001%	0.0001%
Raiffeisen Bank	1,106.74	0.0000%	0.0000%
Unicredit Tiriac Bank	1,098.56	0.0000%	0.0000%
Petty cash	536.16	0.0000%	0.0000%
Total	68,217,161.58	0.4982%	0.5150%

*The amount held with BRD Groupe Societe Generale represents cash held in the distributions bank accounts which can only be used for payments to shareholders.

9.2. Available cash in the current accounts and petty cash in foreign currency

Bank	Currency	Current value	NBR exchange rate	Current value (in RON)	Stake in Fondul Proprietatea total assets	Stake in Fondul Proprietatea net asset
BRD Groupe Societe Generale	EUR	728.90	4.9481	3,606.67	0.0000%	0.0000%
BRD Groupe Societe Generale	GBP	348.80	5.8994	2,057.71	0.0000%	0.0000%
BRD Groupe Societe Generale	USD	490.48	4.3707	2,143.74	0.0000%	0.0000%
Total				7,808.12	0.0000%	0.0000%

10. Bank deposits by categories: within credit institutions from Romania / EU Member States / non-member EU states

Bank deposits in RON

Name of the bank	Starting date	Maturity date	Initial value	Daily interest	Cumulative interest	Current value (RON)	Stake in Fondul Proprietatea total asset	Stake in Fondul Proprietatea net asset	Valuation method
CITI Bank	21/Dec/2021	11/Jan/2022	31,300,000.00	1,869.30	20,562.36	31,320,562.36	0.2287%	0.2365%	Bank deposit value cumulated with the daily related interest for the period from starting date
Banca Comerciala Romana	22/Dec/2021	12/Jan/2022	50,000,000.00	3,055.56	30,555.56	50,030,555.56	0.3654%	0.3777%	
Unicredit Tiriac Bank	28/Dec/2021	4/Jan/2022	96,100,000.00	4,938.47	19,753.89	96,119,753.89	0.7020%	0.7257%	
ING BANK	30/Dec/2021	3/Jan/2022	159,700,000.00	6,654.16	13,308.33	159,713,308.33	1.1664%	1.2059%	
BRD Groupe Societe Generale	31/Dec/2021	3/Jan/2022	10,203,041.49	382.61	382.61	10,203,424.10	0.0745%	0.0770%	
Total			347,303,041.49		84,562.75	347,387,604.24	2.5370%	2.6228%	

11. Derivative financial instruments traded on a regulated market

11.1. Future contracts

Not the case

11.2. Options

Not the case

11.3. Amounts under settlement for derivative financial instruments traded on a regulated market

Not the case

12. Derivative financial instruments traded outside of the regulated markets

12.1. Forward contract

Not the case

12.2. Swap contract

Not the case

12.3. Contracts for differences

Not the case

12.4. Other derivative contracts regarding securities, currencies, interest or profitability rates or other derivative instruments, financial indices or financial indicators / other derivative contracts regarding goods to be settled in cash or which may be settled in cash at the request of one of the parties

Not the case

13. Money market instruments, other than those traded on a regulated market, according with art. 82 letter g) of the O.U.G. no. 32/2012

Treasury bills

Not the case

14. Participation titles in the O.P.C.V.M. / AOPC

14.1. Participation titles denominated in RON

Not the case

14.2. Participation titles denominated in foreign currency

Not the case

14.3. Amounts under settlement regarding participation titles denominated in RON

Not the case

14.4. Amounts under settlement regarding participation titles denominated in foreign currency

Not the case

15. Dividends or other receivable rights

15.1. Dividends receivable

Not the case

15.2. Shares distributed without cash consideration

Not the case

15.3. Shares distributed with cash consideration

Not the case

15.4. The amount to be paid for shares distributed in exchange of cash consideration

Not the case

15.5. Preference rights (before admission to trading and after the trading period)

Not the case

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

Item	31 December 2019	31 December 2020	31 December 2021
Net Asset	11,871,445,439.59	10,266,911,904.10	13,244,639,868.31
NAV/share	1.7339	1.6974	2.2624

Leverage of Fondul Proprietatea

Method type	Leverage level	Exposure amount
a) Gross method	99.66%	13,200,003,375.38
b) Commitment method	100.00%	13,244,639,868.31

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

BRD Groupe Societe Generale

Johan Meyer
Permanent representative

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 2021 prepared for:

Entity: Fondul Proprietatea SA

Address: Bucharest, District 1, 76–80, Buzesti 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 2021 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 2021, includes an accurate overview of the developments and performance of Fondul Proprietatea SA, as well as a description of the main risks and uncertainties related to the business.

Johan Meyer

Permanent Representative

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

Catalin Cadaru

Financial Reporting Manager

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

Annex 4 Compliance with the corporate governance requirements

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

Code Provisions

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 with subsequent events

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, and the remuneration 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 2021 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.	✓		

Regulation Provisions	Complies	Does not comply/partially complies	Reason for non-compliance
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.	✓		
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.		

Annex 5 The Remuneration Report of Fondul Proprietatea SA for 2021 financial year

Chapter I. Preamble

This Remuneration Report (*“the Report”*) of Fondul Proprietatea SA, a joint-stock company incorporated under the laws of Romania, qualifying as an alternative investment fund under Law no. 74/2015 on alternative investment fund managers and Law no. 243/2019 on alternative investment funds, amending and supplementing certain normative acts and as an issuer under Law no. 24/2017 on issuers of financial instruments and market operations (the *“Issuers Law”*), an entity supervised by the Financial Supervisory Authority (*“FSA”*), has been discussed by the Board of Nominees of Fondul Proprietatea SA (*“Fondul Proprietatea / the Fund”*) in accordance with the Fund’s Remuneration Policy¹ and Issuers Law, in order to present the remuneration granted to the Fund Manager², Franklin Templeton International Services S.À R.L. Luxembourg, and to the Board of Nominees during the financial year ending on 31 December 2021.

Fondul Proprietatea’s Remuneration Policy mentioned above was approved on 28 April 2021 by the Annual General Meeting of Shareholders of the Fund with 99.66% of the validly cast votes (*“Remuneration Policy”*).

This Report provides an overview of the remunerations, including all benefits, if any, regardless of their form, which were granted or due for the last financial year ended 31 December 2021 to the Fund Manager, based on the Management Agreement in force between 1 April 2020 – 31 March 2022, and to each member of the Board of Nominees, including the newly appointed and former members, in accordance with the Remuneration Policy.

The remunerations for 2021 of both Fund Manager and Board of Nominees’ members have been paid in full compliance with the Remuneration Policy; the Fund did not apply any deviations or derogations from the Remuneration Policy. There were no key events in the Fund’s business environment affecting the remunerations.

¹The Remuneration Policy is available here: <https://www.fondulproprietatea.ro/about-fund/fund-overview/corporate-governance>

² During 2021, the Fund was managed by Franklin Templeton International Services S.À R.L. as its Sole Director and Alternative Investment Fund Manager under the AIFM Directive and local implementation regulations, based on the Management Agreement in force between 1 April 2020 – 31 March 2022 (according to 28 June 2019 GSM Resolution). The portfolio management and the administrative activities are performed by FTIS via its Bucharest Branch.

The new Management Agreement approved by the Fund's OGSM Resolution no. 15/15 December 2021, with the key commercial terms approved by the Fund's shareholders during the 29 September 2021 OGSM (including the remuneration of the Fund Manager), will enter into force starting with 1 April 2022 for a 2-year duration. The new Management Agreement is available on the Fund's webpage <https://www.fondulproprietatea.ro/files/live/sites/fondul/files/en/gsm-decisions/2021/15%20December/OGM%2015.%20Resolution.pdf>.

For transparency purposes, this Report also reflects information regarding the remuneration policy of the Fund Manager and an overview of the remuneration paid by the Fund Manager to its staff members in relation with Fondul Proprietatea during the year ended 30 September 2021 (for the Fund Manager, the financial year is ending on 30 September), without representing an additional cost for the Fund.

This Report will be presented to the advisory vote of the Ordinary General Meeting of Shareholders planned for 20 April 2022, being an annex of the financial annual report of the Fund for the financial year ending on 31 December 2021.

Chapter II. Management structure of the Fund

Fund Manager

During 2021, the Fund was managed by 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, 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, as its Sole Director and AIFM (the “*Fund Manager / AIFM*”) under the AIFM Directive and local implementation regulations, based on the management agreement executed between the Fund and the Fund Manager (the “*Management Agreement*”) in force during the period 1 April 2020 – 31 March 2022 (according to 28 June 2019 General Meeting of Shareholders Resolution). The Management Agreement is available on the Fund’s website at <https://www.fondulproprietatea.ro/home/fund-management/management-agreement.html>.

Board of Nominees

The Board of Nominees consists of five members appointed by the ordinary general meeting of shareholders in order to supervise, scrutinise and evaluate the activity of the Fund Manager and the fair treatment of all shareholders, in accordance with the provisions of the Fund’s Constitutive Act.

During 2021, the following persons were members of the Board of Nominees:

Name	First appointment date	Expiration date
Mr. Piotr Rymaszewski	5 April 2012	5 April 2021
Mr. Julian Healy	21 March 2012	5 April 2021
Mr. Mark Gitenstein	23 April 2013	18 December 2021
Mrs. Ilinca von Derenthall	26 November 2020	26 November 2023
Mr. Ciprian Ladunca	16 November 2020	16 November 2023
Mr. Nicholas Paris	6 April 2021	6 April 2024
Mr. Ömer Tetik	6 April 2021	6 April 2024

Mr. Nicholas Paris was appointed as member of the Board of Nominees starting with 6 April 2021 further to the expiration of Mr. Julian Healy mandate on 5 April 2021.

Mr. Ömer Tetik was appointed as member of the Board of Nominees starting with 6 April 2021 further to the expiration of Mr. Piotr Rymaszewski mandate on 5 April 2021.

Mr. Mark Gitenstein resigned from his positions held within the Fund’s Board of Nominees and all consultative committees of the Fund with the effective date on 18 December 2021.

Chapter III. Remuneration Policy of the AIFM

FTIS, as AIFM, has a remuneration policy in place regarding the amounts charged in relation with the alternative investment funds 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 following link: https://franklintempletonprod.widen.net/s/9dcc5zrspl/ftis-remuneration_statement_final and in the Annex 2 to this report. 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 company cars, 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.

Information regarding the **remuneration paid by FTIS to its staff members in relation with Fondul Proprietatea** during the year ended 30 September 2021 (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	<i>Amount (EUR)</i>	<i>No. of beneficiaries</i>
Total remuneration in relation with Fondul Proprietatea for the financial year ended 30 September 2021, out of which:	689,561	269
Fixed remuneration paid by FTIS to members of staff	523,282	269
Variable remuneration paid by FTIS to members of staff, except for performance fees	166,279	249
Variable remuneration representing performance fees	-	-

Source: FTIS

Name	<i>Amount (EUR)</i>
Remuneration paid to the identified staff members in relation with Fondul Proprietatea for the financial year ended 30 September 2021	
Remuneration paid to members of the board of directors or of the supervisory board	20,878
Remuneration paid to senior management (Key decision makers)	162,292
Remuneration paid to members of staff with control responsibilities (compliance, risk management, internal audit, etc.)	34,435
Remuneration paid to members of staff whose actions have a material impact on the risk profile of the Fund	-
Total	217,605

Source: FTIS

For more details regarding the remuneration paid by FTIS to its staff members in relation with Fondul Proprietatea during the financial year ended 30 September 2021 please refer to Annex 1.

Chapter IV. Remuneration of the Fund Manager

The remuneration of the Fund Manager is part of the Management Agreement negotiated with the Fund Manager and approved by the Fund's shareholders, being in line with the Remuneration Policy.

In accordance with the Management Agreement, the Fund Manager must manage the Fund's portfolio in accordance with, and must comply with, all the obligations undertaken under the Investment Policy Statement and seek to achieve the performance objectives therein, including (without limitation) the Discount Objective and the NAV Objective, as detailed under both Management Agreement and Investment Policy Statement. The NAV objective refers to an Adjusted NAV 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.

The detailed Investment Policy Statement can be found on the Fund's website at: <https://www.fondulproprietatea.ro/about-fund/fund-overview/corporate-governance>.

The Adjusted NAV per share as at 31 December 2021 of RON 2.4689 was 45.45% higher than the 31 December 2020 NAV per share of RON 1.6974. In the period between 1 January 2021 and 31 December 2021, the share price discount to NAV was below 15%, for both shares and GDRs, except for few trading days in the last quarter of 2021.

Thus, both performance objectives were fulfilled for 2021.

The Fund Manager will continue its efforts to reduce and maintain a low discount to NAV and believes that the Fund's shares should be trading at a low level of discount to NAV given the quality of the underlying portfolio assets, the track record in working with the portfolio companies to improve efficiency and profitability, the attractive dividend yield, the ongoing buy-back programs and the transparency, disclosure, and proactive investor relations efforts.

The Fund Manager is committed to its continued efforts to protect shareholders' value and to implement the necessary measures in accordance with the Investment Policy Statement. Also, since the beginning of the year, the Fund Manager proposed, and shareholders already approved, the following cash distributions:

- during the 28 April 2021 shareholders' meeting a gross cash special dividend distribution of RON 0.0720 per share with payment date starting on 22 June 2021;
- during the 16 July 2021 shareholders' meeting a gross cash special dividend distribution of RON 0.0700 per share with payment date starting on 27 August 2021;
- during the 15 December 2021 shareholders' meeting a gross cash special dividend distribution of RON 0.0600 per share with payment date starting on 18 February 2022.

The remuneration structure of the Fund Manager for 2021 year was the following:

All amounts in RON equivalent

Total gross remuneration	Fixed remuneration (Base Fee)		Additional base fee (Performance fee)		Variable remuneration (Distribution Fee*)	
	Value	Proportion	Value	Proportion	Value	Proportion
87,239,913	61,994,838	71%	10,064,361	12%	15,180,715	17%

The remuneration presented above includes also the accruals booked in the accounting for the fees related to 2021 to be invoiced by the Fund Manager in 2022.

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

Transactions	Year ended 31 December 2021
Rent expense charged to the Fund	79,798
Operating cost charged to the Fund	27,173
	106,972

During 2021, the Fund also recorded RON 401,546 representing expenses incurred by Fund Manager on its behalf. These expenses were primarily related to expenses in the interest of protecting and promoting the image of the Fund and its securities (investor relations). The recharge of these expenses to the Fund follows the provisions of the management agreement in place and are subject to Board of Nominees' approval.

The Fund Manager (i) did not obtain any other benefits from Fondul Proprietatea and (ii) did not receive any remuneration from any affiliated entity to Fondul Proprietatea.

There is no stock option plan offered by the Fund to its Manager.

* For more details regarding the calculation formulas of the Base Fee, Performance Fee and Distribution Fee, please refer to Chapter V, Section 2 of the Remuneration Policy of Fondul Proprietatea available on the Fund's website at: <https://www.fondulproprietatea.ro/about-fund/fund-overview/corporate-governance>

Chapter V. Remuneration of the Board of Nominees' members

Each member of the Board of Nominees receives a fixed remuneration, as approved through the Resolutions of the Fund's Ordinary General Meeting of Shareholders no. 9 of 29 October 2015 and no. 5 of 14 February 2018, being in line with the Remuneration Policy; no malus/claw back arrangement is in place.

The remuneration structure of each member of the Board of Nominees for 2021 year was as follows:

All amounts in RON

Name, Position	Total gross remuneration	Proportion of the fixed remuneration	Proportion of the variable remuneration
Mr. Piotr Rymaszewski, Chairman between 1 January 2021 - 5 April 2021	74,666	100%	N/A
Mr. Julian Healy, Member between 1 January 2021 – 5 April 2021	74,666	100%	N/A
Mr. Mark Gitenstein, Member between 1 January 2021 - 18 December 2021	278,511	100%	N/A
Mrs. Ilinca von Derenthall, Member between 1 January 2021 - 11 April 2021 and Chairperson between 12 April 2021 – 31 December 2021	289,476	100%	N/A
Mr. Ciprian Ladunca, Member between 1 January 2021 - 31 December 2021	289,476	100%	N/A
Mr. Nicholas Paris, Member between 6 April 2021 - 31 December 2021	213,661	100%	N/A
Mr. Ömer Tetik, Member between 6 April 2021 - 31 December 2021	213,661	100%	N/A

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

During 2021, the Fund supported also the costs below related to the Board of Nominees.

All amounts in RON equivalent

Name	Costs related to meetings (transport and accommodation)	Costs related to new appointments
Mr. Piotr Rymaszewski	-	N/A
Mr. Julian Healy	-	N/A
Mr. Mark Gitenstein	-	N/A
Mrs. Ilinca von Derenthall	11,320	N/A
Mr. Ciprian Ladunca	-	N/A
Mr. Nicholas Paris	3,261	4,959
Mr. Ömer Tetik	-	357

The costs related to Board of Nominees meetings were not significant during the year due to restrictions imposed under COVID-19 pandemic which limited the number of participants in person (physical presence) to the meetings and encouraged remote participation through online platforms.

Other costs incurred by the Fund in relation with the members of the Board of Nominees comprised:

Costs	RON
Professional insurance costs	482,707
Legal consulting services	61,034
Other costs (meals, business cards, notary services, translations etc)	10,560
Total	<u>554,300</u>

There were no loans between the Fund and the members of the Board of Nominees.

Chapter VI. Comparative information on the amendment of the remuneration and on the Company's performance for the last 5 financial years

Fund Manager Remuneration*					
	Financial year 2021 compared to financial year 2020	Financial year 2020 compared to financial year 2019	Financial year 2019 compared to financial year 2018	Financial year 2018 compared to financial year 2017	Financial year 2017 compared to financial year 2016
Annual amendment	No change in the fees structure	No change in the fees structure	No change in the fees structure	starting 1 April 2018, the base for the calculation of the Distribution fee of 100 bps included the dividend distributions as well; no change in the other fees	see the fees structure presented below; this structure was in place starting 1 April 2016, when a new mandate started

The total remuneration payable to the Fund Manager in the last 5 years is presented in the table below:

Total remuneration	2021	2020	2019	2018	2017
Amount in RON	87,239,913	65,906,915	54,699,657	60,515,467	78,117,008
Variation% YoY	+32%	+20%	-10%	-23%	+35%

The variation of the remuneration payable to the Fund Manager year-over-year is determined by:

- the Fund's market capitalization,
- the discount of the Fund's share price to net asset value per share,
- the distributions made available to the Fund's shareholders (including, without limitation, repurchases of own Fund's shares and GDRs, dividends, returns of capital).

The structure of the administration fees during the last 5 years was as follows:

Administration fees	2021	2020	2019	2018	2017
Base fee	No change	No change	No change	No change	60 bps applied on market capitalization
Performance fee	No change	No change	No change	No change	An additional base fee of 0.05% is payable as performance fee when the

* The last five years cover two mandates of the Fund Manager; the current mandate has started on April 1, 2020.

Administration fees	2021	2020	2019	2018	2017
					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%
Distribution fee on buy-backs (including, without limitation, repurchases of own shares and GDRs)	No change	No change	No change	100 bps	- 200 bps up to and including 31 March 2017 - 150 bps from 1 April 2017 up to and including 30 September 2017 - 100 bps from 1 October 2017 up to and including 1 April 2018
Distribution fee on returns of capital	No change	No change	No change	100 bps	- 200 bps up to and including 31 March 2017 - 150 bps from 1 April 2017 up to and including 30 September 2017 - 100 bps from 1 October 2017 up to and including 1 April 2018
Distribution fee on dividend distributions	No change	No change	No change	- No fee up to and including 31 March 2018 - 100 bps starting 1 April 2018	No fee

Board of Nominees' members Remuneration					
Annual amendment	Financial year 2021 compared to financial year 2020	Financial year 2020 compared to financial year 2019	Financial year 2019 compared to financial year 2018	Financial year 2018 compared to financial year 2017	Financial year 2017 compared to financial year 2016
Mr. Piotr Rymaszewski	No amendment	No amendment	No amendment	21% increase (see Note below)	No amendment
Mr. Mark Gitenstein	No amendment	No amendment	No amendment	21% increase (see Note below)	No amendment
Mr. Julian Healy	No amendment	No amendment	No amendment	21% increase (see Note below)	No amendment
Mrs. Ilinca von Derenthall	No amendment	N/A	N/A	N/A	N/A
Mr. Ciprian Ladunca	No amendment	N/A	N/A	N/A	N/A
Mr. Nicholas Paris	N/A	N/A	N/A	N/A	N/A
Mr. Ömer Tetik	N/A	N/A	N/A	N/A	N/A

N/A was mentioned for the cases where the respective person was not a member of the Fund's Board of Nominees in the respective year or when the person was elected in the respective year and consequently the comparatives are not applicable

Note:

Following the taxation changes regarding salaries and other income assimilated to salaries starting 1 January 2018, respectively the transfer of the social contributions from employers to employees, the Fund's shareholders approved during 14 February 2018 GSM, the increase of the gross remuneration paid to the Board of Nominees starting with 1 January 2018, so that the net remuneration of Board of Nominees members to remain the same as in December 2017. Thus, starting 1 Jan 2018, the gross remuneration per Board of Nominees' member increased from RON 20,000 to RON 24,123 (by 21%)

The annual gross remuneration payable by the Fund to the Board of Nominees in the last 5 years is presented in table below:

Total remuneration	2021	2020	2019	2018	2017
Amount in RON	1,434,117	1,376,217	1,407,175	1,447,380	1,200,000
Variation% YoY	+4%	-2%	-3%	+21%	0%

The variations year-over-year during 2018 – 2021 were due to the periods when the number of Board of Nominees members was lower than 5 (the complete number). Thus, the total gross annual remuneration should have been RON 1,447,380 in each year from the period 2018-2021, but the annual amounts were different because there were periods when there was a smaller number of members in the Board of Nominees due either to their resignation or as result of the expiration of their mandates.

Fondul Proprietatea Performance (distributions to shareholders)					
	Financial year 2021 compared to financial year 2020	Financial year 2020 compared to financial year 2019	Financial year 2019 compared to financial year 2018	Financial year 2018 compared to financial year 2017	Financial year 2017 compared to financial year 2016
Cash Distributions to shareholders (including dividends, returns of capital) – total gross amounts in RON	840,627,930	417,965,383	642,318,809	499,976,344	924,046,244
Variation% YoY	+101%	-35%	+28%	-46%	+79%
Buy-backs* in RON (including, without limitation, repurchases of own shares and GDRs either thru daily trades or Tender Offers)	328,053,551	1,065,008,457	439,032,611	1,370,570,876	819,975,074
Variation% YoY	-69%	+143%	-68%	+67%	+22%

* The Buy-backs amounts comprise the acquisition cost at trade price, excluding brokerage fees and other acquisition related costs

Fondul Proprietatea Performance (year-end results)					
	Financial year 2021 compared to financial year 2020	Financial year 2020 compared to financial year 2019	Financial year 2019 compared to financial year 2018	Financial year 2018 compared to financial year 2017	Financial year 2017 compared to financial year 2016
Annual net Profit/ (Loss) in RON as per audited IFRS financial statements	5,012,644,707	(102,978,968)	3,129,870,912	935,091,985	1,289,896,039
Variation% YoY	+4968%	-103%	+235%	-28%	+189%
NAV/share in RON (calculated as per FSA regulation, certified by the custodian)	2.2624	1.6974	1.7339	1.4095	1.2375
Variation% YoY	33%	-2%	23%	14%	4%
Share's Closing Price published by BSE	1.9900	1.4500	1.2100	0.8830	0.8640
Variation% YoY	37%	20%	37%	2%	9%

NAV/share and Share's Closing Price are for the last working day and respectively, last trading day of the year

The main contributor to the Fund's annual result and NAV is the net change in fair value of the Fund's equity investments. Thus, the loss recorded in 2020 was due 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, partially netted off by the gross dividend income from portfolio companies.

Chapter. VII. Environmental, social and governance (ESG)

Franklin Templeton (FT), the Fund Manager, recognizes that ESG factors can be a driver of long-term investment performance and may have impacts on the portfolio investments. FT believes these factors should be considered alongside with the traditional financial measures to provide a more comprehensive view of the value, risk and return potential of an investment. With this understanding, FT is committed to the integration of ESG factors into its investment management processes and ownership practices.

The Fund Manager's goal is to deliver strong, long-term results for the investors and institutions who entrust their capital to the Fund. FT strives to continuously embed ESG best practices and analytics in its investment processes through a materiality lens, as believes this can help it identify investment opportunities and mitigate ESG risks as it seeks to generate returns for investors and shareholders over the long term. In FT's view, considering ESG issues as part of the investment decision-making process results in a more integrated view of the risk and return potential of an investment.

FT's Stewardship and Sustainability Council, which has leadership representation from all of its Specialist Investment Managers, provides a forum to share and collaborate on common sustainability challenges. The Fund Manager's investment team also receive strategic advice from the Global Sustainability Strategy Team who liaise across all business functions to drive and embed sustainability throughout the organization. FT's investment teams are further supported by the independent Investment Risk Management Group, which incorporates ESG factors into portfolio risk reviews to help identify any unintended ESG risk exposures.

To incentivise the integration of stewardship into FT's investment decisions, measurement of sustainability risks and factors, including good stewardship will be considered in the management performance assessment for all members of our investment teams. Compliance with the ESG policies governing the monitoring and management of sustainability risks will be among the non-financial metrics that determine total compensation of FT's investment teams.

In addition to 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*") and The EU's Regulation on the establishment of a framework to facilitate sustainable investment (the '*Taxonomy Regulation*'), the FCA and UK Government introduced the Task Force on Climate-related Financial Disclosures ('*TCFD*'). To help companies comply with these disclosure requirements, the Financial Reporting Council's Financial Reporting Lab has recently published a '*TCFD: ahead of mandatory reporting*' report (the '*Lab Report*'), which provides examples of good disclosure practices by companies that have already voluntarily adopted the TCFD framework.

According to the Lab Report there are four core elements of recommended climate-related financial disclosures that apply to organisations across sectors and jurisdictions:

- *Governance*: how management consider and assess climate-related issues;
- *Strategy*: how the business model of the company may be affected by climate-related issues, whether it targets to be sustainable, and how the company may respond to the challenge posed by climate change, including what changes the company might need to make to strategy;
- *Risk Management*: the risks and opportunities presented by climate change including the prioritisation, likelihood and impact, what scenarios might affect the company's sustainability and viability, and how the company is responding to such risks;
- *Metrics and Targets*: the metrics and targets used to assess and manage relevant climate-related risks and opportunities at the level of its portfolio.

The TCFD is not directly applicable to Fondul Proprietatea, as the Fund is not domiciled in UK. However, due to the fact that the Fund's financial instruments are listed on London Stock Exchange there may be an expectation to have proper climate change disclosures in future reports.

Currently, the Taxonomy Regulation is limited in its application on an initial basis to only two of the six environmental objectives – climate change mitigation and climate change adaptation, as defined under the Taxonomy Regulation.

However, both the EU legislation (i.e. European Union Directive on Non-Financial Reporting nr. 2014/95/EU) and the applicable Romanian legislation (i.e. 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) require the disclosure of non-financial information regarding the social, environmental and governance challenges only by large public-interest companies with more than 500 employees. As Fondul Proprietatea does not meet the criteria of 500 employees, ESG disclosure is currently not applicable in its case.

Chapter VIII. Disclosure

This Report will be published on the Fund's website, www.fondulproprietatea.ro, and will remain publicly available, free of charge, for a period of 10 years from its publication, in accordance with the Issuers Law.

A paper version will be made available upon request to the Fund.

This report was verified by the financial auditor and discussed by the Board of Nominees on 24 February 2022.

Subject to the Fund's shareholders' approval during 20 April 2022 Ordinary General Meeting of Shareholders.

Annex 1 – Remuneration paid by AIFM to its staff members in relation with Fondul Proprietatea during the financial year ended 30 September 2021

Indicators	Amounts relating to the activity carried out in the year 2021 (n) (EUR)	Amounts paid during the year 2021 (n) (EUR)	Amounts payable during the reporting year (n+1) or deferred (EUR)	No. of beneficiaries
1. Remuneration paid to all members of staff of AIFM (including outsourced functions) in relation with Fondul Proprietatea for the financial year ended 30 September 2021, out of which:	689,561	689,561	-	269
(a) Fixed remuneration	523,282	523,282	-	269
(b) Variable remuneration, except for performance fees	166,279	166,279	-	249
- <i>in cash</i>	120,769	120,769	-	
- <i>other forms (restricted stock units and mutual fund units)</i>	45,510	45,510	-	
(c) Variable remuneration representing performance fees	-	-	-	
2. Remuneration paid to the identified staff members (including outsourced functions) in relation with Fondul Proprietatea for the financial year ended 30 September 2021	217,605	217,605	-	
(A) Remuneration paid to members of the board of directors or of the supervisory board:	20,878	20,878	-	
(a) Fixed remuneration	6,710	6,710	-	
(b) Variable remuneration, except for performance fees	7,084	7,084	-	
- <i>in cash</i>	3,709	3,709	-	
- <i>other forms (restricted stock units and mutual fund units)</i>	3,375	3,375	-	
(c) Variable remuneration representing performance fees	-	-	-	
(B) Remuneration paid to Directors/ Senior management out of which:	162,292	162,292	-	
(a) Fixed remuneration	50,602	50,602	-	
(b) Variable remuneration, except for performance fees	55,845	55,845	-	
- <i>in cash</i>	30,743	30,743	-	
- <i>other forms (restricted stock units and mutual fund units)</i>	25,102	25,102	-	
(c) Variable remuneration representing performance fees	-	-	-	
(C) Remuneration paid to members of staff with control responsibilities (compliance, risk management, internal audit)	34,435	34,435	-	
(a) Fixed remuneration	17,053	17,053	-	
(b) Variable remuneration, except for performance fees	8,691	8,691	-	
- <i>in cash</i>	5,262	5,262	-	

Indicators	Amounts relating to the activity carried out in the year 2021 (n) (EUR)	Amounts paid during the year 2021 (n) (EUR)	Amounts payable during the reporting year (n+1) or deferred (EUR)	No. of beneficiaries
- other forms (restricted stock units and mutual fund units)	3,429	3,429	-	
(c) Variable remuneration representing performance fees	-	-	-	
(D) Other functions than those indicated at points A-C, included in identified staff category	-	-	-	
(a) Fixed remuneration	-	-	-	
(b) Variable remuneration, except for performance fees	-	-	-	
- in cash	-	-	-	
- other forms (restricted stock units and mutual fund units)	-	-	-	
(c) Variable remuneration representing performance fees	-	-	-	

Source: FTIS

Annex 2 - FRANKLIN TEMPLETON INTERNATIONAL SERVICES S. AR .L. ("FTIS") REMUNERATION POLICY STATEMENT

Purpose and scope of the Remuneration Policy Statement

FTIS is a management company licensed to manage UCITS funds and Alternative Investment Funds ("AIFs") and licensed to provide MiFID ancillary services to clients.

In accordance with Directive 2009/65/EC and with Directive 2011/61/EU the purpose of this Remuneration Policy Statement is to provide to investors details on FTIS remuneration policy (the "Remuneration Policy"). A paper copy of FTIS Remuneration Policy is available free of charge upon request at our office.

The Remuneration Policy of FTIS has been designed to align the personal objectives of staff with the long term interests of FTIS and the UCITS and AIFs managed by FTIS. It aims at mitigating incentives practices which may encourage employees to take unnecessary risk.

The Policy applies to a certain category of staff called the identified staff which includes members of the Board of Directors, Conducting Officers, members of control functions, risk takers, and any employee with remuneration which takes them into the same bracket as Conducting Officers or risk takers whose activities have a material impact on the risk profiles of the Management Company, AIFM or the UCITS and AIFs it manages.

Description of the structure of remuneration

The remuneration includes a fixed and variable (performance related) component.

Our remuneration policy ensures that performance related pay is designed to reflect success or failure against a range of targets which have appropriate risk-management and risk-mitigation as a key component. These targets include non-financial metrics and both qualitative and quantitative factors in determining actual compensation pay-outs. We consider, in particular, good stewardship and management of sustainability risks in the performance measurement of each member of our investment teams and include compliance with the firm's stewardship and ESG risk integration policies among the non-financial metrics which determines total compensation.

Fixed remuneration: Fixed remuneration is defined as base salary plus material company provided benefits which may include company cars, company pension contributions, private medical insurance premiums and life assurance premiums.

Base salary levels (including benefits) are set with reference to market benchmarking data (third party industry surveys), which are reviewed regularly.

Fixed salaries are set as a sufficiently high proportion of the total remuneration so that FTIS is able to operate a fully flexible bonus policy, including the possibility to pay no bonus.

Variable remuneration: Variable remuneration is defined as annual bonuses paid under the Annual Incentive Plan (AIP), Long Term Awards in the form of performance share grants and Sales Bonus payments. Bonus levels are set with reference to overall corporate and business units performance as well as individual performance achieved in FTIS. Annual bonuses are funded under the corporate Annual Incentive Plan of Franklin Resources Inc., the ultimate parent company ("FRI"). The level of funding is dependent on overall FRI corporate performance and approved by the Compensation Committee of the FRI Board made up of three non-executive members of FRI Board (the "FRI Compensation Committee").

Annual bonus can be paid in cash or FRI shares or a combination of both, subject to restrictions and vesting determined by FRI Compensation Committee.

Sales bonus comprises a structured commission component and a discretionary sales bonus and is paid quarterly. Deferral would be applied in the case of key sales employees who have a material impact on the risk Variable profile of the Management Company, AIFM or the UCITS and AIFs it manages.

Staff can be eligible for a supplemental equity based award which is a specific retention benefit limited to key functional positions.

Measures implemented in order to promote sound and effective risk management, align the interests of the individuals and FTIS and avoid excessive risk taking.

Deferral: Awards to manager level and above are paid in a combination of cash and equity awards. Bonuses at these levels are subject to a deferral which can in case of very large bonuses increase to up to 100%. Vesting occurs over a 3 year period.

Equity portion: The equity portion is awarded as Franklin Resources Inc. stock.

Claw back provisions: Variable remuneration granted or earned can be taken back as a result of special circumstances, e.g. fraud or wilful misconduct on the part of the recipient.

Award process for remuneration: FTIS is part of the Franklin Templeton Investment group. The responsibility for the remuneration process at Franklin Templeton Investments rests with the Compensation Committee of Franklin Resources Inc. (FRI). The FRI Compensation Committee is composed of four non-executive members of the Board of Directors of Franklin Resources Inc. who are independent under applicable corporate governance standards of the New York Stock Exchange. The members of the Compensation Committee throughout fiscal year 2020 were Peter Barker, Seth Waugh, Laura Stein and Mark C Pigott (Chair). All members were non-executive directors of FRI.

The FRI Compensation Committee receives independent advice on remuneration issues from Exequity, LLP.

During the year, the Committee received briefings from Management, including the Group Chief Executive, Head of Human Resources, and General Counsel on the implications of the remuneration policy on risk and risk management.

No individual is involved in decisions relating to his or her own remuneration.

The FRI Compensation Committee meets at least once a quarter and periodically reviews the general principles of the FRI remuneration policy. Each year the FRI Compensation Committee sets the annual incentive compensation plan (AIP) pool by considering in particular factors such as FRI's pre-bonus operating income, the overall company performance (actual and projected) as well as investment performance, profitability growth and the overall market environment.

The AIP recognizes and rewards employees with an opportunity to share in Franklin Templeton's overall success. It is designed to link the achievement of individual and company results with measurable, objective rewards. At the end of each fiscal year, employees are evaluated on their performance measured by an assessment of competencies and achievement against predetermined goals. Incentives awarded through participation in this program are based on a combination of the individual's performance and the company's financial results.

Annex 6

Actual vs. budget analysis for the year ended 31 December 2021

Purpose

This paper presents the most significant variances of the main income and expense categories of Fondul Proprietatea SA (“the Fund”/ “FP”) for the year ended 31 December 2021 compared to the same period budgeted and derived from the 2021 Annual Budget, approved by shareholders on 13 November 2020.

Presentation

The actual vs. budget analysis for the year ended 31 December 2021 was prepared based on IFRS accounting records (statutory basis of accounting), according to FSA¹ Norm 39/28 December 2015, as subsequently amended.

For the actual vs. budget analysis, the income and expense items were categorised to match the budget presentation. The foreign exchange gains/ losses, the gains/ losses from financial instruments at fair value through profit or loss, the gains/ losses on sale of financial instruments, other items of income/ expenses and expenses/ income from reversal of impairment adjustments and provisions are presented on a net basis.

According to the accounting policy, the distribution fees related to buy-backs and other related costs, such as, brokerage fees and regulatory fees are recognised in other comprehensive income.

According to the main assumptions of the 2021 Budget, there are certain categories of income and expenses which cannot be budgeted, such as: foreign exchange gains and losses, revenues and expenses from impairment adjustments, fair value changes, gains or losses and other expenses related to disposal of financial instruments, and other items of income/ expenses. Consequently, this actual vs. budget analysis presents an overview of the non-budgeted items and a detailed explanation for the budgeted items.

According to the 2021 Budget approved by the Fund’s shareholders reclassifications/ reallocations between expense categories may take place during the year with the condition that the total of these expenses (excluding non-budgeted expenses) will meet the overall budgetary limits approved by the General Shareholders Meeting, with the exceptions mentioned in the Budget paper. For the 2021 Budget, reallocations between expense categories were taken into account in accordance with Board of Nominees Decision no. 16/16 December 2021. In addition, an additional reclassification is proposed in this paper to cover mainly the FX differences related to audit fees (differences that arose after the previous reallocation).

¹ Romanian Financial Supervisory Authority

Results

A. Total actual net results

The table below presents an overview of the budgeted/ non-budgeted results for 2021:

<i>RON million</i>	Budget	Actual	Variance
Budgeted items	337.0	559.4	222.4
Non-budgeted items	-	4,453.2	4,453.2
Total profit for the period	337.0	5,012.6	4,675.6

The *actual net result* of the Fund for the year ended 2021 was a profit of RON 5,012.6 million, while the actual result corresponding to the budgeted items was a profit of RON 559.4 million.

The main difference is due to the non-budgeted items which relate to the *net gain from equity instruments at fair value through profit or loss* amounting to RON 4,455.7 million, generated by the positive share price evolution of the Fund's listed holdings, mainly OMV Petrom SA as a result of the positive evolution of this company's share price during the year ended 2021 (increase of RON 537.1 million, share price increase of 37.3%) and by the increase in the value of unlisted holdings in the portfolio following the valuation update process (mainly due to Hidroelectrica SA: RON 3,912.0million).

B. Variances for the budgeted net profit (please see Annex I)

This section presents a detailed analysis of the budgeted items by comparison with the actual results for the same elements. Therefore, the net result under this section should be read as the net result corresponding to the budgeted elements while the reconciliation to the total net result is presented in the previous section.

Net result overview

The *actual net profit* for the year ended 2021 was RON 559.4 million, compared to a budgeted profit of RON 337.0 million.

The main contributor to the actual result recorded in 2021 was the net dividend income (annual dividends and special dividends) amounting to RON 649.0 million and the most significant amounts relate to Hidroelectrica SA, OMV Petrom SA companies and E-Distributie companies.

Income from current activity

Actual total income from current activity for the year 2021 significantly exceeds the budgeted income and the table below presents additional details and explanations for the differences between the budgeted and actual net dividend income received from the portfolio companies:

Portfolio company	Actual net dividend 2021	Budgeted net dividend 2021	Variance	Reason for variance
<i>All amounts in RON</i>				
Hidroelectrica SA	455,991,602	179,652,061	276,339,541	Increase due to special dividends distributed in May 2021 of RON 199.4 million, not included in 2021 Budget, and also due to the higher annual dividend distribution.
OMV Petrom SA	116,726,491	92,206,218	24,520,273	Increase due to special dividends distributed in April 2021 of RON 27.9 million.
E-Distributie Muntenia SA	20,119,813	-	20,119,813	In 2021, the company distributed special dividends of RON 8.6 million and in addition also decided to distribute annual dividends in amount of RON 11.5 million

Portfolio company	Actual net dividend 2021	Budgeted net dividend 2021	Variance	Reason for variance
E-Distributie Banat SA	18,652,284	-	18,652,284	In 2021, the company distributed special dividends of RON 15.0 million and in addition also decided to distribute annual dividend of RON 3.7 million.
Engie Romania SA	17,941,285	6,421,733	11,519,552	Increase of annual dividends due to the increase of 2020 profit.
CN Administratia Porturilor Maritime SA	6,691,538	5,022,199	1,669,339	Increase of annual dividends due to the increase of 2020 profit.
Societatea Nationala a Sarii SA	5,626,066	14,653,939	(9,027,873)	Decrease of annual dividends due to the decrease of the 2020 profit approved by the company's shareholders.
Others	7,244,630	26,084,432	(18,839,802)	Decrease of annual dividends mainly due to Nuclearelectrica SA as the entire holding was sold in 2020 (subsequent to 2021 Budget preparation).
TOTAL	648,993,709	324,040,582	324,953,127	

In addition, the *interest income* was higher by RON 5.0 million in 2021, arising from deposits with banks and from short-term government securities held during the period. The related cash inflows were mainly collected from the disposal of the entire holding in Nuclearelectrica SA and from special dividends, partially offset by the buybacks incurred during the period and by the Fund distributions of dividends. The disposal of assets and collection of special dividends was not budgeted according to the assumptions for the 2021 Budget.

Expenses from current activity

During the year end 31 December 2021, the *actual expenses from current activity* amount to RON 106.3 million and exceed the budgeted expenses of RON 82.7 million. The negative variance is mainly due to the investment management and administration fees which are detailed in the following paragraphs.

Third-party service providers' expenses account for the majority of the Fund's total expenses. The main component of this category relates to the fees due to the Fund Manager (a detailed breakdown of third-party service providers' expenses is shown in *Annex 2*).

During 2021, the total investment management and administration fees were higher by RON 36.4 million, as presented in the table below:

<i>All amounts in RON</i>	Actual	Budgeted	Variance	Reason for variance
Recognised in profit or loss	83,973,405	47,586,561	36,386,844	
Base fee	61,994,838	44,604,210	17,390,628	Due to increase of Fund's average share price during year 2021 to RON 1.7433 per share as opposed to the average share price used in the 2021 Budget of RON 1.2450 per share.
Performance fee	10,064,361	-	10,064,361	No performance fee was estimated in the 2021 Budget. During the year 2021, the discount -varied between lower than 15% (in 95% of the trading days) and between 15% - 20% (in 5% of the trading days). The Fund's shares also traded at a premium in 40 days during 2021.
Distribution fees for special dividends	11,914,206	2,982,351	8,931,855	Increase due to higher distributions per share approved during 2021: (1) RON 0.072 per share in June, (2) RON 0.070 per share in August and (3) RON 0.0600 per share in December 2021, compared with

<i>All amounts in RON</i>	Actual	Budgeted	Variance	Reason for variance
				the amount used in the 2021 Budget of RON 0.05 per share.
Recognised in other comprehensive income	3,267,468	3,794,760	(527,292)	
Distribution fee for buy-back programmes	3,267,468	3,794,760	(527,292)	The decrease is due to the lower average daily trading volume of 0.9 million shares compared with the budgeted average daily trading volumes of 1.2 million shares used in the 2021 Budget, netted off by the increase of Fund's average share price during the year 2021 compared to the 2021 Budget (please see Base fee above).
Total administration fees	87,240,873	51,381,321	35,859,552	

The increase in investment management and administration fees was partially offset by lower costs with legal and litigation assistance in 2021 (by RON 5.2 million).

In addition, *commissions and fees (including FSA fees)* were higher than the Budget due to the higher average NAV during year 2021 (RON 11,429.4 million) compared with the average NAV used in the 2021 Budget (RON 10,383.23 million).

Also, *bank fees and distribution to shareholders fees (including Depositary fees)* were higher than budgeted figures due to the higher average NAV during year 2021 compared with the average NAV used in the 2021 Budget and due to a higher total value of the Fund's holdings during the period, based on which the fees are calculated.

For the expenses categories above, *investment management and administration fees, commissions and fees (including FSA fees)* and *bank fees and distribution to shareholders fees (including Depositary fees)*, the shareholders granted the Fund Manager the power to exceed the budgeted expenses (even if this will result in exceeding the total expenses approved in the 2021 Budget).

Information on expense reallocations

In the Fund's 2021 Budget the following reallocations were performed during the 16 December Board meeting:

- *Insurance expenses*: the actual insurance expenses exceed the budget expenses following the renewal of the mandatory liability insurance for the members of the Board of Nominees (renewal performed in March 2021: increased from EUR 75,000 to EUR 105,000);
- *External audit fee*: The actual external audit fee is higher than the budget due to the supplementary fees required by Deloitte (for ESEF Annual Report review, Remuneration report review and for additions work expected for Bucharest Airports: Legal support, audit consultation, UK team review) and also due to the impact of a negative foreign exchange effect (higher actual EUR/RON exchange rate than estimated in the 2021 Budget);
- *Internal audit*: the actual internal audit fee exceeds the budgeted expenses since starting with 1 April 2021 the fee increased from RON 13,225 per quarter to RON 17,640 per quarter.

In addition to the above, an additional reallocation amounting to RON 11,890 is required to be performed for *External audit fee* category, mainly to cover the additional FX differences. This additional reallocation is already included in the tables presented as appendix to this document.

Capital Expenditure

During the year ended 31 December 2021 the Fund made no investments in tangible or intangible assets.

Other information

Please note that together with the approval of the 2021 Budget in November 2020, the shareholders granted the Fund Manager the power to:

- *exceed the expenses budgeted for investment management and administration fees;*
- *exceed the expenses budgeted for commissions and fees (FSA fees and Depositary bank fees), to the extent arising from the Fund's actual average NAV, the value of assets under custody and/ or volume of portfolio and buy-backs trades in 2021 being higher than the ones assumed in the 2021 Budget;*
- *incur on behalf of the Fund all expenses necessary (e.g. intermediary fees of brokers or investment banks, market authorities' fees, lawyers, public notaries, other advisors' costs, as well as other related expenses, commissions or fees) related to the execution of acquisitions and disposals of equity investments or participation in share capital increases of portfolio companies;*
- *incur on behalf of the Fund all expenses related to the buy-back of the Fund's shares or the equivalent global depositary receipts corresponding to shares of the Fund and their subsequent cancellation (after the approval by shareholders), under any buy-back programme approved by shareholders;*
- *incur on behalf of the Fund any expenses related to bank loans/ credit facilities contracted by the Fund, with Board of Nominees' approval;*
- *incur on behalf of the Fund any expenses related to the potential change of the Fund Manager and Sole Administrator of the Fund (expense incurred by the Board of Nominees);*
- *incur on behalf of the Fund any expenses resulting from the implementation of any regulation applicable to the Fund.*

even if this will result in exceeding the total expenses approved in the 2021 Budget.

Annex 1: 2021 Actual vs. Budget Results

	Budget 2021	Reallocations	Budget 2021 (after reallocations)	Actual 2021	Variance	
	RON	Lei	RON	RON	RON	%
I. INCOME FROM CURRENT ACTIVITY	336,997,861	-	419,717,380	665,669,062	245,951,682	59%
Budgeted income	336,997,861	-	336,997,861	665,669,062	328,671,201	98%
Net dividend income	324,040,582	-	324,040,582	648,993,709	324,953,127	100%
BNY Mellon income*	4,296,475	-	4,296,475	2,968,939	(1,327,536)	-31%
Interest income	8,660,804	-	8,660,804	13,706,414	5,045,610	58%
II. EXPENSES FROM CURRENT ACTIVITY	82,719,519	-	82,719,519	106,301,676	23,582,157	29%
Budgeted expenses	82,719,519	-	82,719,519	106,301,676	23,582,157	29%
Third-party service providers' expenses**	64,694,042	(121,000)	64,573,042	91,397,713	26,824,671	42%
Commissions and fees (including FSA fees)	10,157,139	-	10,157,139	10,951,648	794,509	8%
Investor relations expenses	2,360,909	-	2,360,909	422,579	(1,938,330)	-82%
Public relations expenses	1,398,303	-	1,398,303	686,724	(711,579)	-51%
Board of Nominees remunerations	1,447,380	-	1,447,380	1,434,117	(13,263)	-1%
Bank fees and distribution to shareholders fees (including Depositary fees)	547,909	-	547,909	637,565	89,656	16%
Finance costs	91,250	-	91,250	91,250	-	0%
Amortisation expenses	90,390	-	90,390	-	(90,390)	-100%
Insurance expenses	362,370	121,000	483,370	482,707	(663)	0%
Other expenses	1,569,827	-	1,569,827	197,373	(1,372,454)	-87%
III. GROSS PROFIT/ (LOSS)	254,278,342	-	336,997,861	559,367,386	222,369,525	>100%
Income tax	-	-	-	-	-	n/a
IV. NET PROFIT/ (LOSS)	254,278,342	-	336,997,861	559,367,386	222,369,525	66%
Distribution fee and other costs related to buy- backs recognised in other comprehensive income***	4,140,795	-	4,140,795	4,031,135	(109,660)	-3%
V. CAPITAL EXPENDITURE	542,341	-	542,341	-	(542,341)	-100%
Intangible assets	542,341	-	542,341	-	(542,341)	-100%

Note

For presentation purposes:

*The Bank of New York Mellon – the depositary bank in relation to the global depositary receipts (“GDR”) facility

**Third-party service providers' expenses include also the amounts representing distribution fees related to buy-backs which, according to the accounting policy, are recognised in other comprehensive income during the period.

***The distribution fee and other costs related to the buy-backs, such as, brokerage fees and regulatory fees, are recognised directly in equity as buy-backs acquisition cost while the distribution fee related to dividend distributions to shareholders is recognised through profit and loss

Annex 2: 2021 Actual vs. Budget - Detail of Third-Party Service Providers' Expenses

	Budget 2021	Reallocations	Budget 2021 (after reallocations)	Actual 2021	Variance	
	RON	RON	RON	RON	RON	%
Third-party service providers' expenses	64,694,042	(121,000)	64,573,042	91,397,713	26,824,671	42%
Investment management and administration fees	47,586,561		47,586,561	83,973,405	36,386,844	76%
Legal and litigation assistance (including stamp duty expenses for litigations)	8,549,229		8,549,229	3,371,945	(5,177,284)	-61%
Portfolio holdings valuation	2,039,270		2,039,270	1,641,202	(398,068)	-20%
GSM organisation	714,000		714,000	56,913	(657,087)	-92%
Tax compliance and tax advisory expenses	566,336		566,336	341,413	(224,923)	-40%
Software maintenance and support fees	300,676		300,676	240,229	(60,447)	-20%
External audit	527,588	121,890	649,478	649,478	-	0%
Trade Register and Official Gazette expenses	261,800		261,800	2,580	(259,220)	-99%
Internal audit	73,423	20,000	93,423	92,683	(740)	-1%
Other third-party service providers' expenses	4,075,159	(262,890)	3,812,269	1,027,865	(2,784,404)	-73%



**FRANKLIN
TEMPLETON**

FONDUL
PROPRIETATEA

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